UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended August 31, 2020

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number **0-8814**

PURE CYCLE CORPORATION

(Exact name of registrant as specified in its charter)

Colorado	**84-0705083**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
34501 E. Quincy Avenue, Bldg. 34, Watkins, CO	**80137**
(Address of principal executive offices)	(Zip Code)

(303) 292 – 3456
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock 1/3 of $.01 par value	**PCYO**	**The NASDAQ Stock Market**
(Title of each class)	(Trading Symbol(s))	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐
Non-accelerated filer ☒

Accelerated filer ☐
Smaller reporting company ☒
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $191,563,737

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: October 29, 2020 - 23,868,216

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III is incorporated by reference from the registrant's definitive proxy statement for the Annual Meeting of Shareholders to be held in January 2021, which will be filed with the Securities and Exchange Commission within 120 days of the close of the fiscal year ended August 31, 2020.

Table of Contents

FORWARD-LOOKING STATEMENTS

Statements that are not historical facts contained in this Annual Report on Form 10-K, or incorporated by reference into this Annual Report on Form 10-K, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The words "anticipate," "seek," "project," "future," "likely," "believe," "may," "should," "could," "will," "estimate," "expect," "plan," "intend" and similar expressions, as they relate to us, are intended to identify forward-looking statements. Forward-looking statements include statements relating to, among other things:

- future water supply needs in Colorado and how such needs will be met;
- anticipated increases in residential and commercial demand for water services and competition for these services;
- estimated population increases in the Denver metropolitan area and the South Platte River basin;
- plans for, and the efficiency of, development of our Sky Ranch property;
- our competitive advantage;
- the impact of individual housing and economic cycles on the number of connections we can serve with our water;
- the number of new water connections needed to recover the costs of our water supplies;
- the number of units planned for development at Sky Ranch;
- the timing of the completion of construction of finished lots at Sky Ranch;
- the number of lots expected to be delivered in a fiscal period;
- anticipated start of construction of the second filing at Sky Ranch;
- anticipated financial results from development of our Sky Ranch property;
- timing of and interpretation of royalties to the State Board of Land Commissioners;
- participation in regional water projects, including "WISE" and the timing and availability of water from, and projected costs related to, WISE;
- increases in future water tap fees;
- our ability to collect fees and charges from customers and other users;
- the estimated amount of reimbursable costs for Sky Ranch and the collectability of reimbursables;
- anticipated timing and amount of, and sources of funding for, (i) capital expenditures to construct infrastructure and increase production capacities, (ii) compliance with water, environmental and other regulations, and (iii) operations, including delivery and treatment of water and wastewater;
- capital required and costs to develop Sky Ranch;
- anticipated development of other filings concurrently with the second filing of Sky Ranch;
- plans to provide water for drilling and hydraulic fracturing of oil and gas wells;
- changes in oil and gas drilling activity on our property, on the Lowry Range, or in the surrounding areas;
- estimated costs of earthwork, erosion control, streets, drainage and landscaping at Sky Ranch;
- the anticipated revenues from customers in the Rangeview and Sky Ranch Districts;
- plans with respect to mineral interests;
- plans for the use and development of our water assets and potential delays;
- factors affecting demand for water;
- our ability to meet customer demands in a sustainable and environmentally friendly way;
- our ability to reduce the amount of up-front construction costs for water and wastewater systems;
- costs and plans for treatment of water and wastewater;
- anticipated number of deep-water wells required to continue expanding and developing our Rangeview Water Supply;
- capital expenditures for investing in expenses and assets of the Rangeview District;
- regional cooperation among area water providers in the development of new water supplies and water storage, transmission and distribution systems as the most cost-effective way to expand and enhance service capacities;
- plans to drill water walls into aquifers located beneath the Lowry Range and the timing and estimated costs of such a build out;
- sufficiency of tap fees to fund infrastructure costs of the Rangeview District;
- our ability to assist Colorado "Front Range" water providers in meeting current and future water needs;
- plans to use raw water, effluent water or reclaimed water for agricultural and irrigation uses;
- factors that may impact labor and material costs;
- use of third parties to construct water and wastewater facilities and Sky Ranch lot improvements;
- plans to utilize fixed-price contracts;
- estimated supply capacity of our water assets;
- our belief that we have exceeded, and will continue to exceed, market expectations with the delivery of our lots at Sky Ranch;
- our ability to comply with permit requirements and environmental regulations and the cost of such compliance;
- the impact of water quality, solid waste disposal and environmental regulations on our financial condition and results of operations;
- negotiation of payment terms for fees;
- the impact of COVID-19;
- the impact of any downturn in the homebuilding and credit markets on our business and financial condition;
- future fluctuations in the price and trading volume of our common stock;

- loss of key employees and hiring additional personnel for our operations;
- the recoverability of water and wastewater service costs from rates;
- our belief that we are not a public utility under Colorado law;
- the adequacy of the provisions in the "Lease" for the Lowry Range to cover present and future circumstances;
- our ability to successfully maintain our "conditional decrees" and continue to develop our Lowry Range surface rights;
- environmental clean-up at the Lowry Range by the U.S. Army Corps of Engineers;
- plans to retain earnings and not pay dividends;
- forfeitures of option grants, vesting of non-vested options and the fair value of option awards;
- the sufficiency of our working capital and financing sources to fund our operations;
- estimated costs of public improvements to be funded by Pure Cycle and constructed on behalf of the Sky Ranch Community Authority Board;
- changes in unrecognized tax positions;
- service life of constructed facilities.
- accounting estimates and the impact of new accounting pronouncements;
- the effectiveness of our disclosure controls and procedures and our internal controls over financial reporting;
- our belief that we have remediated previously disclosed material weaknesses; and
- timing of the filing of our proxy statement.

Forward-looking statements reflect our current views with respect to future events and are subject to certain risks, uncertainties, and assumptions. There are no assurances that any of our expectations will be realized and actual results could differ materially from those in such statements. Factors that could cause actual results to differ from those contemplated by such forward-looking statements include, without limitation:

- outbreaks of disease, including the COVID-19 pandemic, and related stay-at-home orders, quarantine policies and restrictions on travel, trade and business operations;
- political and economic instability, whether resulting from natural disasters, wars, terrorism, pandemics or other sources;
- the ability to continue new home construction in the event the home builders' employees or our land development employees are quarantined due to the impact of the COVID-19;
- the timing of new home construction and other development in the areas where we may sell our water, which in turn may be impacted by credit availability;
- population growth;
- changes in employment levels, job and personal income growth and household debt-to-income levels;
- changes in consumer confidence generally and confidence of potential home buyers in particular;
- the ability of existing homeowners to sell their existing homes at prices that are acceptable to them;
- changes in the supply of available new or existing homes and other housing alternatives, such as apartments and other residential rental property;
- timing of oil and gas development in the areas where we sell our water;
- general economic conditions, including the continued impact of COVID-19;
- the market price of water, oil and gas;
- changes in customer consumption patterns, including as a result of stay-at-home orders;
- changes in applicable statutory and regulatory requirements;
- changes in governmental policies and procedures, including with respect to land use and environmental and tax matters;
- changes in interest rates;
- changes in private and federal mortgage financing programs and lending practices;
- uncertainties in the estimation of water available under decrees;
- uncertainties in the estimation of costs of delivery of water and treatment of wastewater;
- uncertainties in the estimation of the service life of our systems;
- uncertainties in the estimation of costs of construction projects;
- the strength and financial resources of our competitors;
- our ability to find and retain skilled personnel;
- climatic and weather conditions, including floods, droughts and freezing conditions;
- turnover of elected and appointed officials and delays caused by political concerns and government procedures;
- availability and cost of labor, material and equipment;
- engineering and geological problems;
- environmental risks and regulations;
- our ability to raise capital;
- our ability to negotiate contracts with customers;
- uncertainties in water court rulings;
- security and data breaches, including unauthorized access to confidential information on our information technology systems; and
- the factors described under "Risk Factors" in this Annual Report on Form 10-K.

We undertake no obligation, and disclaim any obligation, to publicly update or revise any forward-looking statements, whether because of new information, future events or otherwise. All forward-looking statements are expressly qualified by this cautionary statement.

PART I

Item 1 – Business

Pure Cycle Corporation was incorporated in Delaware in 1976 and reincorporated in Colorado in 2008. Unless otherwise specified or the context otherwise requires, any reference to the "Company," "we," "us" or "our" is to Pure Cycle Corporation and its subsidiaries on a consolidated basis.

Background

We are a diversified land and water resource development company. At our core we are an innovative and vertically integrated water and wastewater service provider that owns and develops a valuable portfolio of water rights in a water short region. In conjunction with developing water rights which culminates in providing water and wastewater services to customers, we also develop master planned communities creating value and opportunity for water customers, investors, homeowners, and businesses along the busy I-70 corridor of the Denver metropolitan area. We believe our water resources, land, and infrastructure, located in southeastern Denver, are positioned in one of the most attractive development areas of the Denver metropolitan region and will provide favorable investment returns. The eastern I-70 corridor is experiencing substantial growth which we believe will continue over several decades.

We are developing the Sky Ranch Master Planned Community located along the eastern I-70 corridor (see map below). Sky Ranch is planned to include up to 3,200 single family and multifamily homes, parks, open spaces, trails, recreational centers, schools, and over two million square feet of retail, commercial and light industrial space, all of which will be serviced by our water and wastewater resource development segment.

Our land development activities provide a strategic complement to our water and wastewater resource development business because a significant component of any master planned community is providing high quality domestic water, irrigation water, and wastewater services to the community. Having control over the water resources in conjunction with developing the land enables us to efficiently build and maintain infrastructure for potable water and irrigation water distribution, wastewater and storm water collection, roads, parks, open spaces, and other investments. It also enables us to essentially align construction and delivery of these investments with phased take-down commitments from our home builder customers, minimizing significant excess capacity or downtime in these significant investments. By being the landowner, land developer, and water/wastewater provider, we believe we can offer a more efficient development process, with more competitive lot pricing, which results in a more affordable and marketable product.

Our water and land assets are designed, constructed, operated, and maintained by us. Our water and land activities are each a distinct line of business which are operated as separate, but cohesive segments within the Company. We refer to these segments as our water and wastewater segment and our land development segment, both of which are described in more detail below.

Water and Wastewater Resource Development Segment

We operate our water and wastewater resource development segment on a vertically integrated basis. Specifically, we own or control the water and infrastructure required to (i) withdraw, treat, store and deliver water (i.e., water rights, wells, diversion structures, pipelines, reservoirs and treatment facilities required to extract and use the water); (ii) collect, treat, store and reuse wastewater (i.e., we design, build, and operate water treatment and wastewater reclamation facilities); and (iii) treat and deliver reclaimed water for irrigation use (i.e., we use and reuse our valuable water supplies through non-potable irrigation systems to irrigate parks and open spaces).

Our water supplies, which can be used in our exclusive service area and other areas along the eastern I-70 corridor, enable us to add significant value to our land development segment by bringing water to land that does not have water for development and enhance the value of that land, as well as our water resources, to a greater extent than either a traditional water utility or land developer can. Having a valuable portfolio of water in a water short region provides us with a competitive advantage over other land developers who may be required to buy expensive water, pay significant fees to another water provider, in lieu of buying water, and/or wait for a city to annex property and extend costly water and wastewater infrastructure to the property before development can begin. Having our own water supply gives us more control over the land development process and the ability to capitalize on the value of our water rights, as well as enhances the value of the land to which we provide our water. In addition, we have significant in-house expertise in engineering, operations, and land development which allows us to take a hands-on approach to the water and land development process.

We mainly provide wholesale water and wastewater services to local governmental entities that in turn provide residential and commercial water and wastewater services to customers in their communities. Our largest customer is the Rangeview Metropolitan District ("Rangeview District"). We have the exclusive right to provide water and wastewater services to the Rangeview District's customers in its exclusive 24,000-acre service area in southeast Denver metropolitan area pursuant to various agreements that are described in greater detail below. As of August 31, 2020, through the Rangeview District, we provide service to 649 single family equivalent ("SFE") water connections and 384 SFE wastewater connections. These connections are located mainly in the southeastern metropolitan Denver area on the Lowry Range, at our Sky Ranch development and other nearby areas where we have acquired service rights. With the water rights we own and control, we believe we can serve over 60,000 SFEs. An SFE is a customer, whether residential, commercial, or industrial, that imparts a demand on our water or wastewater systems like the demand of a family of four persons living in a single-family house on a standard sized lot. One SFE is assumed to have a water demand of approximately 0.4 acre-feet per year and to contribute wastewater flows of approximately 300 gallons per day. An acre foot of water is approximately 326,000 gallons of water, or enough water to cover an acre of ground with one foot of water. For some instances herein, as context dictates, the term "acre-feet" is used to designate an annual decreed amount of water available during a typical year.

In addition to our domestic customers, we provide raw water for oil and gas operations. Multiple operators lease more than 135,000 acres in and adjacent to our service area with more than 100 wells and miles of oil and gas collection lines. Sales of water to industrial customers in the oil and gas industry are unpredictable and fluctuate dramatically. After several years of significant activity throughout our service area, beginning around March 2020, demand for water from the oil and gas industry dropped precipitously due to low oil and gas prices caused by increased world-wide production and decreased demand due to stay-at-home orders resulting from the coronavirus ("COVID-19") pandemic.

Land Development Segment

In 2010, at a time when real estate prices were severely depressed due to the credit crisis the United States endured from 2007 until 2012, we purchased approximately 930 acres of land known as Sky Ranch. We acquired Sky Ranch with the intention of selling lots to national home builders in order to add value to our core water and wastewater operations by adding the ultimate purchasers of the homes as our water customers. In June 2017, we entered into agreements with three national home builders to sell the initial 506 residential lots at Sky Ranch. As of August 31, 2020, we have delivered 483 finished lots. The remaining finished lots were delivered on November 3, 2020. As of October 31, 2020, these home builders have built and sold over 315 homes at Sky Ranch. Based on current sales levels, we believe homes in this initial filing will be sold out by the end of calendar 2021, which is nearly two-years ahead of forecast. In December 2020, we plan to begin construction on the second filing at Sky Ranch. We anticipate that this filing will be platted for nearly 900 lots for residential units.

Subsequent to August 31, 2020, we entered into agreements with four national home builders to sell 789 finished lots for building attached and detached single-family residential homes in the second filing of Sky Ranch. We expect construction of the second filing at Sky Ranch will begin in December 2020. The second filing is planned to be developed in four sub-phases. We believe it will take three years to complete all construction and sell the finished lots, depending on market conditions.

Our Water Assets

We use our valuable and growing inventory of water and land assets to conduct our water and land development operations. Our water assets are summarized in the table below and further discussed in this section:

Summary Water Assets Table

Water Source	Groundwater (acre-feet)	Surface Water (acre-feet)	Other Water Rights (acre-feet)	Total acre-feet
Rangeview Water Supply				
Export (1)	11,650	1,650	—	13,300
Non-Export (2)	12,035	1,650	—	13,685
Fairgrounds	321	—	—	321
Sky Ranch	828	—	—	828
Lost creek supply	—	300	220	520
WISE (3)	—	900	—	900
Total	24,834	4,500	220	29,554

(1) Pending completion by the "Land Board" (defined below) of documentation related to the exercise of our right to substitute 1,650 acre-feet of our groundwater for a comparable amount of surface water.
(2) We have the exclusive right to use this water to provide water services to customers on the Lowry Range, which is described further below.
(3) Amount of WISE water available for our use various by year and is described in greater detail below.

We capitalize costs associated with obtaining, defending, enhancing, and developing our water rights. We capitalize costs incurred to construct infrastructure required to deliver water and wastewater services to our customers, and we capitalize costs to develop our land assets that are not sold to home builders.

Rangeview Water Supply

The Rangeview Water Supply consists of 26,985 acre-feet of tributary surface water, non-tributary groundwater, and not non-tributary groundwater. Additionally, the Rangeview Water Supply has 26,000 acre-feet of adjudicated reservoir sites. Terminology typically used in the water industry that may help readers understand water rights are detailed below.

- Non-Tributary Groundwater – groundwater located outside the boundaries of any designated groundwater basins in existence on January 1, 1985, the withdrawal of which will not, within one hundred years of continuous withdrawal, deplete the flow of a natural stream at an annual rate greater than one-tenth of one percent of the annual rate of withdrawal.

- Not Non-Tributary Groundwater – statutorily defined as groundwater located within those portions of the Dawson, Denver, Arapahoe, and Laramie Fox-Hill aquifers outside of designated basins that does not meet the definition of "non-tributary."

- Tributary Groundwater – all water located in an aquifer that is hydrologically connected to a natural stream such that depletion has an impact on the surface stream.

- Tributary Surface Water – water on the surface of the ground flowing in a stream or river system.

The Rangeview Water Supply is principally located in the southeast Denver metropolitan area at the "Lowry Range," which is land owned by the State Board of Land Commissioners ("Land Board") and is described below.

We acquired our Rangeview Water Supply through the following agreements:

- The 1996 Amended and Restated Lease Agreement between the Land Board and the Rangeview District, which was superseded by the 2014 Amended and Restated Lease Agreement, dated July 10, 2014 (the "Lease"), among us, the Land Board, and the Rangeview District;

- The 1996 Service Agreement between us and the Rangeview District, which was superseded by the Amended and Restated Service Agreement, dated July 11, 2014, between us and the Rangeview District (the "Lowry Service Agreement"), which provides for the provision of water service to the Rangeview District's customers located on the Lowry Range;

- The Agreement for Sale of non-tributary and not non-tributary groundwater between us and the Rangeview District (the "Export Agreement"), pursuant to which we purchased a portion of the Rangeview Water Supply that we refer to as our "Export Water" because the Export Agreement allows us to export this water from the Lowry Range to supply water to nearby communities; and

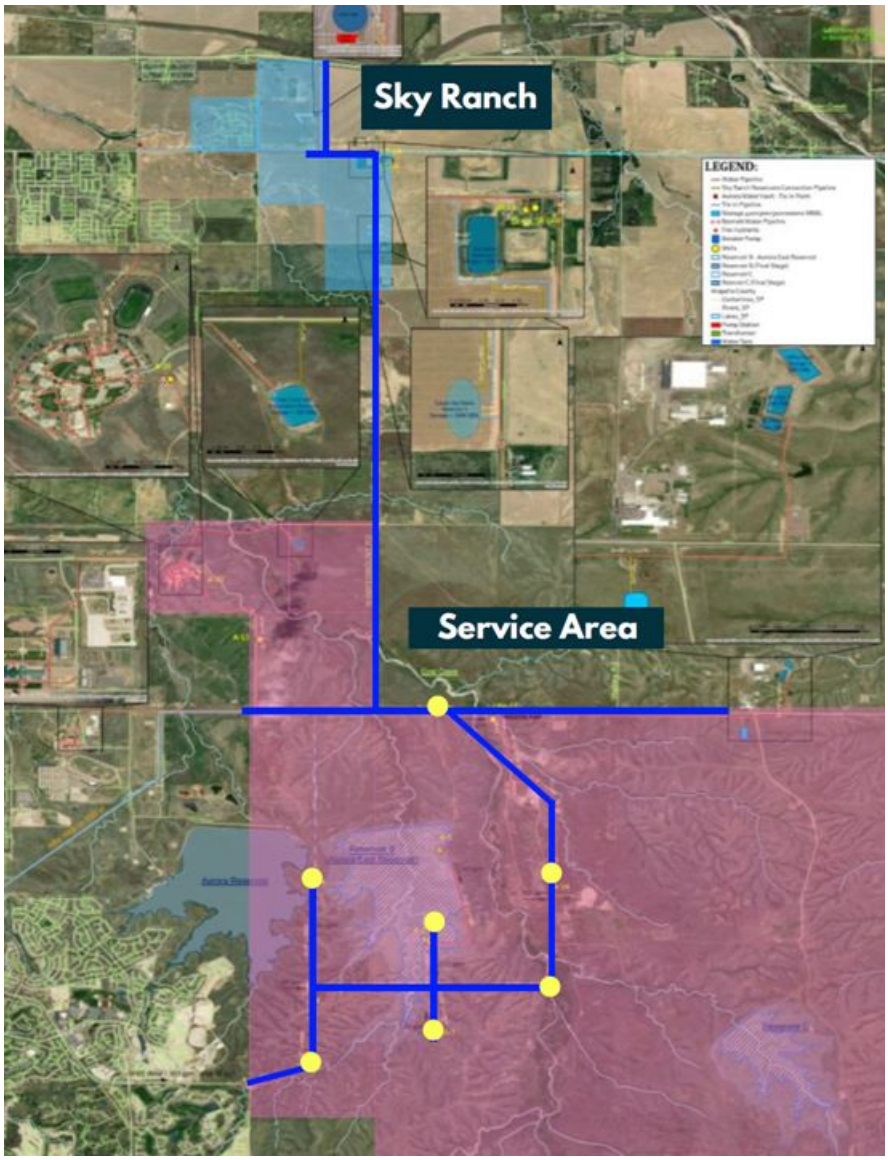
- The 1997 Wastewater Service Agreement between us and Rangeview District (the "Lowry Wastewater Agreement"), which allows us to provide wastewater service to the Rangeview District's customers on the Lowry Range.

The Lease, the Lowry Service Agreement, the Export Agreement, and the Lowry Wastewater Agreement are collectively referred to as the "Rangeview Water Agreements."

Additionally, in August 2019, we purchased approximately 300 acre-feet of fully consumptive surface water in the Lost Creek Designated Ground Water Basin ("Lost Creek Water"). The Lost Creek Water is currently adjudicated for agricultural use, and we have filed an application with the Colorado water court to change the use of the water to augment our municipal/industrial water supplies at the Lowry Range. We have consolidated our Lost Creek Water with our Rangeview Water Supply to provide service to the Rangeview District's customers both on and off the Lowry Range.

Pursuant to service agreements with Rangeview (including the Lowry Service Agreement, the Lowry Wastewater Agreement and the Non-Lowry Service Agreement described below), we design, construct, operate and maintain the Rangeview District's water and wastewater systems that are used to provide water and wastewater services to the Rangeview District's customers located within the Rangeview District's exclusive service area, and other approved areas. Subject to the terms and conditions of our agreements with the Rangeview District, we are the exclusive water and wastewater provider to the Rangeview District's customers. For the Rangeview District's customers located on the Lowry Range, we operate both the water and the wastewater systems during our contract period on behalf of the Rangeview District, which owns the facilities for both systems. At the expiration of our contract term in 2081, ownership of the water system facilities located on the Lowry Range used to deliver water to customers on the Lowry Range will revert to the Land Board, with the Rangeview District retaining ownership of any wastewater facilities located on the Lowry Range. The water system and related facilities used to deliver water to customers off the Lowry Range (including Export Water) will remain with us and the Rangeview District. We provide wholesale water service and wastewater service to customers located both on and outside of the Lowry Range, including customers of the Rangeview District and other governmental entities, and industrial and commercial customers.

The Rangeview Water Agreements grant us the right to use approximately 26,000 acre-feet of surface reservoir capacity to provide water service to customers both on and off the Lowry Range.



The Lowry Range Property

The Lowry Range consists of nearly 26,000 acres, or 40 square miles, of primarily undeveloped land in unincorporated Arapahoe County. It is located 20 miles southeast of downtown Denver and is one of the largest contiguous parcels under single ownership next to a major metropolitan area in the United States. Pursuant to our agreements with the Land Board, we, together with the Rangeview District, have the exclusive rights to provide water and wastewater services to 24,000 acres of the Lowry Range.

The Rangeview District

The Rangeview District is a quasi-municipal corporation and political subdivision of the State of Colorado formed in 1986 for the purpose of providing water and wastewater services to the Lowry Range and other approved areas. The Rangeview District is governed by an elected board of directors. Eligible voters and persons eligible to serve as directors of the Rangeview District must own an interest in property within the boundaries of the Rangeview District. We own certain rights and real property interests which encompass the current boundaries of the Rangeview District. The current directors of the Rangeview District are Mark W. Harding (our President, Chief Executive Officer, and a director), Kevin B. McNeill (our Vice President and Chief Financial Officer), Scott E. Lehman (an employee of ours), Dirk Lashnits (an employee of ours), and one independent board member. Pursuant to Colorado law, directors may receive $100 for each board meeting they attend, up to a maximum of $1,600 per year. Messrs. Harding, McNeill, Lehman, and Lashnits have all elected to forego these payments.

Land Board Royalties and Fees

Water Deliveries – Pursuant to the Rangeview Water Agreements, the Land Board is entitled to royalty payments based on a percentage of revenues earned from water sales that use the Rangeview Water Supply. The calculation of royalties depends on the location of the customer and whether the customer is a public or private entity. The Land Board does not receive a royalty from wastewater services. When we develop, operate and deliver water from our Rangeview Water Supply, the Land Board receives royalties on the gross revenues at a rate of 12% from water delivered to all customers located on the Lowry Range and to all private customers located off the Lowry Range and 10% from public entity customers located off the Lowry Range. In the event that (i) metered production of water used on the Lowry Range in any calendar year exceeds 13,000 acre-feet or (ii) 10,000 acres of land on the Lowry Range have been rezoned to non-agricultural use, finally platted and water tap agreements have been entered into with respect to all improvements to be constructed on such acreage, the Land Board may elect, at its option, to receive (in lieu of its royalty of 12% from customers on the Lowry Range), 50% of the collective net profits (ours and the Rangeview District's) derived from the sale or other disposition of water on the Lowry Range. To date, neither of these conditions has been met, and such conditions are not likely to be met any time soon. In addition to royalties on the sale of metered water deliveries, the Land Board will receive a royalty of two percent (2%) of the gross amount received from the sale of water taps to be served by the Rangeview Water Supply, except for the sale of any taps to Sky Ranch. Escalated royalties will be owed if we sell our Export Water outright rather than delivering water service. We do not currently anticipate selling our Export Water.

Annual Production Fee – We are also required to pre-pay the Land Board a minimum annual water royalty of $46,000 per year, which is credited against earned royalties.

Annual Rent – We pay the Land Board annual rent under the Lease of $7,600, which amount is increased every five years based on the Consumer Price Index for Urban

Consumers.

South Metropolitan Water Supply Authority ("SMWSA") and Water Infrastructure Supply Efficiency Partnership ("WISE")

SMWSA is a municipal water authority in Colorado organized to pursue the acquisition and development of water supplies on behalf of its members, which include the Rangeview District. SMWSA members include 14 Denver area water providers in Arapahoe and Douglas Counties. Pursuant to certain agreements between us and the Rangeview District, we agreed to provide funding to enable the Rangeview District to acquire rights to water projects undertaken by SMWSA, including rights to water supplied pursuant to the cooperative water project known as WISE. WISE provides for the purchase and construction of infrastructure (such as pipelines, water storage facilities, water treatment facilities, and other appurtenant facilities) to deliver water to and among the 10 members of the South Metro WISE Authority ("SMWA"), consisting of the Rangeview District and nine other SMWSA members, from the City and County of Denver acting through its Board of Water Commissioners ("Denver Water") and the City of Aurora acting by and through its utility enterprise ("Aurora Water"). In exchange for funding the Rangeview District's WISE obligations, we have the exclusive right to use and reuse the Rangeview District's share of WISE water (approximately 9%) and infrastructure to provide water service to the Rangeview District's customers and to receive the revenue from providing those services. Our current WISE subscription entitles us to approximately three million gallons per day of transmission pipeline capacity and increasing acre-feet of water per year as noted below.

Water Year (June 1 – May 31)	Acre-feet Subscription
2021	400
2022	500
2023	600
2024	700
2025	800
Thereafter	900

The cost of the water to the members is based on the water rates charged by Aurora Water and can be adjusted each January 1. As of January 1, 2020, WISE water was $5.77 per thousand gallons and such rate will remain in effect through calendar 2021. In addition, we pay certain system operational and construction costs. If a WISE member, including the Rangeview District, does not need its WISE water each year or a member needs additional water, the members can trade and/or buy and sell water amongst themselves. During the fiscal year ended August 31, 2020, the Company, through the Rangeview District, purchased an additional 400 acre-feet of WISE water for $582,200, which amount is in addition to the subscription described above.

During the years ended August 31, 2020 and 2019, we provided $2.8 million and $1.5 million of financing to the Rangeview District to fund the Rangeview District's obligation to purchase WISE water rights and pay for operational and construction charges. Ongoing funding requirements are dependent on the WISE water subscription amount and the Rangeview District's allowable share of the operational and overhead costs of SMWA and construction activities related to delivery of WISE water.

East Cherry Creek Valley System

Pursuant to a 1982 agreement, the Rangeview District may purchase water from East Cherry Creek Valley Water and Sanitation District's ("ECCV") Land Board system. ECCV's Land Board system is comprised of eight wells and more than ten miles of buried water pipeline located on the Lowry Range. In May 2012, we entered into an agreement to operate and maintain the ECCV facilities allowing us to utilize the system to provide water to commercial and industrial customers, including hydraulic fracturing for oil and gas wells. The agreement allows us to use the ECCV system through April 30, 2032, in exchange for a flat monthly fee and a fee per 1,000 gallons of water produced from ECCV's system, which is included in the water usage fees charged to customers.

Sources of Water and Wastewater Service Revenues

Our water and wastewater segment generates revenue from the following sources, described in greater detail below:

- Monthly water usage and wastewater treatment fees
- One-time water and wastewater tap (connection) fees
- Construction and special facility funding fees
- Consulting fees; and
- Industrial – oil and gas operations fees.

Monthly Water Usage and Wastewater Treatment Fees

Monthly water usage fees are assessed to customers based on actual metered deliveries each month. Water usage fees are based on a tiered pricing structure that provides for higher prices as customers use greater amounts of water. The water usage fees for customers on the Lowry Range are noted in the table below:

Current Lowry Range Tiered Water Usage Pricing Structure

Base charge per SFE per month	$	32.74
Price ($ per thousand gallons used per month)		
0 gallons to 15,000 gallons	$	4.63
15,001 gallons to 30,000 gallons	$	8.10
30,001 gallons and above	$	9.95

The figures in the table above reflect the amounts charged to the Rangeview District's end-use customers on the Lowry Range. Pursuant to the Lease, the amounts charged by the Rangeview District to its end-use customers on the Lowry Range cannot exceed the average of similar rates and charges of three surrounding municipal water and wastewater service providers. In exchange for providing water service to the Rangeview District's Lowry Range customers, we receive 98% of the usage charges received by the Rangeview District relating to water services after deducting the required royalty to the Land Board (described above at Rangeview Water Supply – *Land Board Royalties and Fees*).

The amounts charged by the Rangeview District to its end-use customers off the Lowry Range are determined pursuant to the Rangeview District's service agreements with such customers and such rates may vary. In exchange for providing water service to the Rangeview District's customers off the Lowry Range, we receive 98% of the usage charges received by the Rangeview District relating to water services after deducting any required royalty to the Land Board. The royalty to the Land Board is required for water service provided utilizing our Rangeview Water Supply, which includes most of our current customers off the Lowry Range except those at the Elbert & Highway 86 Commercial District (also known as "Wild Pointe" described below).

We sell bulk water at a rate of $14.76 per thousand gallons to commercial and industrial customers through the use of hydrant meters.

We also collect other immaterial fees and charges from customers and other users to cover miscellaneous administrative and service expenses, such as application fees, review fees, reinspection fees, and permit fees.

In exchange for providing wastewater services, we receive 90% of the Rangeview District's monthly wastewater treatment fees, as well as the right to use or sell the reclaimed water.

Water and Wastewater Tap Fees

We generate significant revenues from fees charged to customers to connect to our water and wastewater systems. These fees are known as tap fees. The tap fee is a non-refundable fee that is payable typically at the time a building permit is granted for construction of a home or business and authorizes the property to connect to the water or wastewater system. Once granted, the right stays with the property. We have no obligation to physically connect the property to the lines. Once connected to the water and/or wastewater systems, the customer has live service to receive metered water deliveries from our system and send wastewater into our system. Thus, the customer has full control of the connection right as it can obtain all the benefits from this right. Our systems are "wholesale facilities," namely those assets used to deliver water and wastewater to a service area or major regions or portions thereof. Wells, treatment plants, pump stations, tanks, reservoirs, transmission pipelines, and major sewage lift stations are typical examples of wholesale facilities.

The Rangeview District's 2020 water tap fees are $27,209 per SFE, and its wastewater tap fees are $4,752.

In exchange for providing water service to the Rangeview District's customers using the Rangeview Water Supply (other than taps to Sky Ranch, which are exempt), we receive 98% of the Rangeview District's tap fees and the Land Board receives the remaining two percent as a royalty. In exchange for providing wastewater services, whether to customers on or off the Lowry Range, we receive 100% of the Rangeview District's wastewater tap fees.

Construction and Special Facility Funding Fees

Construction and Special Facility Funding fees are fees we receive, typically in advance, from developers for us to build infrastructure that is normally the responsibility of the developer because the facilities service only the developer's property. Those type of facilities may include retail facilities, which distribute water to and collect wastewater from an individual subdivision or a community, and special facilities, which are required to extend services to an individual development and are not otherwise classified as a typical wholesale facility or retail facilities. Temporary infrastructure required prior to construction of permanent water and wastewater systems or transmission pipelines to transfer water from one location to another are examples of special facilities. Once we certify that the special facilities have been constructed in accordance with our design criteria, the developer dedicates the special facilities to the Rangeview District, and we operate and maintain the facilities on behalf of Rangeview.

Consulting Fees

Consulting fees are fees we receive, typically monthly, from municipalities and area water providers for whom we provide contract operation services.

Industrial – Oil and Gas Operations Fees

We provide water for oil and gas operators that are performing hydraulic fracturing, mainly in the Niobrara Formation around our service area and our Sky Ranch property. These fees are paid based on the metered gallons of water delivered. Oil and gas drilling in our area is affected by the price of oil and state, local and federal government regulations. The number of wells drilled vary from year to year. Each well utilizes between 10 and 20 million gallons of water during the hydraulic fracturing process, which equates to selling water to between approximately 100 and 200 homes for an entire year. With a large percentage of the acreage surrounding the Lowry Range in Arapahoe, Adams, Elbert, and portions of Douglas Counties already leased by oil companies, we anticipate continuing to provide water for drilling and hydraulic fracturing in the future.

Service to Customers Not on the Lowry Range

In addition to customers on the Lowry Range, we have an exclusive agreement with the Rangeview District to provide water and wastewater service, including the design, construction, operation and maintenance of water and wastewater systems to serve the Rangeview District's customers located outside the Lowry Range service area (for example Wild Pointe and Sky Ranch) (the "Non-Lowry Service Agreement"). In exchange for providing water and wastewater services to the Rangeview District's customers that are not on the Lowry Range, we receive 100% of water and wastewater tap fees, 98% of the water usage fees, and 90% of the monthly wastewater service and usage fees received by the Rangeview District from these customers, after deduction of royalties due to the Land Board, if applicable (i.e., if we use a portion of the Rangeview Water Supply, such as the Export Water, to provide service to such customers). We are currently not using the Rangeview Water Supply at Sky Ranch, but we may do so in the future, in which case water usage fees to be collected for such service would become subject to the Land Board royalty.

Sky Ranch Water and Wastewater Service – As described in more detail below, we are developing approximately 930 acres of land as a Master Planned Community known as Sky Ranch. Pursuant to the Non-Lowry Service Agreement, we are the exclusive provider of water and wastewater services to future residents of the Sky Ranch development.

Wild Pointe – Elbert & Highway 86 Commercial Metropolitan District – In 2017, we entered into an agreement with the Rangeview District, which had entered into an agreement with Elbert & Highway 86 Commercial Metropolitan District (the "Elbert 86 District") to operate and maintain a water system for residential and commercial customers at the Wild Pointe development in Elbert County. The water system includes two deep water wells, a pump station, treatment facility, storage facility, over eight miles of transmission lines, and over 450 acre-feet of water rights serving Wild Pointe. We provided $1.6 million in funding to acquire the exclusive rights to operate and maintain all the water facilities in exchange for payment of the remaining residential and commercial tap fees and annual water use fees. Service to Wild Pointe is governed by the Non-Lowry Service Agreement.

Our Land Development Assets – Sky Ranch

In 2010, we purchased approximately 930 acres of undeveloped land in unincorporated Arapahoe County, which we are actively developing as the master planned community known as Sky Ranch. With the property acquisition, we also acquired nearly 830 acre-feet of water beneath Sky Ranch, and approximately 640 acres of oil and gas mineral rights. Sky Ranch is located 16 miles east of downtown Denver, four miles north of the Lowry Range, and four miles south of Denver International Airport.

Sky Ranch is zoned for residential, commercial, and retail uses, including up to 3,200 homes and more than two million square feet of commercial, retail, and light industrial development. The development of Sky Ranch will occur in multiple filings and phases which will take several years to complete. Our first filing of more than 150 acres is platted for a total of 506 detached single-family residential lots (see illustration below for the layout of filing 1). As of August 31, 2020, we had delivered 483 finished lots in our first filing and the remaining finished lots sold on November 3, 2020. Our second filing, which is planned to have four sub-phases, is approximately 250 acres and is expected to be platted for nearly 900 lots (see illustration below for the proposed layout of filing 2). We plan to begin development activities for filing 2 by the end of calendar 2020. Subsequent to August 31, 2020, we entered into contracts with four home builders to sell 789 finished lots, on which the home builders will construct both attached and detached single-family residential units. We are retaining the remaining 100+ lots for future uses. The total sales price for the 789 lots contracted for is $63.4 million, subject to price escalations depending on development timing. The remaining lots held for future use, assuming comparable lot prices to the contracted prices and excluding escalators, coupled with the contracted-for lots would result in total sales for the second filing of $72.6 million. Our preliminary total cost estimates for developing the nearly 900 lots is $65.6 million. We estimate that more than $48.0 million of this amount will be spent on public improvements that will be eligible for reimbursement by the Sky Ranch CAB. See below for a description of the conditions that may limit our ability to receive reimbursables and a definition of the Sky Ranch CAB.

Filing 1 Illustrative Layout

Filing 2 Illustrative Layout

As the land developer, we are providing finished lots (i.e. lots ready for building permits to construct homes) to each of the home builders. We build, or contract to build, the roads, curbs, wet and dry utilities, storm drains, parks, open spaces, and other related improvements as part of a fully master planned community. Each builder is required to purchase water and sewer taps for each lot from the Rangeview District at the time of permitting, the cost of which depends on the size of the lot, the size of the house, and the amount of irrigated turf. Pursuant to the Non-Lowry Service Agreement, we receive all the water and wastewater tap fees from tap sales at Sky Ranch and 98% of the ongoing monthly water and wastewater service revenues.

Public improvements, such as roads, parks, and water and sanitary sewer mains, storm sewer, and drainage improvements, that are shared by all homeowners in the development and not specific to any private finished lot are ultimately owned by the governmental metropolitan district or other municipality that is responsible for the maintenance of the improvements. Upon completion and acceptance of certain public improvements by the “Sky Ranch Districts” or the “Sky Ranch CAB” (both of which are defined below), we are entitled to receive reimbursement for the verified public improvement costs. Pursuant to the agreements between us and the Sky Ranch CAB, no payment is required by the Sky Ranch CAB with respect to reimbursable costs unless and until the Sky Ranch CAB and/or the Sky Ranch Districts issue bonds to reimburse us for all or a portion of advances provided or expenses incurred for reimbursable public improvements. Due to this contingency, reimbursable costs are capitalized and expensed consistent with other development costs until the Sky Ranch CAB reimburses us for the public improvement costs. When we receive reimbursement, we reduce any remaining capitalized amounts, with any excess proceeds over the currently remaining capitalized costs being recognized as *Other income* at the time of payment.

Pursuant to our service agreements, the Company must construct all required wholesale water and wastewater improvements (i.e., a wastewater reclamation facility, water supply, storage, treatment and other wholesale facilities) for the provision of water and wastewater service to the property. As of August 31, 2020, we have completed the required wholesale facilities and other infrastructure to provide water for the first 900 homes, and wastewater for over 2,000 homes at Sky Ranch. The most significant wholesale facility built was the wastewater reclamation facility, which cost $10.2 million and has a designed capacity to provide wastewater for more than 2,000 single family homes before requiring expansion. This allows the treatment facility to process wastewater for several development phases at Sky Ranch before additional investment is needed to increase its capacity.

We expect to have other filings developing concurrently with the second filing that will include commercial, retail, and light industrial sites. We expect full development of the Sky Ranch Master Planned Community to take another ten years.

Pursuant to the Sky Ranch Water and Wastewater Service Agreement, dated June 19, 2017, between PCY Holdings, LLC (a wholly-owned subsidiary of ours that holds title to the Sky Ranch land), and the Rangeview District, PCY Holdings, LLC, agreed to construct certain facilities necessary to provide water and wastewater service to Sky Ranch. The Rangeview District, through us as its exclusive service provider, agreed to provide water and wastewater services to the Sky Ranch property. We have installed over 15.5 miles of water delivery and wastewater collection infrastructure at a cost of $4.9 million, which we believe will be reimbursable by the Sky Ranch CAB as outlined above.

We have leased the oil and gas minerals underlying the property to a major independent exploration and production company.

Sky Ranch Metropolitan District Nos. 1, 3, 4, and 5

The Sky Ranch Metropolitan District Nos. 1, 3, 4 and 5 are quasi-municipal corporations and political subdivisions of Colorado formed in 2004 for the purpose of providing service to the Sky Ranch property (the "Sky Ranch Districts"). The Sky Ranch Districts are governed by an elected board of directors. Eligible voters and persons eligible to serve as directors of the Sky Ranch Districts must own an interest in property within the boundaries of the district. We own certain rights and real property interests which encompass the current boundaries of the districts and certain of our employees serve on the boards of directors of the Sky Ranch Districts. The current directors of the districts are Mark W. Harding (our President, Chief Executive Officer and a director), Kevin B. McNeill (our Vice President and Chief Financial Officer), Scott E. Lehman (an employee of ours), Dirk Lashnits (an employee of ours), and one independent board member. Pursuant to Colorado law, directors may receive $100 for each board meeting they attend, up to a maximum of $1,600 per year. Messrs. Harding, McNeill, Lehman, and Lashnits have all elected to forego these payments.

Sky Ranch Community Authority Board

Districts No. 1 and 5 of the Sky Ranch Districts, formed the Sky Ranch Community Authority Board ("Sky Ranch CAB") to, among other things, design, construct, finance, operate and maintain certain public improvements for the benefit of the property within the boundaries and/or service area of the Sky Ranch Districts. In order for the public improvements to be constructed and/or acquired, it is necessary for each Sky Ranch District and/or the Sky Ranch CAB to be able to fund the improvements and pay its ongoing operations and maintenance expenses related to the provision of services that benefit the property. We entered into agreements, first with Sky Ranch Metropolitan District No. 1 in 2014 and later with the Sky Ranch CAB, that require us to fund expenses related to the construction of an agreed upon list of public improvements for the Sky Ranch Master Planned Community.

In September 2018 and effective as of November 13, 2017, the parties entered into a series of agreements that superseded and consolidated the previous agreements into one primary agreement, the Facilities Funding and Acquisition Agreement (the "Sky Ranch FFAA"), pursuant to which:

- the Sky Ranch CAB agreed to repay to us the amounts owed by Sky Ranch Metropolitan District No. 5;
- previous agreements between us and Sky Ranch Metropolitan District No. 5 and us and the Sky Ranch CAB were terminated;
- the Sky Ranch CAB acknowledged all amounts owed to us under the terminated agreements, as well as amounts we incurred to finance the formation of the Sky Ranch CAB; and
- we agreed to fund expenses related to the construction of an agreed upon list of improvements to be constructed by the Sky Ranch CAB with an estimated cost of $30 million (including improvements already funded) on an as-needed basis for calendar years 2018–2023.

Advances and verified costs expended by us for expenses related to the construction of the agreed upon public improvements are reimbursable to us by the Sky Ranch CAB. All reimbursable expense incurred under the agreement accrues interest at a rate of 6% per annum from the time funds are advanced by us to the Sky Ranch CAB or costs are incurred by us for expenses related to the construction of improvements, as applicable. No repayment is required of the Sky Ranch CAB for advances made or expenses incurred related to the construction of public improvements unless and until the Sky Ranch CAB and/or Sky Ranch Districts issue bonds in an amount sufficient to reimburse us for all or a portion of advances or other public improvement expenses incurred. The Sky Ranch CAB agrees to exercise reasonable efforts to issue bonds to reimburse us subject to certain limitations. In addition, the Sky Ranch CAB agrees to utilize any available moneys not otherwise pledged to payment of debt or used for operation and maintenance expenses to reimburse us. Any advances or expenses not paid or reimbursed by the Sky Ranch CAB by December 31, 2058, shall be deemed forever discharged and satisfied in full. During the years ended August 31, 2018 through 2020, we advanced the Sky Ranch CAB $26.4 million for the construction of public improvements, including improvements with respect to earthwork, erosion control, streets, drainage, water sewer, stormwater and landscaping. In November 2019, the Sky Ranch CAB issued bonds and repaid $10.5 million of the advances to date leaving $15.9 million outstanding as of August 31, 2020. We expect to fund $48.3 million of reimbursable public improvements for filing 2. The timing of those expected expenditures and reimbursement from the Sky Ranch CAB will depend on absorption of homes in filing 2.

The current directors of the Sky Ranch CAB are Mark W. Harding (our President, Chief Executive Officer and a director), Kevin B. McNeill (our Vice President and Chief Financial Officer), Scott E. Lehman (an employee of ours), Dirk Lashnits (an employee of ours), and one independent board member. Pursuant to Colorado law, directors may receive $100 for each board meeting they attend, up to a maximum of $1,600 per year. Messrs. Harding, McNeill, Lehman, and Lashnits have all elected to forego these payments.

Other Assets

Oil and Gas Leases

In 2011, we entered into a three-year Oil and Gas Lease (the “Sky Ranch O&G Lease”) and Surface Use and Damage Agreement and received an up-front payment and a 20% of gross proceeds royalty (less certain taxes) from the sale of any oil and gas produced from the mineral estate we own at Sky Ranch. In 2014, the Sky Ranch O&G Lease was extended for an additional two years. The Sky Ranch O&G Lease is now held by production, and we have been receiving royalties from the oil and gas production from six wells drilled within our mineral interest. During the years ended August 31, 2020 and 2019, we received $669,000 and $148,300 in royalties attributable to these wells.

In September 2017, we entered into a three-year Paid-Up Oil and Gas Lease with Bison Oil and Gas, LLP (the “Bison Lease”) for the purpose of exploring for, developing, producing, and marketing oil and gas from 40 acres of mineral estate we own adjacent to the Lowry Range, and we received an up-front payment of $167,200. The up-front payment received pursuant to the Bison Lease is being recognized into revenue ratably over a three-year period, which expires in September 2020, and was not extended.

In July 2019, we entered into an Agreement on Locations of Oil and Gas Operations covering approximately 16 acres at Sky Ranch with the operator of the Sky Ranch O&G Lease (the “OGOA”). The Company received an up-front payment of $573,700 in fiscal 2019 for the OGOA, which is being recognized as income on a straight-line basis over three years (the term of the OGOA). If after three years the operator has not spud at least one well on the oil and gas operations area, the operator may extend the right to the OGOA one additional year by paying us $75,000. The operator may only extend the OGOA for two additional years for a total of five years.

Arkansas River Land and Minerals

We own approximately 700 acres of land in the Arkansas River Valley in southeastern Colorado. We currently lease all these acres for dry land grazing. We intend to sell the land in due course and have classified it as a long-term investment. We also own approximately 13,900 acres of mineral interests in the Arkansas River Valley, which have a carrying value of $1.4 million. In fiscal 2020, we assessed the recoverability of the Arkansas Valley mineral rights. We determined that the carrying value of these mineral rights is not recoverable. As a result, we recorded an impairment charge of $1.4 million in *Non-cash mineral asset impairment charge* in the consolidated statements of operations and comprehensive income. We currently have no plans to sell our mineral interests.

Significant Customers

We primarily provide water and wastewater services on the Rangeview District’s behalf to the Rangeview District’s customers. Because the Rangeview District accounts for the majority of our water and wastewater service revenue, we have included the end-use customers of the Rangeview District who generate the most revenue for us on our list of significant customers. Additionally, we have presented the percentages of revenue from water and wastewater services and water and wastewater tap sales separately (versus by the water and wastewater resource development segment or total revenue), because we believe that provides a more meaningful presentation of the relevance of each customer to that service line. Lot sales are generated entirely through sales to three customers as noted below. The tables below present revenue generated from our significant customers for each of the services presented.

For the year ended August 31, 2020	Water and wastewater metered services	Water and wastewater tap fees	Land development (Lot sales recognized)
Ridgeview Youth Services	14%	–	–
Conoco / Crestone Peak (oil & gas operations)	45%	–	–
All Sky Ranch Homes (1)	22%	–	–
All Wild Pointe Homes (2)	9%	4%	–
Taylor Morrison	–	28%	32%
KB Home	–	37%	26%
Richmond Homes	–	31%	42%
Combined totals presented	90%	100%	100%

(1) This represents the water and wastewater fees for all homes combined at Sky Ranch and not one individual home
(2) This represents the water and wastewater metered services and water and wastewater tap fees for all homes combined at Wild Pointe and not one individual home

For the year ended August 31, 2019	Water and wastewater metered services	Water and wastewater tap fees	Land development (Lot sales recognized)
Ridgeview Youth Services	3%	–	–
Conoco / Crestone Peak (oil & gas operations)	74%	–	–
All Sky Ranch Homes (1)	–	–	–
All Wild Pointe Homes (2)	3%	6%	–
Taylor Morrison	–	27%	34%
KB Home	–	29%	34%
Richmond Homes	–	38%	32%
Combined totals presented	80%	100%	100%

(1) We did not begin providing significant water and wastewater services to Sky Ranch until fiscal 2020.
(2) This represents the water and wastewater metered services and water and wastewater tap fees for all homes combined at Wild Pointe and not one individual home

The Ridgeview Youth Services customer accounted for approximately the same dollar sales year over year, but due to the decline in oil and gas operations revenue, the percentage increased in fiscal 2020 over 2019.

Projected Operations

This section should be read in conjunction with *Item 1A – Risk Factors*.

Along the Colorado Front Range, there are over 70 water providers with varying needs for replacement and/or new water supplies. We believe that we are well positioned to assist certain of these providers in meeting their current and future water needs.

We design, construct, and operate our water and wastewater facilities using advanced water treatment and wastewater treatment technologies, which allow us to use our water supplies in an efficient and environmentally sustainable manner. We develop our water and wastewater systems in stages to efficiently meet customer demands in our service areas by managing capital investments required for construction of facilities. We use third-party contractors to construct our facilities as needed. We employ licensed water and wastewater operators to run our water and wastewater systems. As our systems expand, we expect to hire additional personnel to operate our systems, which include water production, treatment, testing, storage, distribution, metering, billing, and operations management.

Our water and wastewater systems conjunctively use surface and groundwater supplies and storage of raw water and highly treated reclaimed water supplies to provide a balanced sustainable water supply for our customers. Integrating conservation practices and incentives, together with effective water reuse, demonstrates our commitment to providing environmentally responsible and sustainable water and wastewater services. Water supplies and water storage reservoirs are competitively sought throughout the west and along the Front Range of Colorado. We believe that regional cooperation among area water providers in developing new water supplies, water storage, and transmission and distribution systems provides the most cost-effective way of expanding and enhancing service capacities for area water providers. We continue to seek opportunities for developing water supplies and water storage opportunities with other area water providers.

As we continue expanding and developing our Rangeview Water Supply, we anticipate needing a significant number of high capacity deep water wells. These wells would be drilled into one or more of the three principal aquifers located beneath the Lowry Range, and, as with our current wells, the water would be delivered to central water treatment facilities for treatment prior to delivery to customers. Continued development of our Lowry Range surface water supplies will require facilities to divert surface water to storage reservoirs to be located on the Lowry Range, additional treatment facilities to treat the water prior to introduction into our distribution system(s), and additional surface water diversion facilities designed with capacities to divert the surface water when available (particularly during seasonal events such as spring run-off and summer storms) for storage in reservoirs constructed on the Lowry Range. We estimate the full build-out of water and wastewater facilities (including diversion structures, transmission pipelines, reservoirs, and water treatment facilities) to develop and deliver our portfolio of water would cost in excess of $850 million, and would accommodate water service to customers located on and outside the Lowry Range. We believe this build out would occur in phases over many decades, and we believe tap fees would be sufficient to fund the required infrastructure costs.

Our Denver-based supplies are a valuable, locally available resource located near the point of use. This enables us to incrementally develop infrastructure to produce, treat and deliver water to customers based on their growing demands.

During fiscal 2020, we invested $6.3 million in plant and facilities that interconnect the Rangeview District, WISE, and Sky Ranch water and wastewater systems to provide water and wastewater services to our growing customers at Sky Ranch and elsewhere. We expect to continue to invest in water rights and facilities as our customer demands grow.

We are in the process of developing our Sky Ranch property, including finishing lots for home builders, and building additional water and wastewater infrastructure for residential and commercial development at the property. During the years ended August 31, 2020 and 2019, we invested $8.5 million and $17.7 million, in our Sky Ranch land to deliver the finished lots, which was done ahead of our original schedule and on budget. We anticipate the second filing of Sky Ranch will require $65.6 million of construction costs to deliver the lots, which is planned to occur over three years and be funded by the $72.5 million of total fees to be paid under our lot sales agreements. During the years ended August 31, 2020 and 2019, the initial filing of Sky Ranch produced $5.4 million and $3.4 million, respectively, of water and wastewater tap fees, and we believe we will receive the remaining $5.9 million in water and wastewater tap fees for the lots in the initial filing of Sky Ranch during our fiscal 2021. We believe the second filing of Sky Ranch will produce in excess of $22 million in water and wastewater tap fee revenue over several years.

We plan to develop additional water assets within the Denver area and are exploring opportunities to utilize our water assets in areas adjacent to our existing water supplies. Additionally, we continue to source additional land acquisitions that could be paired with our water to provide additional growth to both our land development and water and wastewater segments.

Growth in Colorado

Calendar year 2020 was a strong year for the Colorado housing market. As COVID-19 escalated, we took measures to protect the health and well-being of our employees, customers, business partners, and their families. We were informed that our builder customers also took precautionary measures to ensure the safety of their employees, customers, business partners, and their families. These measures varied by builder. As a result, some of our builder customers reported material net housing order declines during the state-wide stay-at-home order period (March – May). However, as shelter-in-place and stay-at-home orders were removed, the builders reported material increases in orders. Due to COVID-19, we have witnessed several changing consumer patterns, including residents leaving downtown urban areas to buy homes in the suburbs. This put our Sky Ranch community in the enviable position of being able to respond to this demand due to its great location, affordable home prices, available inventory, and easy access to work centers and major transportation corridors. We believe our ability to pair our water to our land and our in-house expertise for operating our systems allowed us to provide home builders with an affordable and sustainable master planned community that allowed our builders to quickly satisfy the increased demand from home buyers.

Despite the economic issues caused by COVID-19, the Colorado housing market has continued to grow. This was fueled by population growth in Colorado, which is projected to continue far into the foreseeable future. The Denver Regional Council of Governments, a voluntary association of over 50 county and municipal governments in the Denver metropolitan area, estimates that the Denver metropolitan area population will increase by nearly 40% to 4.7 million people by the year 2040. A Statewide Water Supply Initiative report by the Colorado Water Conservation Board estimates that the South Platte River basin, which includes the Denver metropolitan region (and our Sky Ranch community), will grow from a current population of approximately 4.0 million to 4.9 million by the year 2030, while the state's population will increase from roughly 5.7 million to 7.2 million. This growth furthers the need for sustainable water supplies and intensifies the competition to obtain those supplies. The estimated population increases are expected to result in demands for water services that exceed the current capabilities of municipal service providers, especially during drought conditions.

Growth in the Denver area has trended east with significant activity occurring along the I-70 corridor, an area which enjoys excellent transportation infrastructure with I-70, rail access, and Denver International Airport ("DIA"). The region has significant employment centers, including DIA, the University of Colorado Anschutz Medical Campus, an Amazon fulfillment center, the Rocky Mountain Regional VA Medical Center, Buckley Airforce Base, and more, creating demand for residential, retail, and commercial development opportunities.

The Statewide Water Supply Initiative estimates that population growth in the Denver region and the South Platte River basin could require an additional 400,000 acre-feet of water by the year 2030. What makes this more difficult for land developers and builders is that Colorado law requires developers to demonstrate they have sufficient water supplies for their proposed projects before zoning applications will be considered. This means developers and builders must solve their own water problems prior to development rather than wait for cities and municipalities to solve the problem. This indicates that water will continue to be critical to growth prospects for the region and the state, and that competition for available sources of water will continue to intensify.

In addition to actively seeking to expand our land holdings for development purposes, we also market our water supplies and services to developers and home builders that are active along the Colorado Front Range as well as other area water providers in need of additional supplies.

Colorado's future water needs will be met through conservation, reuse, and the development of new supplies. The Rangeview District's rules and regulations for water and wastewater service call for adherence to strict conservation measures, including low-flow water fixtures, high efficiency appliances, and advanced irrigation control devices. Additionally, our systems are designed and constructed using a dual-pipe water distribution system to segregate the delivery of high quality potable drinking water to customers through one system and a second system to supply raw or reclaimed water for irrigation demands in parks and open spaces. About one-half of the water used by a typical Denver-area residential water customer is used for outdoor landscape and lawn irrigation. We believe that raw or reclaimed water supplies provide the lowest cost, most environmentally sustainable water for outdoor irrigation. We expect our systems to include an extensive water reclamation process in which essentially all effluent water from wastewater treatment plants will be reused to meet non-potable outdoor irrigation water demands. Our dual-distribution systems demonstrate our commitment to environmentally responsible water management policies in our water-short region.

Labor and Raw Materials

We competitively bid contracts for infrastructure improvements (grading, utilities, roads, water and wastewater infrastructure) at Sky Ranch. Many of our contractors enter fixed priced contracts where the contractor is at risk for cost overruns prior to completion of improvements. Under these fixed-price contracts, the contract prices are established in part based on fixed, firm subcontractor quotes on contracts and on cost and scheduling estimates. These quotes or estimates may be based on several assumptions, including assumptions about prices and availability of labor, equipment and materials, and other issues. Increased costs or shortages of skilled labor, concrete, steel, pipe, and other materials could cause increases in development costs and delays. These shortages and delays may result in delays in the delivery of the lots under development or the completion of water or wastewater facilities, increase costs for us or other contractors on our projects, reduce gross margins from sales, or subject us to penalties or defaults under our agreements. While we contract with third parties for our labor and materials at a fixed price, which we believe allows us the ability to mitigate the risks associated with shortages of and increases in the cost of labor and building materials, other unforeseen factors may arise which could increase our costs.

Competition

Water and Wastewater Services

We negotiate individual service agreements with our governmental customers and with their developers and/or home builders to design, construct and operate water and wastewater systems and to provide services to end use customers of governmental entities and to commercial and industrial customers. These service agreements seek to address all aspects of the development of the water and wastewater systems, including:

(i) the purchase of water and wastewater taps in exchange for our obligation to construct certain wholesale facilities;
(ii) the establishment of payment terms, timing, capacity, and location of special facilities (if any); and
(iii) specific terms related to our provision of ongoing water and wastewater services to our local governmental customers as well as the governmental entities' end-use customers.

Although we have exclusive long-term water and wastewater service contracts for 24,000 acres of the Lowry Range, Wild Pointe, and Sky Ranch pursuant to our service agreements, providing water and wastewater service is subject to competition. Alternate sources of water are available, principally from other private parties such as farmers or others owning water rights that have historically been used for agriculture, and from municipalities seeking to annex new development areas in order to increase their tax base. Our principal competition in areas close to the Lowry Range is the City of Aurora. Principal factors affecting competition for water service include the availability of water for the particular purpose, the cost of delivering the water to the desired location (including the cost of required taps), and the reliability of the water supply during drought periods, and the political climate for additional annexations. We estimate that the water assets we own and have the exclusive right to use have a supply capacity of approximately 60,000 SFE units, and we believe that they provide us with a significant competitive advantage along the Front Range. Our legal rights to the Rangeview Water Supply have been confirmed for municipal use, and our water supply is close to Denver area water users. We believe that our pricing structure is competitive and that our water portfolio is well balanced among surface water rights, groundwater rights, storage capacity and reclaimed water supplies.

Land Development

Developing raw land is a highly competitive business, requires substantial upfront capital and typically requires many years to complete. There are many developers, as well as properties and development projects, in the same geographic area in which Sky Ranch is located. Competition among developers and projects is determined by the location of the real estate, the market appeal of the development plan, the cost and value of the end product, the developer's ability to build, market and deliver projects on a timely and cost effective basis, and the availability of water to serve the project. Residential developers sell to home builders, who in turn compete based on location, price/value, market segmentation, product design, and reputation. Commercial, retail, and industrial developers sell to and/or compete with other developers, owners, and operators of real estate for a limited number of potential buyers. We believe we have exceeded the market's expectations with the delivery of our initial phase lots at Sky Ranch and have demonstrated we have the ability and expertise to continue to deliver lots in a large scale master planned community.

Environmental, Health and Safety Regulation

Provision of water and wastewater services is subject to regulation under the federal Safe Drinking Water Act, the Clean Water Act, related state laws, and federal and state regulations issued under these laws. These laws and regulations establish criteria and standards for drinking water and for wastewater discharges. In addition, we are subject to federal and state laws and other regulations relating to solid waste disposal and certain other aspects of our operations.

Environmental compliance issues may arise in the normal course of operations or because of regulatory changes. We attempt to align capital budgeting and expenditures to address these issues in a timely manner.

Safe Drinking Water Act

The Safe Drinking Water Act establishes criteria and procedures for the U.S. Environmental Protection Agency to develop national quality standards for drinking water. Regulations issued pursuant to the Safe Drinking Water Act and its amendments set standards on the amount of certain microbial and chemical contaminants and radionuclides allowable in drinking water. The State of Colorado has assumed primary responsibility for enforcing the standards established by the Safe Drinking Water Act and has adopted the Colorado Primary Drinking Water Standards (Code of Colorado Regulations 5 CCR 1003-1). Current requirements for drinking water are not expected to have a material impact on our financial condition or results of operations as we have made and are making investments to meet existing water quality standards. In the future, we might be required to change our method of treating drinking water and make additional capital investments if additional regulations become effective.

The federal Groundwater Rule became effective December 1, 2009. This rule requires additional testing of water from well sources and under certain circumstances requires demonstration and maintenance of effective disinfection. In 2009, Colorado adopted Article 13 to the Colorado Primary Drinking Water Standards to establish monitoring and compliance criteria for the Groundwater Rule. We have implemented measures to comply with the Groundwater Rule.

Clean Water Act

The Clean Water Act regulates wastewater discharges from drinking water and wastewater treatment facilities and storm water discharges into lakes, rivers, streams, and wetlands. The State of Colorado has assumed primary responsibility for enforcing the standards established by the federal Clean Water Act for wastewater discharges from domestic water and wastewater treatment facilities and has adopted the Colorado Water Quality Control Act and related regulations, which also regulate discharges to groundwater. It is our policy to obtain and maintain all required permits and approvals for discharges from our water and wastewater facilities and to comply with all conditions of those permits and other regulatory requirements. A program is in place to monitor facilities for compliance with permitting, monitoring, and reporting for wastewater discharges. From time to time, discharge violations might occur which might result in fines and penalties, but we have no reason to believe that any such fines or penalties are pending or will be assessed.

Solid Waste Disposal

The handling and disposal of residuals and solid waste generated from water and wastewater treatment facilities is governed by federal and state laws and regulations. We have a program in place to monitor our facilities for compliance with regulatory requirements, and we do not anticipate that costs associated with our handling and disposal of waste material from our water and wastewater operations will have a material impact on our business or financial condition.

Employees

We currently have 31 employees, all of whom are full-time.

Available Information and Website Address

Our website address is *www.purecyclewater.com*. We make available free of charge through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to these reports as soon as reasonably practicable after filing with the Securities and Exchange Commission (the "SEC").

These reports and all other material we file with the SEC may be obtained directly from the SEC's website,*www.sec.gov/edgar/searchedgar/companysearch.html*, under CIK code ***276720***. The contents of our website are not incorporated by reference into this report.

Item 1A – Risk Factors

The following section describes the material risks and uncertainties that management believes could have a material adverse effect on our business, financial condition, results of operations, and the market price of our common stock. The risks discussed below include forward-looking statements, and our actual results may differ materially from those discussed in these forward-looking statements. These risks should be read in conjunction with the other information set forth in this report, including the accompanying financial statements and notes thereto.

General Risks Related to Our Company

Our business, operations and financial condition and results may be impacted by the COVID-19 pandemic to varying degrees.

In December 2019, a novel strain of coronavirus, referred to as the COVID-19 virus, was reported to have surfaced in Wuhan, China. Since then, COVID-19 has spread to multiple countries, including the United States. In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and the United States government-imposed travel restrictions on travel between the United States, Europe and other countries. Further, the President of the United States declared the COVID-19 pandemic a national emergency. In addition, the State of Colorado implemented stay-at-home orders requiring everyone to stay-at-home except to obtain or provide essential services such as food and medical care during portions of March through May. Many businesses responded with their own work-from-home or quarantine policies and/or indefinite closures. Since June, most businesses have been allowed to reopen subject to capacity restrictions, social distancing and mask requirements. State and local restrictions have been varying in response to whether the number of COVID-19 cases is increasing or decreasing.

Since December 2019, COVID-19 has resulted in numerous deaths, travel restrictions, closed international borders, enhanced health screening at ports of entry and elsewhere, prolonged quarantines and the imposition of both local and more widespread "work from home" measures, cancellations, supply chain disruptions, and lower consumer demand, as well as general concern and uncertainty. The ongoing spread of COVID-19 has, and is expected to continue to have, a material adverse impact on local economies in the affected jurisdictions and also on the global economy, as cross border commercial activity and market sentiment are increasingly impacted by the outbreak and government and other measures seeking to contain its spread. Our water and wastewater services are essential services, and we intend to continue to provide those services for our customers. However, our land development activities and our ability to expand our water and wastewater services may be disrupted, and we may be delayed in our current projects and timelines, the magnitude of which will depend, in part, on the length and severity of the COVID-19 outbreak. The COVID-19 virus poses the risk that we or our employees, governmental agencies permitting our projects, suppliers, consumers, and other business partners, including our home builders, may be prevented from conducting business activities in the ordinary course for an indefinite period of time, should the United States, the state of Colorado, or local governmental authorities implement further stay-at-home orders or restrictions. Shutdowns or other restrictions could also adversely impact the availability or cost of materials, which could limit our business operations or increase our costs.

The duration of the COVID-19 outbreak and its ultimate impact on the Company and, on the global economy, cannot be determined with certainty. The COVID-19 pandemic and its effects may last for an extended period of time, and could result in significant and continued declines in global financial markets, higher default rates, and a substantial economic downturn or recession. The extent to which COVID-19 will affect the Company will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19 and the actions taken to contain COVID-19. Given the significant economic and financial market disruptions associated with the COVID-19 pandemic, the Company's results of operations could be adversely impacted.

Our operations are concentrated in the Front Range area of Colorado; we are subject to general economic conditions in Colorado.Our assets and operations are located solely in the Front Range area of Colorado. Our performance could be adversely affected by economic conditions in, and other factors relating to, Colorado, including supply and demand for housing, and zoning and other regulatory conditions. To the extent that the general economic conditions in the Front Range area of Colorado deteriorate, the value of our assets, our results of operations and our financial condition could be materially adversely affected.

We may not have sufficient cash flows from operations or other capital resources to pursue our business objectives. While we have generated net income in the past three fiscal years, we have a history of losses. Our cash flows from operations generally have not been sufficient to fund our operations, and we have been required to raise debt and equity capital and sell assets to remain in operation. Since 2004, we have raised $76.3 million through (i) the issuance of $25.3 million of common stock (including the issuance of stock pursuant to the exercise of options, net of expenses), (ii) the issuance of $5.2 million of convertible debt, which was converted to common stock on January 11, 2011, and (iii) the sale of our Arkansas River water and land for $45.8 million in cash. Our continuing development of Sky Ranch requires significant cash expenditures. We have advanced the Sky Ranch CAB $26 million for construction of public improvements on the Sky Ranch property and expect to advance another $3 million for the completion of our initial filing, with another $65.5 million expected to be advanced for filing 2. The Sky Ranch CAB is not required to repay us for advances made or expenses incurred for improvements at Sky Ranch unless and until the Sky Ranch CAB and/or Sky Ranch Districts issue bonds in an amount sufficient to reimburse us for all or a portion of advances made or expenses incurred. We have funded and expect to continue to fund such expenditures with cash on hand and cash flows from operations. As of August 31, 2020, we had $21.8 million of cash on hand. If our cash on hand and future cash flows from operations are not sufficient to fund our operations and the significant capital expenditure requirements to continue to develop Sky Ranch, we may be forced to seek to obtain additional debt or equity capital. Economic conditions and disruptions have previously caused substantial volatility in capital markets, including credit markets and the banking industry, increasing the cost, and significantly reducing the availability of financing, which may reoccur in the future. There can be no assurance that financing will be available on acceptable terms or at all.

We experience variability in our operating results on a quarterly basis and, as a result, our historical performance may not be a meaningful indicator of future results. We historically have experienced, and expect to continue to experience, variability in quarterly results. As a result of such variability, our short-term performance may not be a meaningful indicator of future results. Our quarterly results of operations may continue to fluctuate in the future because of a variety of factors, including, among others, the timing of the closings of sales of residential lots and weather-related problems.

Our stock price has been volatile in the past and may decline in the future. Our common stock has experienced significant price and volume fluctuations in the past and may experience significant fluctuations in the future depending upon several factors, some of which are beyond our control. Factors that could affect our stock price and trading volume include, among others, the perceived prospects of our business; differences between anticipated and actual operating results; changes in analysts' recommendations or projections; the commencement and/or results of litigation and other legal proceedings; and future sales of our common stock by us or by significant shareholders, officers and directors. In addition, stock markets in general have experienced price and volume volatility from time to time, which may adversely affect the market price of our common stock for reasons unrelated to our performance.

Risks Related to Our Business Generally

We are dependent on the housing market and development in our targeted service areas for future revenues. Providing wholesale water service using our Colorado Front Range water supplies is one of our key sources of future revenue. The timing and amount of these revenues will depend in part on housing developments being built near our water assets. The development of the Lowry Range, Sky Ranch and other properties is subject to many factors that are not within our control. If wholesale water sales are not forthcoming or development on the Lowry Range, Sky Ranch or other properties in our targeted service areas is delayed or curtailed, we may need to use our capital resources, incur additional short or long-term debt obligations or seek to sell additional equity. We may not have sufficient capital resources or be successful in obtaining additional operating capital. Although there have been positive market gains in the Colorado housing market in recent years, if a downturn in the homebuilding or credit markets returns, or if the state or national economy weakens and economic concerns intensify, such a development could have a significant negative impact on our business and financial condition and our plans for future development of additional phases of Sky Ranch.

Although the Colorado economy has become increasingly diverse, the oil and gas industry remains an important segment of the Colorado economy. New statutes, regulations or other initiatives that would limit oil and gas exploration or increase the cost of exploration, as well as declines in the price of oil and gas, among other things, could lead to a downturn in the Colorado economy, including increased unemployment, which would likely have a negative impact on the housing market and our business and financial condition.

We may not be able to manage the increasing demands of our expanded operations. We have historically depended on a limited number of employees to administer our existing operations, interface with governmental entities, market our services and plan for the construction and development of our assets. The execution of contracts for lot sales and the continued development of Sky Ranch has increased the size and complexity of our business. The success of our current business and future business development and our ability to capitalize on growth opportunities depends on our ability to attract and retain additional experienced and qualified persons to operate and manage our business. We may not be able to maximize the value of our assets if we are unable to attract and retain qualified personnel and to manage the demands of a workforce that has nearly tripled in the past two years. State regulations set the training, experience and qualification standards required for our employees to operate specific water and wastewater facilities. Failure to find state-certified and qualified employees to support the operation of our facilities could put us at risk for, among other things, regulatory penalties (including fines and suspension of operations), operational errors at the facilities, improper billing and collection processes, claims for personal injury and property damage, and loss of contracts and revenues. We may be unsuccessful in managing our operations and growth.

We are dependent on the services of a key employee. Our success largely depends on the continuing services of our President and Chief Executive Officer, Mark W. Harding. We believe that Mr. Harding possesses valuable knowledge, experience and leadership abilities that would be difficult in the short term to replicate. Mr. Harding also serves on the boards of the Rangeview District, the Sky Ranch Districts, and the Sky Ranch CAB. The loss of Mr. Harding as a key employee and as a director of these boards would cause a significant interruption of our operations.

Our construction of water and wastewater projects and improvements at Sky Ranch may expose us to certain completion, performance, and financial risks.We expect to rely on independent contractors to construct our water and wastewater facilities and Sky Ranch lot improvements. These construction activities may involve risks, including shortages of materials and labor, work stoppages, labor relations disputes, injuries to third parties, damages to property, weather interference, engineering, environmental, permitting, or geological problems and unanticipated cost increases. These issues could give rise to delays, cost overruns or performance deficiencies, or otherwise adversely affect the construction or operation of our water and wastewater delivery systems and the construction and delivery of residential lots. In addition, we may experience quality problems in the construction of our systems and facilities, including equipment failures. We may not meet the required deadlines under our sale and construction contracts. We may face claims from customers or others regarding product quality and installation of equipment placed in service by contractors.

The sales contracts at Sky Ranch and contracts for the water and wastewater facilities that we design and construct are fixed-price contracts, in which we bear all or a significant portion of the risk for cost overruns. Under these fixed-price contracts, contract prices are established in part based on fixed, firm subcontractor quotes on contracts and on cost and scheduling estimates. These quotes or estimates may be based on several assumptions, including assumptions about prices and availability of labor, equipment and materials, and other issues. If these subcontractor quotations or cost estimates prove inaccurate, or if circumstances change, cost overruns may occur, and our financial results would be negatively impacted. In many cases, the incurrence of these additional costs would not be within our control.

Pursuant to various contracts related to the development of Sky Ranch, we guarantee that the project, when completed, will achieve certain performance standards, meet certain quality specifications, and satisfy certain requirements for governmental approvals. If we fail to complete the project as scheduled, meet guaranteed performance standards or quality specifications, or obtain the required governmental approvals, we may be held responsible for cost impacts and/or penalties to the customer resulting from any delay or for the costs to alter the project to achieve the performance standards and the quality specifications and to obtain the required government approvals. To the extent that these events occur and are not due to circumstances for which the customer accepts responsibility or cannot be mitigated by performance bonds or the provisions of our agreements with contractors, the total costs of the project would exceed our original estimates and our financial results would be negatively impacted.

We are required to secure, or to have our subcontractors secure, performance and completion bonds for certain contracts and projects. The market environment for surety companies has become increasingly risk averse. We and our subcontractors secure performance and completion bonds for our contracts from these surety companies. To the extent we or our subcontractors are unable to obtain bonds, we may breach existing agreements and/or not be awarded new contracts. We may not be able to secure performance and completion bonds when required.

Government regulations and legal challenges may delay the closing of the sale of our residential lots, increase our expenses or limit other activities, which could have a negative impact on our results of operations. The approval of numerous governmental authorities must be obtained in connection with both our water and wastewater projects and our land development activities, and these governmental authorities often have broad discretion in exercising their approval authority. We incur substantial costs related to compliance with legal and regulatory requirements. Any increase in legal and regulatory requirements may cause us to incur substantial additional costs. Various local, state and federal statutes, ordinances, rules and regulations concerning health and safety, site and building design, environmental, zoning, and similar matters apply to and/or affect the construction and operation of our water and wastewater systems and our land development activities. For example, zoning or other regulations may seek to limit housing density or create setbacks from oil and gas drilling operations or other restrictions on the use of land. To the extent that these regulations are modified, the value of the land that we already own or the availability of land that we are looking to acquire may decline, either of which may adversely impact the financial position, results of operations and cash flows of our business. In addition, our ability to obtain or renew permits or approvals and the continued effectiveness of permits already granted or approvals already obtained depends on factors beyond our control, such as changes in federal, state and local policies, rules and regulations and their interpretations and application. Furthermore, we are subject to various fees and charges of government authorities designed to defray the cost of providing certain governmental services and improvements. For example, local and state governments have broad discretion regarding the imposition of development fees for projects under their jurisdictions, as well as requiring concessions or that the property developer and/or home builder construct certain improvements to public places such as parks and streets or fund schools.

Municipalities or state water agencies may restrict or place moratoriums on the availability of utilities, such as water and sewer taps, which could have an adverse effect on our business by causing delays or increasing our costs.

We must provide water that meets all federal and state regulatory water quality standards and operate our water and wastewater facilities in accordance with these standards. Future changes in regulations governing the supply of drinking water and treatment of wastewater may have a material adverse impact on our financial results. With respect to service of customers on the Lowry Range, the Rangeview District's rates might not be sufficient to cover the cost of compliance with additional or more stringent requirements. If the cost of compliance were to increase, we anticipate that the rates of the nearby water providers that the Rangeview District uses to establish its rates and charges would increase to reflect these cost increases, thereby allowing the Rangeview District to increase its rates and charges. However, these water providers may not raise their rates in an amount that would be sufficient to enable the Rangeview District (and us) to cover any increased compliance costs.

In addition, there is a variety of legislation being enacted, or considered for enactment, at the federal, state, and local level relating to energy and climate change. This legislation relates to items such as carbon dioxide emissions control and building codes that impose energy efficiency standards. Such environmental laws may affect, for example, how we manage storm water runoff, wastewater discharges and dust; how we develop or operate on properties on or affecting resources such as wetlands, endangered species, cultural resources, or areas subject to preservation laws; and how we address contamination. As climate change concerns continue to grow, compliance with legislation and regulations of this nature is expected to become more costly. Energy-related initiatives affect a wide variety of companies throughout the United States and the world and, because our operations are dependent on significant amounts of raw materials, such as pipe, steel and concrete, they could have an indirect adverse impact on our operations and profitability to the extent the manufacturers and suppliers of the materials used in the development of our properties are burdened with expensive tariffs, cap and trade and similar taxes and regulations. In addition, tariffs imposed by the United States on imported steel could increase our property development costs. It is possible that new standards could be imposed that will require additional capital expenditures or raise our operating costs. With respect to service of customers on the Lowry Range, the Rangeview District's rates might not be sufficient to cover the cost of compliance with new requirements. Although we would expect the rates of the nearby water providers that the Rangeview District uses to establish its rates and charges to increase to cover increased compliance costs, such rates may not cover all our costs and our costs of complying with new standards or laws could adversely affect our business, results of operations or financial condition. Our noncompliance with environmental laws could result in fines and penalties, obligations to remediate, permit revocations and other sanctions.

Government agencies may initiate audits, reviews, or investigations of our business practices to ensure compliance with applicable laws and regulations, which can cause us to incur costs or create other disruptions in our business that can be significant. Further, we may experience delays and increased expenses because of legal challenges to our proposed development activities, whether brought by governmental authorities or private parties.

The enactment of Senate Bill 19-181 "Protect Public Welfare Oil and Gas Operations" increased the regulatory authority of local governments in Colorado over facilities siting and surface impacts of oil and gas development, which could have an adverse effect on our water sales to the oil and gas industry for hydraulic fracturing ("fracking") and demand for new homes at Sky Ranch. Colorado Senate Bill 19-181 ("SB181") was signed into law on April 16, 2019. Among other things, SB181 authorizes local governments to approve the siting of oil and gas locations and regulate the surface impacts of oil and natural gas development, including empowering local governments to adopt requirements that are more stringent than state requirements. SB181 changes the mission of the Colorado Oil and Gas Conservation Commission from fostering responsible and balanced development to regulating development to minimize adverse impacts to public health and the environment. SB181 also requires the Colorado Oil and Gas Conservation Commission and the Air Quality Control Commission to undertake rulemaking on numerous issues, including environmental protection, facility siting, application fees, and minimizing emissions of hydrocarbons and other compounds. The Colorado Oil and Gas Conservation Commission has proposed rules related to setbacks and siting requirements for well locations that would require any well pad surface proposed to be located greater than 500 feet and less than 2,000 feet from a residential or high occupancy building to obtain an exemption from the Commission by satisfying certain requirements in the rule (such as consent from owners and tenants) or to seek a ruling from the Commission, after a hearing, finding that the conditions of approval will provide substantially equivalent protections to a 2000 foot setback for public health, safety, welfare, the environment and wildlife resources. These and related rulemaking activities by the State Commissions and local governments could lead to delays and additional costs for oil and gas operators, which, in turn, could result in a decline in oil and gas drilling activities. A significant decline in oil and gas drilling activities in and around the Lowry Range and our Sky Ranch property would have an adverse effect on our water sales for fracking and our financial condition. Further, a significant decline in oil and gas activities throughout Colorado could negatively impact the Colorado economy, which could have an adverse effect on demand for new homes at Sky Ranch.

Rulemaking activities by the Colorado Oil and Gas Conservation Commission could adversely impact the number of lots available for land development in Colorado, which could have an adverse effect on our land development activities. As noted above, the Colorado Oil and Gas Conservation Commission has proposed rules related to setbacks and siting requirements for well locations. Depending on how these proposed rules are applied and interpreted, if adopted, they could have the effect of limiting property development within 2,000 feet of a well pad surface. If the proposed rules are implemented or interpreted in a manner that severely limits the exemptions, landowners could be forced to choose between limiting oil and gas development on their property to maximize the land available for residential and commercial development or to limit land development to maximize revenue from oil and gas development. Under a restrictive interpretation of such rules, we might have to limit drilling on our mineral rights at Sky Ranch in order to proceed with the occupancy densities we have planned, which would adversely affect our industrial water sales to the oil and gas industry. Restrictive rules could also reduce the supply of other land acquisition opportunities for development or make such land opportunities less attractive or uneconomical. Additionally, any rules that would require the Land Board to elect between oil and gas or land development with respect to the Lowry Range would likely have an adverse effect on our financial condition, because we have the exclusive right to provide water service to customers on the Lowry Range, including both lessees of the oil and gas rights on the Lowry Range and future occupants of the Lowry Range if the Land Board sells the land for development.

Natural disasters and severe weather conditions could delay the closing of the sale of residential lots at Sky Ranch and increase our costs, which could harm our sales and results of operations. We conduct our operations in the Colorado Front Range, which is subject to natural disasters, including droughts, tornadoes, wildland fires, and severe weather. The occurrence of natural disasters or severe weather conditions in Colorado or elsewhere could delay our construction activities, increase costs, and lead to shortages of labor and materials. If our insurance or the insurance of our subcontractors does not fully cover business interruptions or losses resulting from these events, our results of operations could be adversely affected.

We may be subject to significant potential liabilities because of warranty and liability claims made against us. Design, construction, or system failures related to our water and wastewater delivery systems could result in injury to third parties or damage to property. In addition, as a property developer, we are subject in the ordinary course of our business to warranty claims. We are also subject to claims for losses or injuries that occur during our property development activities. We plan to record warranty and other reserves for the residential lots we sell based on historical trends in our market and our judgment of the qualitative risks associated with the type of lots we sell. We have, and many of our subcontractors have, general liability, property, workers' compensation, and other business insurance. These insurance policies are intended to protect us against a portion of our risk of loss from claims, subject to certain self-insured retentions, deductibles, and coverage limits. However, it is possible that this insurance will not be adequate to address all warranty and liability claims to which we are subject. Additionally, the coverage offered and the availability of general liability insurance for construction defects are currently limited and policies that can be obtained are costly and often include exclusions based upon past losses insurers suffered as a result of use of defective materials used by other property developers. As a result, our subcontractors may be unable to obtain insurance, and we may have to waive our customary insurance requirements, which increases our and our insurers' exposure to claims and increases the possibility that our insurance will not be adequate to protect us for all the costs we incur. Any losses that exceed claims against our contractors, the performance bonds and our insurance limits at such facilities could result in claims against us. In addition, if there is a customer dispute regarding performance of our services, the customer may decide to delay or withhold payment to us. No warranty and liability claims have been made against us as of the date of this report.

A major health and safety incident relating to our business could be costly in terms of potential liabilities and reputational damage. Water facility and land development construction sites are inherently dangerous and pose certain inherent health and safety risks to construction workers and other persons on the site. Any failure in health and safety performance may result in penalties for non-compliance with relevant regulatory requirements, and a failure that results in a major or significant health and safety incident is likely to be costly in terms of potential liabilities incurred as a result. Such a failure could generate significant negative publicity and have a corresponding impact on our reputation, our relationships with relevant regulatory agencies or governmental authorities, and our ability to attract customers and employees, which in turn could have a material adverse effect on our business, financial condition and operating results.

Conflicts of interest may arise relating to the operation of the Rangeview District, the Sky Ranch Districts and the Sky Ranch CAB. Our Chief Executive Officer, Chief Financial Officer and two of our employees constitute 80% of the directors of each of the Rangeview District, the Sky Ranch Districts and the Sky Ranch CAB. These officers and employees, along with Pure Cycle, and one unrelated individual, own certain property interests in the 40 acres that constitute the Rangeview District and the acreage that constitutes the Sky Ranch Districts. We have made loans to the Rangeview District to fund its operations. As of August 31, 2020, total principal and interest owed to us by the Rangeview District was just under $1.0 million. Pursuant to our water and wastewater service agreements with the Rangeview District, the Rangeview District retains two percent of the revenues from the sale of water to its end-use customers and 10% of the revenues from the provision of wastewater services to its end-use customers. Proceeds from the fee collections will initially be used to repay the Rangeview District's obligations to us, but after these loans are repaid, the Rangeview District is not required to use the funds to benefit Pure Cycle.

Similarly, we have made loans to and incurred expenses reimbursable by the Sky Ranch Districts, which amounts were fully refunded to us as of August 31,2020, and we have advanced the Sky Ranch CAB $26 million for construction of public improvements on the Sky Ranch property. The Sky Ranch CAB is not required to repay us for advances made or expenses incurred for improvements at Sky Ranch unless and until the Sky Ranch CAB and/or Sky Ranch Districts issue bonds in an amount sufficient to reimburse us for all or a portion of advances made or expenses incurred. We have received benefits from our activities undertaken in conjunction with the Rangeview and Sky Ranch Districts and the Sky Ranch CAB, but conflicts may arise between our interests and those of the Rangeview and Sky Ranch Districts and the Sky Ranch CAB and our officers and employees who are acting in dual capacities in negotiating contracts to which we and a district and/or the Sky Ranch CAB are parties. We expect that the Rangeview and Sky Ranch Districts will expand when more properties are developed and become part of the respective districts, and our officers and employees acting as directors of these districts will have fiduciary obligations to those other constituents. Conflicts may not be resolved in the best interests of the Company and our shareholders. In addition, other landowners coming into a district will be eligible to vote and to serve as directors of these districts. Our officers and employees may not remain as directors of these districts, and the actions of subsequently elected boards could have an adverse impact on our operations.

Growth limitations or moratoriums imposed by governmental authorities could adversely affect our land development activities or the land development activities of our customers, which could adversely impact both the land development and water and wastewater segments of our business. The State of Colorado or counties in which our service areas and properties are located may approve limitations or moratoriums on residential growth within their respective boundaries, which limitations or moratoriums could have the effect of delaying, limiting or halting development within Sky Ranch or other areas where we may provide water and wastewater services or develop land. We are not aware of any such proposals in the areas in which we operate, but proposals have been made to limit growth in various communities along the Front Range. Because all of the property in Sky Ranch has been platted, we do not expect future growth moratoriums to restrict Sky Ranch as currently planned; however, if growth moratoriums or restrictions are imposed in the areas in which we provide services or develop land, it could negatively impact our ability to develop our land as planned or our customers' ability to grow their communities as anticipated, which would also reduce the number of water and wastewater service customers we expect, which would have a negative impact on our business and financial condition.

We could be hurt by efforts to impose liabilities or obligations on us regarding labor law violations by other persons whose employees perform contracted services The infrastructure and improvements on our water and wastewater systems and on the finished lots we sell or that we must provide pursuant to service agreements and lot development agreements are done by employees of subcontractors and other contract parties. We do not have the ability to control what these contract parties pay their employees or the work rules they impose on their employees. However, there have been efforts by government agencies to hold contract parties like us responsible for violations of wage and hour laws and other work-related laws by firms whose employees are performing contracted-for services. This includes a 2016 National Labor Relations Board ("NLRB") ruling which held that for labor law purposes a firm could under some circumstances be responsible as a joint employer of its contractors' employees even if the firm had no direct control over the employees' terms and conditions of employment. The NLRB ultimately reversed this ruling through a final rule issued in February 2020. The Colorado Department of Labor and Employment proposed similar changes in an April 2020 emergency rulemaking but ultimately withdrew them in May 2020 following a notice and comment period. Although these changes in the joint employer framework have not yet succeeded, governmental rulings that make us responsible for labor practices by our subcontractors could create substantial exposures for us in situations that are not within our control.

Unauthorized access to confidential information and data on our information technology systems and security and data breaches could materially adversely affect our business, financial condition, and operating results. As part of our operations, we rely on our computer systems to process transactions, communicate with our suppliers and other third parties, and on continued and unimpeded access to secure network connections to use our computer systems. We have physical, technical, and procedural safeguards in place that are designed to protect information and protect against security and data breaches as well as fraudulent transactions and other activities. Despite these safeguards and our other security processes and protections, we cannot be assured that all of our systems and processes are free from vulnerability to security breaches (through cyberattacks, which are evolving and becoming increasingly sophisticated, physical breach or other means) or inadvertent data disclosure by third parties or by us. A significant data security breach, including misappropriation of customer, supplier or employee confidential information, could cause us to incur significant costs, which may include potential costs of investigations, legal, forensic and consulting fees and expenses, costs and diversion of management attention required for investigation, remediation and litigation, substantial repair or replacement costs. We could also experience data losses that would impair our ability to manage our business operations, including accounting and project costs, manage our water and wastewater systems or process transactions and have a negative impact on our reputation and loss of confidence of our customers, suppliers and others, any of which could have a material adverse impact on our business, financial condition and operating results.

Risks Related to the Water Segment of Our Business

The rates that the Rangeview District is allowed to charge customers on the Lowry Range for water services are limited by the Lease with the Land Board and our contract with the Rangeview District and may not be sufficient to cover our costs of construction and operation. The prices charged by the Rangeview District for water service on the Lowry Range are subject to pricing regulations set forth in the Lease with the Land Board. Both the tap fees and usage rates and charges are capped at the average of the rates of three nearby water providers. Annually, the Rangeview District surveys the tap fees and rates of the three nearby providers, and the Rangeview District may adjust tap fees and rates and charges for water service on the Lowry Range based on the average of those charged by this group. We receive 100% of tap fees and 98% of water usage fees charged by the Rangeview District to its customers after the deduction of royalties owed to the Land Board. Our costs associated with the construction of water systems and the production, treatment and delivery of water are subject to market conditions and other factors, which may increase at a significantly higher rate than that of the fees we receive from the Rangeview District. Factors beyond our control and which cannot be predicted, such as government regulations, insurance and labor markets, drought, water contamination and severe weather conditions, like tornadoes and floods, may result in additional labor and material costs that may not be recoverable under the current rate structure. Both increased customer demand and increased water conservation may also impact the overall cost of our operations. If the costs for construction and operation of our wholesale water services, including the cost of extracting our groundwater, exceed our revenues, we would be providing water service to the Rangeview District for use at the Lowry Range at a loss. The Rangeview District may petition the Land Board for rate increases; however, there can be no assurance that the Land Board would approve a rate increase request. Further, even if a rate increase were approved, it might not be granted in a timely manner or in an amount sufficient to cover the expenses for which the rate increase was sought.

Our water business is subject to seasonal fluctuations and weather conditions that could affect demand for our water service and our revenues. We depend on an adequate water supply to meet the present and future demands of our customers and their end-use customers and to continue our expansion efforts. Conditions beyond our control may interfere with our water supply sources. Drought and overuse may limit the availability of water. These factors might adversely affect our ability to supply water in sufficient quantities to our customers, and our revenues and earnings may be adversely affected. Additionally, cool and wet weather, as well as drought restrictions and our customers' conservation efforts, may reduce consumption demands, adversely affecting our revenue and earnings. Furthermore, freezing weather may contribute to water transmission interruptions caused by pipe and main breakage. If we experience an interruption in our water supply, it could have a material adverse effect on our financial condition and results of operations. Demand for our water during the warmer months is generally greater than during cooler months due primarily to additional requirements for water in connection with cooling systems, irrigation systems and other outside water use. Throughout the year, and particularly during typically warmer months, demand will vary with temperature and rainfall levels. If temperatures during the typically warmer months are cooler than expected or there is more rainfall than expected, the demand for our water may decrease and adversely affect our revenues.

Our water sales for the past three years have been highly concentrated among companies providing hydraulic fracturing services to the oil and gas industry, and such sales can fluctuate significantly. Our water sales have been historically highly concentrated directly and indirectly with one to three companies providing hydraulic fracturing services to the oil and gas industry on and around the Lowry Range and our Sky Ranch property. Generally, investment in oil and gas development is dependent on the price of oil and gas. During the years ended August 31, 2020, 2019, and 2018 water sales for oil and gas operations represented 49%, 93%, and 90%, respectively, of our total metered water revenues. We have no long-term contractual commitments that will ensure these sales continue in the future. The oil and gas industry has periodically gone through periods when activity has significantly declined such as earlier this year due to low oil and gas prices caused by increased world-wide production and decreased demand due to stay-at-home orders related to the COVID-19 pandemic.

Further sales to this customer base as well as renewals of our oil and gas leases, if any, in the future are impacted by statutory ballot initiatives, regulations, rulemaking initiatives by the Colorado Oil and Gas Conservation Commission, court interpretations of the statutory mandate of the Colorado Oil and Gas Conservation Commission, fracking technologies, the success of the wells and the price of oil and gas, among other things. For example, certain interest groups in Colorado opposed to oil and natural gas development generally, and hydraulic fracturing in particular, have advanced ballot initiatives that would significantly curtail oil and natural gas development in the state, including a Colorado proposed initiative that would have made drilling unlawful on approximately 85% of the non-federal surface area of the state of Colorado. Although these initiatives have not passed, interest groups opposed to oil and natural gas development have continued to seek restrictions. The enactment of SB181 and the release of a Colorado Department of Public Health and Environment report dated October 17, 2019, entitled Final Report: Human Health Risk Assessment for Oil & Gas Operations in Colorado, concluding that people living within 2,000 feet of fracking sites could face elevated health risks, may lead to increased opposition and tougher oversight of oil and gas operations, which could reduce the demand for water for fracking.

A significant portion of our water supplies come from non-renewable aquifers. A significant portion of our water supplies comes from non-renewable Denver Basin aquifers. The State of Colorado regulates development and withdrawal of water from the Denver Basin aquifers to a rate of 1 percent of the aggregate amount of water determined to be in storage each year, which means our supply should last approximately 100 years even if no efforts were made to conserve or recharge the supply. Nonetheless, we may need to seek additional water supplies as our non-renewable supplies are depleted. While the acquisition of Lost Creek water, a renewable "surface" water right that is diverted from an alluvial aquifer that is hydrologically connected to the surface water system, mitigates some of the risk of owning non-renewable supplies, if we are unable to obtain sufficient replacement supplies, it would have a material adverse impact on our business and financial condition. Additionally, the cost of developing and withdrawing water from the aquifers will increase over time, and we may not be able to recover the increased costs through our rates and charges. Increased costs to develop water from the aquifers could have a significant negative impact on our business, results of operations, cash flows and financial condition.

A failure of the water wells or distribution networks that we own or control could result in losses and damages that may affect our business and financial condition. We distribute water through a network of pipelines and store water in storage tanks and ponds. A failure of these pipelines, tanks or ponds could result in injuries and damage to property for which we may be responsible, in whole or in part. The failure of these pipelines, tanks, or ponds may also result in the need to shut down some facilities or parts of our water distribution network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quantities to our customers and to meet the water delivery requirements prescribed by our contracts, which could adversely affect our business, results of operations, cash flows, and financial condition. Any business interruption or other losses might not be covered by insurance policies or be recoverable through rates and charges, and such losses may make it difficult for us to secure insurance in the future at acceptable rates.

Contamination to our water supply may result in disruption in our services and litigation, which could adversely affect our business, operating results and financial condition. Our water supplies are subject to the risk of potential contamination, including contamination from naturally occurring compounds, pollution from man-made sources and intentional sabotage. Our land at Sky Ranch and a portion of the Lowry Range have been leased for oil and gas exploration and development. Such exploration and development could expose us to additional contamination risks from related leaks or spills. In addition, we handle certain hazardous materials at our water treatment facilities, primarily sodium hypochlorite. Any failure of our operation of the facilities or any contamination of our supplies, including sewage spills, noncompliance with water quality standards, hazardous materials leaks and spills, and similar events, could expose us to environmental liabilities, claims and litigation costs. If any of these events occur, we may have to interrupt the use of that water supply until we are able to substitute the supply from another source or treat the contaminated supply. We cannot assure you that we will successfully manage these issues, and failure to do so could have a material adverse effect on our future results of operations.

We may incur significant costs in order to treat the contaminated source through expansion of our current treatment facilities or development of new treatment methods. If we are unable to substitute water supply from an uncontaminated water source, or to adequately treat the contaminated water source in a cost-effective manner, there may be an adverse effect on our revenues, operating results and financial condition. The costs we incur to decontaminate a water source or an underground water system could be significant and could adversely affect our business, operating results and financial condition and may not be recoverable in rates.

We could also be held liable for consequences arising out of human exposure to hazardous substances in our water supplies or other environmental damage. For example, private plaintiffs could assert personal injury or other toxic tort claims arising from the presence of hazardous substances in our drinking water supplies. Although we have not been a party to any environmental or pollution-related lawsuits, such lawsuits have increased in frequency in recent years. If we are subject to an environmental or pollution-related lawsuit, we might incur significant legal costs, and it is uncertain whether we would be able to recover the legal costs from ratepayers or other third parties. Our insurance policies may not cover or provide sufficient coverage for the losses associated with or the costs of these claims.

We may be adversely affected by any future decision by the Colorado Public Utilities Commission to regulate us as a public utility. The Colorado Public Utilities Commission ("CPUC") regulates investor-owned water companies operating for the purpose of supplying water to the public. The CPUC regulates many aspects of public utilities' operations, including establishing water rates and fees, initiating inspections, enforcement and compliance activities and assisting consumers with complaints. We do not believe that we are a public utility under Colorado law. We currently provide services by contract mainly to the Rangeview District, which supplies the public. Quasi-municipal metropolitan districts, such as the Rangeview District and the Sky Ranch Districts, are exempt by statute from regulation by the CPUC. However, the CPUC could attempt to regulate us as a public utility. If this were to occur, we might incur significant expense challenging the CPUC's assertion of jurisdiction, and we may be unsuccessful. In the future, existing regulations may be revised or reinterpreted, and new laws and regulations may be adopted or become applicable to us or our facilities. If we become regulated as a public utility, our ability to generate profits could be limited, and we might incur significant costs associated with regulatory compliance.

The Rangeview District's and our rights under the Lease have been challenged by third parties. The Rangeview District's and our rights under the Lease have been challenged by third parties, including the Land Board, in the past. In 2014, in connection with settling a lawsuit filed by us and the Rangeview District against the Land Board, the Land Board, the Rangeview District and we amended and restated the Lease to clarify and update a number of provisions. However, there are issues still subject to disagreement and negotiation, including our rights with respect to revenue from our Export Water after 2081, and it is likely that during the remaining term (through 2081) of the Lease, the parties will disagree over interpretations of provisions in the Lease again. The Rangeview District's or our rights under the Lease could be challenged in the future, which could require potentially expensive litigation to enforce our rights.

Our Lowry Range surface water rights are "conditional decrees" and require findings of reasonable diligence. Our surface water interests and reservoir sites at the Lowry Range are conditionally decreed and are subject to a finding of reasonable diligence from the Colorado water court every six years. To arrive at a finding of reasonable diligence, the water court must determine that we continue to diligently pursue the development of said water rights. If the water court is unable to make such a finding, we could lose the water right under review. During each of fiscal 2012 and 2018, the Lowry Range conditional decrees were granted review by the water court, which determined that we and the Rangeview District met the diligence criteria. The water court entered a finding of reasonable diligence on the Lowry Range surface water decrees in January 2019. Our next review for reasonable diligence on the Lowry Range surface water decrees will be in January 2025. We believe that we will be successful in maintaining our decrees as we continue to develop these rights. If the water court does not make a determination of reasonable diligence, the value of our interests in the Rangeview Water Supply would be materially adversely impacted.

Our operations are affected by local politics and governmental procedures that are beyond our control. We operate in a highly political environment. We market our water rights to municipalities and other governmental entities run by elected or politically appointed officials. Our principal competitors are municipalities seeking to expand their sales tax base and other water districts. Various constituencies, including our competitors, developers, environmental groups, conservation groups, and agricultural interests, have competing agendas with respect to the development of water rights in Colorado, which means that decisions affecting our business are based on many factors other than economic and business considerations. Additional risks associated with dealing with governmental entities include turnover of elected and appointed officials, changes in policies from election to election, and a lack of institutional history in these entities concerning their prior courses of dealing with the Company. We spend significant time and resources educating elected officials, local authorities and others regarding our water rights and the benefits of contracting with us. Political concerns and governmental procedures and policies may hinder or delay our ability to enter into service agreements or develop our water rights or infrastructure to deliver our water. While we have worked to reduce the political risks in our business through our participation as the service provider for the Rangeview District in regional cooperative resource programs, such as the SMWSA and the WISE partnership with Denver Water and Aurora Water, as well as education and communication efforts and community involvement, our efforts may be unsuccessful.

The number of connections we can serve are affected by local governmental policies that are beyond our control. We market our water rights through service agreements to developers, municipalities and other governmental entities run by elected or politically appointed officials. We believe that our water rights can serve approximately 60,000 single family connections based on standards applied to water providers in Arapahoe, Douglas, and Adams Counties. These standards are policy driven, based on assumed life and reliability of water supplies and may become more restrictive at the discretion of the governmental entity. If these standards become more restrictive, water supplies of all water providers, including those of the Company, may not serve the number of connections that providers currently estimate.

Development on the Lowry Range is not within our control and is subject to obstacles. Development on the Lowry Range is controlled by the Land Board, which is governed by a five-person citizen board of commissioners representing education, agriculture, local government and natural resources, plus one at-large commissioner, each appointed for a four-year term by the Colorado governor and approved by the Colorado Senate. The Land Board's focus with respect to issues such as development and conservation on the Lowry Range tends to change as membership on the Land Board changes. In addition, there are often significant delays in the adoption and implementation of plans with respect to property administered by the Land Board because the process involves many constituencies with diverse interests. In the event water sales are not forthcoming or development of the Lowry Range is delayed or abandoned, we may need to use our capital resources, incur additional short or long-term debt obligations or seek to sell additional equity. We may not have sufficient capital resources or be successful in obtaining additional operating capital.

Because of the prior use of the Lowry Range as a military facility, environmental clean-up may be required prior to development, including the removal of unexploded ordnance. The U.S. Army Corps of Engineers has been conducting unexploded ordnance removal activities at the Lowry Range for more than 30 years. Continued activities are dependent on federal appropriations, and the Army Corps of Engineers has no assurance from year to year of such appropriations for its activities at the Lowry Range.

Risks Related to the Land Development Segment of Our Business

The homebuilding industry is cyclical and a deterioration in industry conditions or downward changes in general economic or other business conditions could adversely affect our business, results of operations, cash flows and financial condition. The residential homebuilding industry is cyclical and is highly sensitive to changes in general economic conditions such as levels of employment, consumer confidence and income, availability of mortgage financing for acquisitions, interest rate levels and inflation, among other factors. Additionally, the residential housing market is impacted by federal and state personal income tax rates and provisions, and government actions, policies, programs and regulations directed at or affecting the housing market, including the Tax Cuts and Jobs Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, tax benefits associated with purchasing and owning a home, and the standards, fees and size limits applicable to the purchase or insuring of mortgage loans by government-sponsored enterprises and government agencies. In fiscal 2019, housing starts in Colorado declined compared to housing starts in fiscal 2018. However, in fiscal 2020 housing starts in Colorado increased compared to fiscal 2019. Although the number of housing starts continues to be better than during the last economic downturn, if the recovery of the Colorado housing market reverses, we could experience declines in the market value of our inventory and demand for our lots, which could have a material adverse effect on our business, results of operations, cash flows and financial condition.

We have limited experience with the development of real property. While we have extensive experience designing and constructing water and wastewater facilities and maintaining and operating these facilities, we have limited experience developing real property. We may underestimate the capital expenditures required to develop Sky Ranch, including the costs of certain infrastructure improvements. We also have limited experience in managing property development activities, including the permitting and other approvals required, which may result in delays in obtaining the necessary permits and government approvals.

Significant competition from other development projects could adversely affect our results. Land development is a highly competitive business. There are numerous land developers, as well as properties and development projects, in the same geographic area in which Sky Ranch is located. Many of our land development competitors may have advantages over us, such as more favorable locations, which may provide more desirable schools and easier access to roads and shopping, or amenities that we may not offer, as well as greater financial resources. If other development projects are found to be more attractive to home buyers, home builders or other developers or operators of real estate based on location, price, or other factors, then we may be pressured to reduce our prices or delay further development, either of which could materially adversely affect our business, results of operations, cash flows and financial condition.

The funds that we are advancing to the Sky Ranch CAB for construction of public improvements might not be repaid, which would negatively impact our income, gross margin on selling lots, and cash flows. We have advanced the Sky Ranch CAB $26 million for construction of public improvements and expect to fund an additional estimated $3 million in buildout costs for filing one and $48 million for filing two that we expect will be reimbursable by the Sky Ranch CAB. No payment is required by the Sky Ranch CAB with respect to construction of public improvements unless and until the Sky Ranch CAB and/or the Sky Ranch Districts have funds or issue municipal bonds in an amount sufficient to reimburse the Company for all or a portion of advances provided or expenses incurred for reimbursables. The ability and obligation of the Sky Ranch CAB to reimburse us is dependent on sufficient home sales and commercial development occurring at Sky Ranch to create a tax base that would enable the Sky Ranch CAB to issue bonds to pay for the improvements. If development at Sky Ranch is delayed or curtailed for any reason, including regulatory restrictions, a downturn in the economy or default by one or more of the builders at Sky Ranch, the Sky Ranch CAB may not have sufficient revenues to issue bonds. Because the timing of the issuance and approval of any bonds is subject to considerable uncertainty, any potential reimbursable costs for the construction of public improvements, including construction support activities, are not included on our consolidated balance sheets and are initially capitalized in *Land development inventories*. If the bonds have not been approved and issued prior to the sale of the lots serviced by the public improvements, the costs are expensed through *Land development construction costs* when the lots are sold consistent with other construction related costs. If bonds ultimately are issued, upon receipt of reimbursements by the Company, the Company records the reimbursements received as *Other income* to the extent that costs have previously been expensed and reduces *Land development inventories* by any remaining reimbursables received. Failure of the Sky Ranch CAB to repay a significant portion of the funds that we have advanced for public improvements would negatively impact our income, gross margin on selling lots and cash flows.

Supply shortages and risks related to the demand for skilled labor and building materials could increase costs and delay closings. The property development industry is highly competitive for skilled labor and materials. Labor shortages in the Colorado Front Range have become more acute in recent years as the supply chain adjusts to uneven industry growth. Increased costs or shortages of skilled labor and/or concrete, steel, pipe and other materials could cause increases in property development costs and delays. We are unable to pass on increases in property development costs to home builders with whom we have already entered into purchase and sale contracts for residential lots, as our contracts fix the price of the lots at the time the contracts are signed, which will be well in advance of property development. Sustained increases in development costs may, over time, erode our margins.

Products supplied to us and work done by subcontractors can expose us to risks that could adversely affect our business. We rely on subcontractors to perform the actual property development, and in many cases, to select and obtain concrete and other materials. Subcontractors may use improper construction processes or defective materials. Defective products can result in the need to perform extensive repairs. The cost of complying with our warranty obligations may be significant if we are unable to recover the cost of repairs from subcontractors, materials suppliers and insurers.

We may purchase additional land parcels for development or other purposes, thereby exposing us to certain financial risks. In the future, we may purchase additional land parcels for development or other purposes. As noted above, land development requires significant cash expenditures before positive cash flows can be generated from the sale of lots and water and sewer tap fees. If there is considerable lag time between the time we acquire land and the time we begin selling finished lots, we may generate significant operating losses. In addition, if sales of homes on the finished lots are delayed, our revenue from water and wastewater resource development services will be delayed. If our cash on hand and future cash flows from operations are not sufficient to fund our operations and the significant capital expenditure requirements to develop any acquired land and build water and wastewater systems, we may be forced to seek to obtain additional debt or equity capital. There can be no assurance that financing will be available on acceptable terms or at all.

Delays in property development may extend the time it takes us to recover our property development costs and delay our revenue from water and wastewater resource development services. We incur many costs, such as the costs of preparing land, finishing and entitling lots, installing roads, sewers, water systems and other utilities, taxes and other costs related to ownership of the land and/or developing lots on behalf of builders who purchase the land, before we close on the sale of finished lots to home builders. If the rate at which we develop residential lots slows, we may incur additional costs, and it may take longer for us to recover our costs. In addition, if sales of homes on the finished lots are delayed, our revenue from water and wastewater resource development services will be delayed. A significant downturn in the housing market could cause our builders to delay building homes on their lots until market conditions improve. Builders with contracts that do not require purchasing the lot until we deliver a finished, ready-to-build lot could walk away from the contract anytime prior to closing without consequence other than the forfeiture of their upfront deposits for the lot, utilities and other improvements. If a builder elected to walk away without cause, we would be entitled to keep these deposits as liquidated damages, but the deposits would not be sufficient to cover the expenses we expect to incur to finish the lots for delivery. We would not be able to recover our costs until we were able to sell the finished lots to another builder. If the original builder did not go through with the closing due to a poor housing market, we would likely have difficulty finding another buyer for the same reason..

Fluctuations in real property values may require us to write-down the book value of our land interests. The land development industry is subject to significant variability and fluctuations in real property values. As a result, the Company may be required to write-down the book value of its Sky Ranch or other land interests in accordance with accounting principles generally accepted in the United States of America, and some of those write-downs could be material. Any material write-downs of assets could have a material adverse effect on our business, prospects, financial condition or results of operations. The Company assesses its land interests when indicators of impairment exist. Indicators of impairment include a decrease in demand for housing due to soft market conditions; competitive pricing pressures that reduce the average sales price of finished lots; sales absorption rates below management expectations; a decrease in the value of homes or the underlying land due to general market conditions, actual or perceived risks due to proximity to oil and gas drilling operations, or other reasons; and a decrease in projected cash flows for a project.

Our land development segment may be subject to risks related to oil and gas operations in the vicinity of our Sky Ranch development, which could have an adverse impact on the marketability and/or value of our Sky Ranch property. We have leased the minerals underlying Sky Ranch to a wholly owned subsidiary of a major independent exploration and production company. Oil and gas extraction is an inherently dangerous activity that can potentially lead to air and water contamination, fire, explosion or other hazards. While the State of Colorado, local governments, and private operators have regulations and procedures in place intended to mitigate these risks, there can be no assurances that these safeguards will be effective in all cases with respect to any oil and gas activity around Sky Ranch. The existence of oil and gas wells and drilling activity in or near our property and public concern regarding the negative health impacts from emissions near drilling and hydraulic fracturing sites, including those detailed in a recent 380-page report submitted to the Colorado Department of Public Health and Environment entitled the *Final Report: Human Health Risk Assessment for Oil & Gas Operations in Colorado* dated October 17, 2019, may adversely impact the marketability and/or value of the lots at Sky Ranch and decrease demand for homes in proximity to oil and gas operations, negatively impacting our land development segment, which could also negatively impact our business and financial condition.

Item 1B – Unresolved Staff Comments

None.

Item 2 – Properties

Water Related Assets

In addition to the water rights and adjudicated reservoir sites that are described in *Item 1 – Our Water and Land Assets*, we own or have exclusive rights to use, through the Rangeview District a 1.0 million-gallon and two 500,000-gallon treated water storage tanks, three storage reservoirs that can store 1.7 million barrels of water (71.4 million gallons), five deep water wells, three alluvial wells, three pump stations, over 50 miles of water transmission and distribution lines, and more than 20 miles of wastewater collection pipelines in Arapahoe County, Colorado. In conjunction with Wild Pointe, and the Elbert 86 District, we have exclusive rights to use, operate and maintain two water tanks with a combined capacity of 438,000 gallons, two deep water wells, a pump station, and ten miles of transmission lines serving customers at Wild Pointe in Elbert County. These assets are used to provide service to our customers.

Land and Mineral Interests

We own approximately 780 acres of land remaining at our Sky Ranch Master Planned Community as well as approximately 634 net mineral acres at Sky Ranch. We own 40 acres of land that comprise the current boundaries of the Rangeview District (together with all the minerals). We also own approximately 700 acres of land in the Arkansas River Valley, and we hold 13,900 acres of mineral interests in the Arkansas River Valley in Southeast Colorado in Otero, Bent and Prowers Counties.

Item 3 – Legal Proceedings

None.

Item 4 – Mine Safety Disclosures

None.

PART II

Item 5 – Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on The NASDAQ Stock Market under the symbol "PCYO."

Holders

On October 29, 2020, there were 772 holders of record of our common stock.

Dividends

We have never paid any dividends on our common stock and expect for the foreseeable future to retain all of our capital and earnings from operations, if any, for use in expanding and developing our water and land development businesses. Any future decision as to the payment of dividends will be at the discretion of our board of directors and will depend upon our earnings, financial position, capital requirements, plans for expansion and such other factors as our board of directors deems relevant. The terms of our Series B Preferred Stock prohibit payment of dividends on common stock unless all dividends accrued on the Series B Preferred Stock have been paid and require dividends to be paid on the Series B Preferred Stock if proceeds from the sale of Export Water exceed $36,026,232. For further discussion, see Note 8 – *Shareholders' Equity* to the accompanying consolidated financial statements.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 6 – Selected Financial Data

Selected Financial Data Table

In thousands (except per share data)

	For the Fiscal Years Ended August 31,				
	2020	**2019**	**2018**	**2017**	**2016**
Summary Statement of Operations Items:					
Total revenue	$ 25,855.2	$ 20,361.5	$ 6,959.2	$ 1,227.8	$ 452.2
Income (loss) before taxes	$ 8,919.1	$ 3,528.0	$ 132.7	$ (1,678.8)	$ (1,230.3)
Net income (loss)	$ 6,750.4	$ 4,811.1	$ 414.7	$ (1,710.9)	$ (1,310.6)
Basic income (loss) per share	$ 0.28	$ 0.20	$ 0.02	$ (0.07)	$ (0.06)
Diluted income (loss) per share	$ 0.28	$ 0.20	$ 0.02	$ (0.07)	$ (0.06)
Weighted-average basic shares outstanding	23,845	23,795	23,760	23,754	23,781
Weighted-average diluted shares outstanding	24,062	24,003	23,930	23,754	23,781

	As of August 31,				
	2020	**2019**	**2018**	**2017**	**2016**
Summary Balance Sheet Information:					
Current assets	$ 25,991.2	$ 23,537.7	$ 27,918.2	$ 27,124.3	$ 29,085.9
Total assets	$ 89,761.1	$ 83,721.4	$ 71,906.6	$ 69,787.6	$ 70,879.6
Current liabilities	$ 6,218.6	$ 8,297.2	$ 2,054.0	$ 940.2	$ 482.2
Long-term liabilities	$ 1,498.6	$ 693.1	$ 399.4	$ 1,341.3	$ 1,399.5
Total liabilities	$ 7,717.2	$ 8,990.3	$ 2,453.4	$ 2,281.5	$ 1,881.7
Shareholders' equity	$ 82,043.8	$ 74,731.1	$ 69,453.2	$ 67,506.1	$ 68,997.9

The following items had a significant impact on our operations:

(a) In fiscal 2020, due to land development activities at Sky Ranch, we recognized $18.9 million in revenue from lot sales and $5.7 million in revenue from the sale of water and wastewater taps. Our revenue from water sales decreased by 78% to $1.0 million primarily related to the decline in the demand for industrial water sales, and we recorded a non-cash long-lived asset impairment charge of $1.4 million on our mineral rights in the Arkansas Valley, Colorado, in both cases due to the drop of the price of crude oil as a result of increased world-wide production and lower demand because of the COVID-19 pandemic and related shelter-in-place and stay-at-home orders. We invested $8.0 million in our land, water and wastewater systems, including $1.9 million for the wastewater facility at Sky Ranch, $586,400 for the purchase of equipment, and $8.5 million in costs related to the development of our Sky Ranch property. During fiscal 2020, we had net sales or maturities of marketable securities of $5.2 million. In addition, we received $10.5 million as partial reimbursement for advances we made to the Sky Ranch CAB to fund the construction of public improvements at the Sky Ranch property. Of the $10.5 million we received, $6.3 million was recognized in *Other income* and the remaining $4.2 million partially reduced the remaining capitalized costs in *Land development inventories*.

(b) In fiscal 2019, due to land development activities at Sky Ranch, we recognized $12.0 million in revenue from lot sales and $3.4 million in revenue from the sale of water and wastewater taps. Our revenue from water sales increased by 2% to $4.7 million primarily related to industrial water sales. We invested $14.1 million in our water and wastewater systems, including $8.1 million for the wastewater facility at Sky Ranch and $3.5 million for a water right and land acquisition, $354,000 for the purchase of equipment and $17.7 million in costs related to the development of our Sky Ranch property. During fiscal 2019, we had net sales or maturities of marketable securities of $3.7 million. In addition, we released our valuation allowance on our net deferred tax assets and recognized a deferred tax benefit of $1.3 million.

(c) In fiscal 2018, we invested $1.1 million in our water and wastewater systems, $1.8 million for the construction of pipelines, $5.3 million related to the development of our Sky Ranch property, and $445,400 for the purchase of equipment. During fiscal 2018, we had net sales or maturities of marketable securities of $11.4 million. Our revenue from water sales increased by 452% to $4.6 million primarily related to industrial water sales. In addition, we began construction at Sky Ranch and recognized $2.1 million in revenue from platted lot sales under the percentage-of-completion method.

(d) In fiscal 2017, we invested $2.5 million in our water and wastewater systems, $4.4 million for the construction of pipelines, $0.9 million related to development of our Sky Ranch property, and $95,400 for the purchase of equipment. During fiscal 2017, we had sales or maturities of marketable securities of $9.8 million.

(e) In fiscal 2016, we invested $923,800 in our water and wastewater systems and $285,600 for planning and design of our Sky Ranch property. We also purchased land for $450,300 in the Arkansas River Valley in Southeastern Colorado.

Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The discussion and analysis below includes certain forward-looking statements that are subject to risks, uncertainties and other factors, as described in "Risk Factors" and elsewhere in this Annual Report on Form 10-K, that could cause our actual growth, results of operations, performance, financial position and business prospects and opportunities for this fiscal year and the periods that follow to differ materially from those expressed in, or implied by, those forward-looking statements. Readers are cautioned that forward-looking statements contained in this Annual Report on Form 10-K should be read in conjunction with our disclosure under the heading "FORWARD-LOOKING STATEMENTS" on page 1.

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the results of operations and our financial condition and should be read in conjunction with the accompanying consolidated financial statements and the notes thereto included in *Part II, Item 8* of this Annual Report on Form 10-K. The following sections focus on the key indicators reviewed by management in evaluating our financial condition and operating performance, including the following:

- Revenues generated from providing water and wastewater services;
- Revenues from water and wastewater tap sales;
- Revenues from lot sales at Sky Ranch;
- Expenses associated with developing our water and land assets;
- Expenses associated with developing lots at Sky Ranch; and
- Cash available to continue development of our land, water rights and service agreements

Our MD&A section includes the following items:

Executive Summary – a summary of important financial metrics in fiscal 2020;

Our Business – a general description of our business, our services, and our business strategy;

Critical Accounting Policies and Use of Estimates – a discussion of our critical accounting policies that require critical judgments, assumptions, and estimates;

Results of Operations – an analysis of our results of operations for the three fiscal years presented in our accompanying consolidated financial statements; and

Liquidity, Capital Resources and Financial Position – an analysis of our cash position and cash flows, as well as a discussion of our financial obligations.

Executive Summary

Fiscal 2020 was highlighted by the substantial completion of the initial phase of our Sky Ranch property. Other notable items include the following:

- Total revenue increased to $25.9 million for fiscal 2020 (a $5.5 million or 27% increase compared to fiscal 2019) primarily due to lot sales and water and wastewater tap fees at Sky Ranch
- Net income increased to $6.8 million for fiscal 2020 (a $1.9 million or 40% increase compared to fiscal 2019), primarily due to lot sales, partial satisfaction of the contingency related to public improvement reimbursables, and water and wastewater tap fees at Sky Ranch
- Fully diluted earnings per common share for fiscal 2020 was $0.28 versus $0.20 for fiscal 2019
- Total assets increased to $89.8 million as of August 31, 2020 (a $6.0 million or 7.2% increase compared to 2019), primarily due to increased cash from payments for lots and water, and wastewater taps at Sky Ranch and a $10.5 million expense reimbursement from the Sky Ranch CAB through bond proceeds of which $4.2 million reduced *Land development inventories* on the consolidated balance sheet and $6.3 million was recognized as *Other income - Reimbursement of construction costs - related party* on the consolidated statements of operations and comprehensive income and increased *Investments in water and wastewater systems* on the consolidated balance sheet; and
- Total equity increased to $82.0 million as of August 31, 2020 (a $7.3 million or 9.8% increase compared to 2019), primarily due to net income for fiscal 2020

In fiscal 2020, total revenues were $25.9 million, primarily consisting of $18.9 million of lot sales recognized under the percentage-of-completion method as well as a point in time for one home builder customer, and a combined $5.6 million from the sale of 201 and 189 water and wastewater taps. The number of wastewater taps sold are less than the number of water taps sold because we do not sell wastewater taps at Wild Pointe. Wild Pointe customers are on septic systems. Comparatively, in fiscal 2019, total revenues were $20.4 million, primarily from $12.0 million of recognized lot sales and $3.5 million from the sale of 119 and 113 water and wastewater taps. *Other income* increased in fiscal 2020 mainly due to the $6.3 million of reimbursables we received from the Sky Ranch CAB for partial reimbursement of public improvement costs we funded at Sky Ranch. In total, we received $10.5 million from the Sky Ranch CAB for partial reimbursement of public improvement costs we funded, the remaining $4.2 million reduced *Land development inventories* on our consolidated balance sheet. Due to the strong performance of our land development segment, which produced the lot sales and lead to the increase in water and wastewater taps sales, along with the recognition of the $6.3 million of other income from receipt of the reimbursables, net income increased to $6.8 million for fiscal 2020 compared to $4.8 million for fiscal 2019, for an increase of 40%.

Our Business

We are a diversified land and water resource development company. At our core we are an innovative and vertically integrated wholesale water and wastewater service provider that, in addition to owning and developing wholesale water and wastewater resources, develops a master planned community on land we own and to which we provide water and wastewater services. We have accumulated valuable water and land interests over the past 30 years and have developed an extensive network of wholesale water production, storage, treatment and distribution systems, and wastewater collection and treatment systems that we use to serve domestic, commercial and industrial customers in the Denver metropolitan region. Our primary land asset, Sky Ranch, is located in one of the most active development areas in the Denver metropolitan region along the I-70 corridor, and we are developing lots at Sky Ranch for residential, commercial, retail, and light industrial uses.

Although we report our results of operations in two segments, our water and wastewater service segment and our land development segment, we operate these segments as a cohesive business designed to provide a cost effective, sustainable and value added business enterprise.

Water and Wastewater

Water resources throughout the western United States and more prominently in Colorado are a scarce and valuable resource. We own or control a portfolio of 29,500 acre-feet of groundwater and surface water supplies, 26,000 acre-feet of adjudicated reservoir sites, wastewater reclamation facilities, water treatment facilities, potable and raw water storage facilities, wells and water production facilities, and roughly 50 miles of water distribution and wastewater collection lines. Our water supplies and wholesale facilities are located in southeast Denver, in Arapahoe County, an area which is limited in both water availability and infrastructure to produce, treat, store, and distribute water and wastewater, which we believe provides us with a unique competitive advantage in offering these services.

We provide wholesale water and wastewater service to local governments, including the Rangeview District, Arapahoe County, the Sky Ranch CAB, and Elbert 86 District. Our mission is to provide sustainable, reliable, high quality water to our customers and collect and treat wastewater using advance water treatment systems, which produce high quality reclaimed water we can reuse for outdoor irrigation and industrial demands. By using and reusing our water supplies, we seek to demonstrate good stewardship over our valuable water rights in the water-scarce Denver, Colorado region. We design, permit, construct, operate and maintain wholesale water and wastewater systems that we own or operate on behalf of governmental entities. We also design, permit, construct, operate and maintain retail distribution and collection systems that we own or operate on behalf of our governmental customers. Additionally, we handle administrative functions, including meter reading, billing and collection of monthly water and wastewater revenues, regulatory water quality monitoring, sampling, testing, and reporting requirements to the Colorado Department of Public Health and Environment.

Our water and wastewater service segment generates revenue from the following sources, described in greater detail in Item 1 – Business above:

- Monthly water usage and wastewater treatment fees;
- One-time water and wastewater tap (connection) fees;
- Construction and Special Facility funding fees;
- Consulting fees; and
- Industrial – oil and gas operation fees

Land Development

In 2017, we launched our land development segment. We are actively developing the Sky Ranch Master Planned Community located along the I-70 corridor to provide residential, commercial, retail, and light industrial lots. Sky Ranch is zoned to include up to 3,200 single-family and multifamily homes, parks, open spaces, trails, recreational centers, schools, and over two million square feet of retail, commercial and light industrial space just four miles south of DIA. Our land development activities include the design, permitting, and construction of all of the horizontal infrastructure, including, storm water, drainage, roads, curbs, sidewalks, parks, open space, trails and other infrastructure to deliver “ready to build” finished lots to home builders and commercial customers. Our land development activities generate revenue from the sale of finished lots as well as construction revenues from activities where we construct infrastructure on behalf of others. Land development revenues come from our home builder customers under specific agreements for the delivery of finished lots as well as reimbursements for the construction of public improvements, such as roads, curbs, storm water, drainage, sidewalks, parks, open space, trails etc., which come from the local governmental entity, the Sky Ranch CAB, subject to the approval and issuance of municipal bonds to fund such reimbursements.

Our land development activities provide a strategic complement to our water and wastewater services because a significant component of any master planned community is providing high quality domestic water, irrigation water, and wastewater to the community. Having control over land and the water and wastewater services enables us to build infrastructure for potable water and irrigation distribution, wastewater and storm water collection, roads, parks, open spaces and other investments efficiently, and to manage delivery of these investments to match take-down commitments from our home builder customers without significant excess capacity in any of these investments.

In June 2017, we entered into separate contracts with three national home builders (Richmond American Homes, Taylor Morrison, and KB Home), pursuant to which we agreed to sell 506 total single-family, detached residential lots at the Sky Ranch property. We are obligated, pursuant to these contracts, to construct infrastructure and other improvements, such as roads, curbs and gutters, park amenities, sidewalks, street and traffic signs, water and sanitary sewer mains and stubs, storm water management facilities, and lot grading improvements for delivery of finished lots to each builder. We were also required to cause the Rangeview District to install and construct wholesale infrastructure improvements (i.e., a wastewater reclamation facility and wholesale water facilities) for the provision of water and wastewater service to the property. As of August 31, 2020, we have substantially completed all of the wholesale infrastructure improvements for the initial residential lots, which included the completion of a wastewater reclamation facility that can serve approximately 2,000 SFE's in Sky Ranch before expansion. Pursuant to various agreements, we provide financing to the Rangeview District and the Sky Ranch Districts (through the Sky Ranch CAB) as described in Note 14 – *Related Party Transactions* to the accompanying consolidated financial statements for the majority of the improvements at Sky Ranch. In conjunction with approvals from Arapahoe County for the Sky Ranch project, we, together with the Rangeview District and/or Sky Ranch Districts and/or the Sky Ranch CAB, are obligated to maintain a deposit account with Arapahoe County to ensure completion of certain public infrastructure improvements and to warranty the improvements for a one-year period following completion and delivery. As of August 31, 2020, $1.0 million remains on deposit, with the warranty period set to expire in October 2021.

As of August 31, 2020, we have expended $33.5 million related to the development of the first filing of Sky Ranch out of the total estimated $35.8 million. We anticipate the remaining $2.3 million will be spent during our fiscal 2021. These amounts include estimated reimbursable costs of $29.0 million, for which we received a partial reimbursement of $10.5 million in November 2019. We believe the remaining $18.5 million remaining reimbursables from the Sky Ranch CAB will be paid from future municipal bonds as the project continues to grow its assessed value and tax base. As of August 31, 2020, lot sales to home builders generated $35.1 million in cash payments, with the remaining $1.6 million paid in November 2020, which combined represents the full $36.7 million sales price contracted for with the home builders. In addition, as of August 31, 2020, the Sky Ranch development produced $8.9 million of water and wastewater tap fees, and we expect that an additional $5.9 million of tap fees will be received during our fiscal 2021.

In December 2020, we expect to begin construction on the second filing at Sky Ranch, which is expected to include nearly 900 residential lots. Subsequent to August 31, 2020, we entered into separate agreements with four home builders (KB Home, Meritage Homes, DR Horton and Challenger Homes) pursuant to which we agreed to sell 789 single-family attached and detached residential lots at the Sky Ranch property. Due to our strong performance in phase one of the Sky Ranch project, we were able to realize a 30% increase in our lot price from $75,000 for a 50' lot in phase one to $97,000 for the same 50' lot in phase two. This next filing at Sky Ranch will incorporate approximately 250 acres and is planned to be completed in four sub-phases. The timing of cash flows will include certain milestone deliveries, including, but not limited to, completion of governmental approvals for final plats, installation of wet utility public improvements, and final completion of lot deliveries.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

The most significant accounting estimates inherent in the preparation of our financial statements include estimates associated with the timing of revenue recognition, the impairment of water assets and other long-lived assets, fair value estimates and share-based compensation. Below is a summary of these critical accounting policies.

Revenue Recognition

Revenues derived from our water and wastewater services consist mainly of monthly metered wholesale water usage and wastewater treatment fees, tap fees, construction fees/special facility funding, and consulting fees. Revenues derived from land development activities consist mainly of lot sales and project management service fees. Revenue is recognized from our water and wastewater segment and land development segment as described below and further described in Note 2 – *Summary of Significant Accounting Policies* to the accompanying consolidated financial statements.

Water and Wastewater Revenue

Monthly wholesale water charges are assessed to our customers based on actual metered usage each month plus a base monthly service fee assessed per SFE unit served. One SFE is a customer, whether residential, commercial or industrial, that imparts a demand on our water or wastewater systems are computed based on the demand of a single-family detached home of four persons living on a standard-sized 5,500 square foot lot. Water consumption pricing uses a tiered pricing structure where the cost of water increases as customers use more water. We recognize wholesale water usage revenues at a point in time upon delivering water to our customers or our governmental customers' end-use customers, as applicable. Revenues recognized by us from the sale of Export Water and other portions of our "Rangeview Water Supply" off the Lowry Range are shown gross of royalties to the Land Board. Revenues recognized by us from the sale of water on the Lowry Range are shown net of royalties paid to the Land Board and amounts retained by the Rangeview District.

In addition, we provide water for hydraulic fracturing to industrial customers in the oil and gas industry who are located in and adjacent to our service areas. Oil and gas operations revenues are recognized at a point in time upon delivering water to a customer, unless other special arrangements are made.

We recognize wastewater treatment revenues monthly based on a fixed flat monthly fee and actual monthly usage charges. The monthly wastewater treatment fees are shown net of amounts retained by the Rangeview District. Costs of delivering water and providing wastewater services to customers are recognized as incurred.

A tap constitutes a right to connect to the wholesale water and wastewater systems through a service line to a residential or commercial building or property, and once granted, the customer may make a physical tap into the wholesale line(s) to connect its property for water and/or wastewater service. The right stays with the property. We have no obligation to physically connect the property to the lines. Once connected to the water and/or wastewater systems, the customer has live service to receive metered water deliveries from our system and send wastewater into our system. We recognize water and wastewater tap fees as revenue at the time we grant a right for the customer to tap into the water or wastewater service line to obtain service.

The Rangeview District sets water usage, wastewater treatment, and tap fees for the customers we serve through our service agreements with the Rangeview District.

We recognize construction fees, including fees received to construct special facilities, over time as the construction is completed.

Consulting fees are fees we receive, typically monthly. We earn these fees from municipalities and area water providers along the I-70 corridor for which the Company provides contract operations services. Consulting fees are recognized monthly based on a flat monthly fee plus charges for additional work performed, if applicable.

Land Development Revenue

Revenues derived from lot sales depend on the terms of the agreement with the builder. Lots are completed and sold pursuant to distinct agreements with each home builder. These agreements follow one of two formats. One format is the sale of a fully finished lot, whereby the purchaser pays for a ready-to-build finished lot and the sales price is paid in a lump-sum amount upon completion of the finished lot that is building permit ready. We recognize revenues at the point in time of the closing of the sale of a finished lot in which control transfers to the builder as the transaction cycle is complete, and we have no further obligations for the lot. Our second format is the sale of finished lots pursuant to a lot development agreement with builders, whereby we receive payments in stages. Because the builder (i.e., the customer) takes ownership and control of the lot at the first closing and subsequent improvements made by us improve the builder's lot as construction progresses, we account for revenue over time with progress measured based upon costs incurred to date compared to total expected costs (percent complete methodology). Any revenue in excess of amounts entitled to be billed is reflected on the balance sheet as a contract asset and amounts received in excess of revenue recognized are recorded as deferred revenue. We do not have any material significant payment terms as all payments are expected to be received within 12 months after the delivery of the platted lot. We adopted the practical expedient for financing components and do not need to account for a financing component of these lot sales as the delivery of lot sales is expected to occur within one year of when we begin construction on those lots.

The Sky Ranch CAB is required to construct certain public improvements, such as water distribution systems, sewer collection systems, storm water systems, drainage improvements, roads, curbs, sidewalks, landscaping and parks, the costs of which may qualify as reimbursable costs. Pursuant to our agreements with the Sky Ranch CAB (see Note 14 – *Related Party Transactions* to the accompanying consolidated financial statements), we are obligated to finance this infrastructure, which we have substantially completed for the initial filing. These public improvements are constructed pursuant to design standards specified by the Sky Ranch Districts and/or the Sky Ranch CAB, Rangeview District, or other governmental entities, and after inspection and acceptance, are turned over to the applicable governmental entity to operate and maintain. Because these public improvements are owned and operated on behalf of a governmental entity, they may qualify for reimbursement.

Pursuant to our agreements with the Sky Ranch CAB, the Sky Ranch CAB is not required to make payments to us for any advances made or expenses incurred by us related to construction of public improvements unless and until the Sky Ranch CAB and/or the Sky Ranch Districts issue bonds in an amount sufficient to reimburse us for all or a portion of the advances made and expenses incurred. Because the timing of the issuance and approval of any bonds is subject to considerable uncertainty, any potential reimbursable costs for the construction of public improvements, including construction support activities and project management fees, are initially capitalized in *Land development inventories*. If the bonds have not been approved and issued prior to the sale of the lots serviced by the public improvements, the costs are expensed through *Land development construction costs* when the lots are sold consistent with other construction related costs. If bonds ultimately are issued, when we receive the reimbursement, we record the amount received as *Other income* to the extent that costs have previously been expensed and reduce *Land development inventories* by any remaining reimbursables received. We submit specific costs for reimbursement to the Sky Ranch CAB. If reimbursable costs received exceed actual expenses we incurred for the cost of the public improvements, they are recorded as *Other income* as received.

All amounts owed pursuant to agreements with the Sky Ranch Districts or the Sky Ranch CAB bear interest at a rate of 6% per annum. Due to the uncertainty of collecting the interest (because payment is contingent on the issuance of bonds), interest income accrues but is not recognized by the Sky Ranch CAB until the bonds are issued. As of August 31, 2020, we have deferred recognition of $1.2 million in interest due on these amounts.

On May 2, 2018, we entered into two Service Agreements for Project Management Services (the "Project Management Agreements") with the Sky Ranch CAB. Pursuant to the Project Management Agreements, we act as the project manager and provide any and all services required to deliver the Sky Ranch CAB-eligible improvements, including but not limited to Sky Ranch CAB compliance, planning design and approvals, project administration, contractor agreements, and construction management and administration. We must submit to the Sky Ranch CAB a monthly invoice, in a form acceptable to the Sky Ranch CAB, detailing all project management activities during the period. We are responsible for all expenses we incur in the performance of the Project Management Agreements and are not entitled to any reimbursement or compensation except as set forth in the Project Management Agreements, unless otherwise approved in advance by the Sky Ranch CAB in writing. The Sky Ranch CAB is subject to annual budget and appropriation procedures and does not intend to create a multiple-fiscal year direct or indirect debt or other financial obligation. We receive a project management fee of five percent (5%) of actual construction costs of Sky Ranch CAB-eligible improvements. The project management fees owed to us qualify as a reimbursable cost. The project management fee is based only on the actual costs of the improvements; thus, items such as fees, permits, review fees, consultant or other soft costs, and land acquisition or any other costs that are not directly related to the cost of construction of Sky Ranch CAB-eligible improvements are not included in the calculation of the project management fee. Soft costs and other costs that are not directly related to the construction of Sky Ranch CAB-eligible improvements are included in *Land development inventories* and accounted for in the same manner as construction support activities as described below. Per the Project Management Agreements, no payment is required by the Sky Ranch CAB with respect to project management fees unless and until the Sky Ranch CAB and/or the Sky Ranch Districts have funds or issue municipal bonds in an amount sufficient to reimburse us for all or a portion of advances provided or expenses incurred for reimbursables. Due to this contingency, the project management fees have been deferred and won't be recognized as revenue until the bonds are issued by the Sky Ranch Districts and/or the Sky Ranch CAB and the Sky Ranch CAB reimburses us for the public improvements. At that point, the portion of the project management fees repaid will be recognized as revenue. As of August 31, 2020, we have deferred recognition of $1.5 million in project management services to the Sky Ranch CAB.

We perform certain construction activities at Sky Ranch. The activities performed include construction and maintenance of the grading, erosion and sediment control best management practices and other construction-related services. These activities are invoiced upon completion and are included in *Land development inventories* and subsequently expensed through *Land development construction costs* unless or until bonds are issued by the Sky Ranch Districts and/or the Sky Ranch CAB and the Sky Ranch CAB reimburses us for public improvements. See Note 2 – *Summary of Significant Account Policies – Land Development Segment Revenue –Reimbursable Costs for Public Improvements* to the accompanying consolidated financial statements for details on repayment of reimbursable costs.

Other Revenue

Up-front payments we received pursuant to the Bison Lease and the OGOA are recognized as other income on a straight-line basis over the initial term or extension of term, as applicable, of these agreements.

Impairment of Water Assets and Other Long-Lived Assets

We review our long-lived assets for impairment at least annually or more frequently if we believe events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If we believe it is more likely than not that the carrying value of the long-lived asset exceeds its fair value, then we perform a valuation to determine the fair value of the asset and recognize an impairment loss equal to the excess of the carrying amount of the asset over its fair value.

Our Water Rights

During our fiscal 2020, there were no indicators of impairment related to our water rights; therefore, we performed an impairment analysis as of August 31, 2020, and determined that it is not more likely than not that the carrying value of our water rights exceeds the fair value of the water rights. There have been no material changes to our water rights which would indicate they are impaired or that their costs are not recoverable. Our analysis is based on development occurring within areas in which we have agreements to provide water services utilizing water rights owned by us (e.g., Sky Ranch and the Lowry Range) as well as in surrounding areas, including the Front Range and the I-70 corridor. Our water assets are being utilized to provide water services to customers on the Lowry Range, at Wild Pointe and along the I-70 corridor including Sky Ranch. We will continue to expand our water services as Sky Ranch continues to develop and will continue to enhance our water rights in the water courts. Our water supplies are legally decreed for use through the water court. The water court decree allocates a specific amount of water (subject to continued beneficial use) for municipal and industrial uses. Our combined Rangeview Water Supply and Sky Ranch water assets have a carrying value of $53.9 million as of August 31, 2020. Based on the carrying value of our water rights, the long-term nature of any development plans, current tap fees of $27,209 and estimated gross margins on these tap fees, we estimate that we would need to serve a total of 4,250 water connections (requiring 7% of our portfolio) to generate cash flows (deemed equivalent to fair value) sufficient to recover the costs of our Rangeview Water Supply and Sky Ranch water. If our water tap fees increase 5%, we would need to serve a total of 4,050 water connections (requiring just under 7% of our portfolio) to recover the costs of our Rangeview Water Supply and Sky Ranch water. If tap fees decrease 5%, we would need to service a total of 4,500 water connections (requiring just over 7% of our portfolio) to recover the costs of our Rangeview Water Supply and Sky Ranch water.

Although the timing of actual new home development throughout the Front Range will impact our tap sale projections, it will not alter our water ownership, our service obligations to existing properties or the number of SFEs we can service; therefore, no impairment indicators are present as of August 31, 2020.

Our Land Development Assets

During our fiscal 2020, there were no indicators of impairment related to our land; therefore, we performed an impairment analysis as of August 31, 2020, and determined that it is not more likely than not that the carrying value of our land will exceed the fair value of the land. We are actively developing and selling lots at Sky Ranch. We have completed the initial filling at Sky Ranch for 506 lots, all of which are under contract, with 483 finished lots delivered and fully paid for as of August 31, 2020, and the remaining lots were delivered and paid for on November 3, 2020. The 506 lots have a total sales price of $36.7 million with total land development costs expected to be $35.8 million. Additionally, we collected $10.5 million of public improvement reimbursables during the year ended August 31, 2020, which will result in us realizing a net profit of $11.3 million on the sale of all 506 lots. We have constructed $18.5 million of remaining public improvements, which are potentially reimbursable from our first filing at Sky Ranch. If Sky Ranch home sales continue to be successful, we believe we will be able to collect these reimbursables from future Sky Ranch CAB bond proceeds. Pursuant to the agreements with the Sky Ranch CAB, the Sky Ranch CAB is not required to make payments to the Company for any advances made by the Company or expenses incurred related to construction of public improvements unless and until the Sky Ranch CAB and/or the Sky Ranch Districts issue bonds in an amount sufficient to reimburse the Company for all or a portion of the advances made and expenses incurred. Because the timing of the issuance and approval of any bonds is subject to considerable uncertainty, any potential reimbursable costs for the construction of public improvements, including construction support activities and project management fees, are initially capitalized in *Land development inventories.* If the bonds have not been approved and issued prior to the sale of the lots serviced by the public improvements, the costs are expensed through *Land development construction costs* when the lots are sold consistent with other construction related costs. If bonds ultimately are issued, upon receipt of reimbursements by the Company, the Company records the reimbursements received as *Other income* to the extent that costs have previously been expensed and reduces *Land development inventories* by any remaining reimbursables received. The Company submits specific costs for reimbursement to the Sky Ranch CAB. If reimbursable costs received exceed actual expenses incurred by the Company for the cost of the public improvements, they are recorded as *Other income* as received.

Subsequent to August 31, 2020, we announced the second phase at Sky Ranch. The second phase will be platted for nearly 900 lots, for which we plan to begin development activities before the end of calendar 2020. Subsequent to August 31, 2020, we entered into contracts with four home builders (Melody Homes (a wholly-owned subsidiary of DR Horton), KB Homes, Meritage Homes and Challenger Homes), to sell 789 finished lots, on which the home builders will construct both attached and detached homes. We are retaining the remaining 100+ lots for future uses. The total sales price for the 789 lots contracted for is $63.4 million, subject to price escalations depending on development timing. The remaining lots held for future use, assuming comparable lot prices to the contracted prices and excluding escalations, would result in a total sales value for the second filing of $72.6 million. Our preliminary total cost estimates for developing the nearly 900 lots is $65.6 million. We believe that more than $48.0 million of this amount will be spent on public improvements that will be eligible for reimbursement by the Sky Ranch CAB subject to the conditions described above.

As of August 31, 2020, our Sky Ranch land assets under development, shown as*Land development inventories* on our balance sheet, have a carrying value of $481,500. Because per lot sales prices are increasing, per lot costs are not anticipated to increase materially, and we are continuing to actively develop the land, there are no indications of impairment.

Other Assets

In fiscal 2020, we assessed the recoverability of our 13,900 acres of mineral interests in the Arkansas River Valley in southeastern Colorado. We determined that it appears more likely than not that the carrying value of our Arkansas River Valley mineral rights is not recoverable as of August 31, 2020. As a result, we recorded a non-cash impairment charge of $1.4 million. The charge was recorded as a N*on-cash mineral interest impairment charge* in the consolidated statements of operations and comprehensive income included in Part II, Item 8 of this Annual Report.

Fair Value Estimates

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. We generally use a fair value hierarchy that has three levels of inputs, both observable and unobservable, with use of the lowest possible level of input to determine fair value. The fair value of the investment securities is based on the values reported by the financial institutions where the funds are held. These securities include only federally insured certificates of deposit and U.S. treasuries. *See* Note 3 – *Fair Value Measurements* to the accompanying consolidated financial statements.

Share-based Compensation

We estimate the fair value of share-based payment awards made to key employees and directors on the date of grant using the Black-Scholes option-pricing model. We then expense the fair value over the vesting period of the grant using a straight-line expense model. The fair value of share-based payments requires management to estimate or calculate various inputs such as the volatility of the underlying stock, the expected dividend rate, the estimated forfeiture rate, and an estimated life of each option. We do not expect any forfeiture of option grants; therefore, the compensation expense has not been reduced for estimated forfeitures. These assumptions are based on historical trends and estimated future actions of option holders and may not be indicative of actual events, which may have a material impact on our financial statements. For further details on share-based compensation expense, see Note 8 – *Shareholders' Equity* to the accompanying consolidated financial statements.

Results of Operations

Executive Summary of Results of Operations

The results of our operations for the fiscal years ended August 31, 2020 and 2019 were as follows:

	2020	2019	Change 2020 versus 2019 $	Change 2020 versus 2019 %
Millions of gallons of water delivered	76.2	356.3	(280.1)	(79%)
Municipal water usage revenues	$ 524,000	$ 318,200	$ 205,800	65%
Oil and gas water usage revenues	512,800	4,238,400	(3,725,600)	(88%)
Total metered water usage revenues	$ 1,036,800	$ 4,556,600	$ (3,519,800)	(77%)
Water delivery operating costs incurred (excluding depreciation and depletion)	(804,100)	(1,502,400)	698,300	46%
Gross margin for delivering water	$ 232,700	$ 3,054,200	$ (2,821,500)	(92%)
Gross margin % for delivering water	22%	67%		
Wastewater treatment revenues	$ 95,800	$ 35,800	$ 60,000	168%
Operating costs to treat wastewater	(200,000)	(28,000)	(172,000)	614%
Gross margin for treating wastewater	$ (104,200)	$ 7,800	$ (112,000)	(1,436%)
Gross margin % for treating wastewater	(109%)	22%		
Lot sales revenue	$ 18,934,400	$ 11,956,000	$ 6,978,400	58%
Lot development construction costs incurred	(15,869,600)	(11,305,000)	(4,564,600)	40%
Gross margin on selling lots	$ 3,064,800	$ 651,000	$ 2,413,800	371%
Gross margin % on selling lots	16%	5%		
Water and wastewater tap revenue	$ 5,641,000	$ 3,642,500	$ 1,998,500	55%
General and administrative expenses	$ 4,249,300	$ 3,106,500	$ 1,142,800	37%
Non-cash mineral rights impairment charge	$ 1,425,500	$ —	$ 1,425,500	—
Other income	$ 7,405,800	$ 529,300	$ 6,876,500	1,299%
Net income	$ 6,750,400	$ 4,811,100	$ 1,939,300	40%

Changes in Revenues and Gross Margin

Water Usage Revenues and Margins –Our water deliveries decreased 79% in fiscal 2020 compared to fiscal 2019. Water revenues decreased 77% in fiscal 2020 compared to fiscal 2019 and our gross margin % dropped from 67% to 22%. These changes were primarily due to a 100% decline in demand for water used by oil and gas companies for hydraulic fracturing of oil wells, which was partially offset by the increase in water used due to the sale of homes at Sky Ranch. Due to the increase in water sales at Sky Ranch, municipal water delivered increased by 29%.

Water Usage Revenue Summary

The following table details the sources of our water sales, the number of kgal (1,000 gallons) sold, and the average price per kgal for fiscal 2020 and fiscal 2019.

	2020			2019		
Customer Type	Sales (in thousands)	kgal	Average per kgal	Sales (in thousands)	kgal	Average per kgal
On-Site	$ 153.8	16,010.8	$ 9.61	$ 180.4	28,925.7	$ 6.24
Export-Commercial	78.3	7,226.1	10.84	68.0	7,350.7	9.25
Wild Pointe	100.3	25,235.2	3.97	62.9	21,113.9	2.98
Sky Ranch	191.6	26,828.5	7.14	7.0	901.7	7.76
Industrial (1)	87.0	927.9	93.76	4,238.3	298,014.0	14.22
	$ 611.0	76,228.4	$ 8.02	$ 4,556.6	356,306.0	$ 12.79

(1) Industrial water revenue does not include $425,800 of industrial water revenue recognized due to a pre-paid water agreement that was forfeited by the customer because it was not able to use the water within 12 months of the invoice date.

Wastewater Treatment Revenues **–** Our wastewater treatment revenues increased 168% in fiscal 2020 compared to fiscal 2019. The increase in wastewater revenues is a result of the wastewater service provided to customers at Sky Ranch. In fiscal 2019, wastewater revenues were only recognized from one commercial customer. Wastewater revenue fluctuations result from demand changes from our customers.

Water and Wastewater Tap Fees Revenues **–** We sold 188 water and wastewater taps at Sky Ranch and 13 water taps at Wild Pointe during fiscal 2020, which generated revenues of $5.6 million. We sold 113 water and wastewater taps at Sky Ranch, one commercial water tap and six residential water taps at Wild Pointe during fiscal 2019, which generated revenues of $3.6 million. We have 202 water and wastewater taps remaining to be sold in the first phase of the development at Sky Ranch, which we believe will be sold in our fiscal 2021.

Land Development Revenues **–** We broke ground on our first phase of Sky Ranch in March 2018. As of August 31, 2020, we completed construction on all 506 lots and delivered and received payment for 483 finished lots to home builders. We delivered the remaining lots on November 3, 2020. During fiscal 2020 and 2019, we received $16.6 million and $15.6 million in lot sale proceeds, for a total of $35.1 million since development started. During fiscal 2020 and 2019, we recognized revenues of $18.9 million and $12.0 million using both the over time and point in time accounting methods. Additionally, we have substantially completed improvements (including over lot grading, water, sewer, and storm water), off-site improvements (including drainage), and our entry roadway (Monahan Road), for the remaining lots, and carry those investments, totaling $481,500 in *Land development inventories* in our financial statements. As of October 31, 2020, the builders have sold 315 homes at Sky Ranch. Based on current sales rates, we believe the initial filing at Sky Ranch will be sold out before the end of calendar 2021.

We act as the project manager and provide all services required to deliver eligible improvements for the Sky Ranch CAB. For these services, we charge a five percent (5%) project management fee calculated on actual construction of Sky Ranch CAB eligible reimbursable improvements. No payment is required of the Sky Ranch CAB for project management fees unless and until the Sky Ranch CAB and/or Sky Ranch Districts issue bonds in an amount sufficient to pay us for all or a portion of the project management fees. Because it is uncertain if bonds will be issued and when we will receive payment, we defer recognition of project management fee income from the Sky Ranch CAB until the issuance of the bonds is certain. Once issuance of the bonds and payment to us is certain, the portion of the project management fees repaid will be recognized as revenue. As of August 31, 2020, we have deferred recognition of $1.5 million in project management fees.

General and Administrative Expenses

The table below details significant items, and changes, included in our General and Administrative Expenses ("G&A Expenses") as well as the impact that share-based compensation has on our G&A Expenses for the fiscal years ended August 31, 2020 and 2019, respectively.

Summary of G&A Expenses

			Change	
			2020 versus 2019	
	2020	2019	$	%
Significant G&A Expense items:				
Salary and salary-related expenses	$ 2,362,300	$ 1,530,700	$ 831,600	54%
Share-based compensation	517,000	336,200	180,800	54%
Professional fees	498,500	458,200	40,300	9%
Fees paid to directors and D&O insurance	194,100	199,900	(5,800)	(3)%
Corporate insurance	71,800	52,700	19,100	36%
Public entity-related expenses	125,100	118,400	6,700	6%
Consulting fees	40,000	24,400	15,600	64%
All other combined	440,500	386,000	54,500	14%
G&A Expenses as reported	$ 4,249,300	$ 3,106,500	$ 1,142,800	37%

Salary and Salary-Related Expenses – Salary and salary-related expenses increased by 54% for fiscal 2020 as compared to fiscal 2019. The increase in fiscal 2020 compared to fiscal 2019 was the result of the increase from 29 to 31 employees to manage the development of our Sky Ranch property and our water and wastewater systems. Additionally, we hired a Chief Financial Officer in April 2020 to help oversee the accounting, finance, IT, and operations teams, and help implement strategic goals for our continued growth. Other increases include higher incentive pay related to achieving development and financial goals, increased benefit costs, payroll taxes and the addition of an employer match for our 401(k) plan. Share-based compensation expense increased 54% for fiscal 2020 compared to fiscal 2019 as a result of an unrestricted stock grant to non-employee board members and an increase in the fair value of stock option grants to employees.

Professional Fees (mainly legal and accounting fees) – Professional fees increased 9% for fiscal 2020 compared to fiscal 2019. The increase was primarily the result of higher accounting fees due to fees related to tax services and higher professional fees related to business development.

Fees Paid to Our Board of Directors and Directors and Officers Insurance – Fees for our board in fiscal 2020 include $67,900 for premiums related to our directors and officers insurance policy (this amount increased by $6,800 from fiscal 2019). The remaining fiscal 2020 fees of $126,200 represent amounts earned by our board members for annual service, meeting attendance fees and travel expenses, which were lower than in fiscal 2019 due to fewer board meetings in fiscal 2020 and less travel expenses due to remote attendance in some instances because of COVID 19. Fees for our board in fiscal 2019 include $61,100 for premiums related to our directors and officers insurance policy. The remaining fiscal 2019 fees of $138,800 represent amounts earned by our board members for annual service, meeting attendance fees and travel expenses.

Corporate Insurance – We maintain policies for general liability insurance, workers' compensation insurance, and casualty insurance to protect our assets. Insurance expense fluctuates based on the number of employees and premiums associated with insuring our water systems.

Public Entity-Related Expenses – Costs associated with being a corporation and costs associated with being a publicly traded entity consist primarily of XBRL and EDGAR conversion fees, stock exchange fees, and press releases. These costs fluctuate from year to year.

Consulting Fees – Consulting fees for fiscal 2020 consisted of $17,100 for information technology services, $16,500 for business development services and $6,400 for board advisory services related to the development of the Sky Ranch water agreements. Consulting fees for fiscal 2019 consisted of $4,000 for employee recruiting fees and other services, $11,600 for information technology services and $8,800 for board advisory services related to the development of the Sky Ranch water agreements.

Other Expenses – Other expenses include typical operating expenses related to the maintenance of our office, business development, travel, property taxes, and funding provided to the Rangeview District and the Sky Ranch Districts. Other expenses increased 14% during fiscal 2020 compared to fiscal 2019. The changes were primarily the result of the timing of various expenses and increased staffing.

Non-cash mineral rights impairment charge – Non-cash mineral rights impairment charge includes an impairment recorded for $1.4 million as a result of the Company impairing its Arkansas Valley, Colorado mineral rights. No impairment of long-lived assets were recorded in fiscal 2019.

Other Income and Expense Items

	For the Fiscal Years Ended August 31,		Change 2020 versus 2019	
	2020	2019	$	%
Other income items:				
Reimbursement of construction costs - related party	$ 6,275,500	$ —	$ 6,275,500	100%
Oil and gas lease income, net	$ 247,000	$ 55,700	$ 191,300	343%
Oil and gas royalty income, net	$ 669,000	$ 148,300	$ 520,700	351%
Interest income	$ 178,600	$ 298,600	$ (120,000)	(40)%
Other	$ 35,700	$ 26,600	$ 9,100	(34)%

Reimbursement of construction costs (related party) – On November 19, 2019, the Sky Ranch CAB sold tax-exempt, fixed rate senior bonds in the aggregate principal amount of $11,435,000 and tax-exempt, fixed-rate subordinate bonds in the aggregate principal amount of $1,765,000 (collectively, the "Bonds"). Upon the sale of the Bonds approximately $10.5 million of the net proceeds from the Bonds were used to partially reimburse us for advances we made to the Sky Ranch CAB pursuant to the Sky Ranch FFAA to fund the construction of public improvements to the Sky Ranch property. The remaining gross proceeds from the issuance of the bonds, $2.7 million were retained by the Sky Ranch CAB in order to pay certain bond issuance costs and provide for debt service through 2021, when the Sky Ranch CAB expects to generate enough revenue through property taxes to repay bond holders. Of the amounts we received, $4.2 million reduced the remaining capitalized expenses in *Land development inventories* and $6.3 million was recognized as *Income from reimbursement of construction costs (related party)*. The Company has no obligation for repaying the bonds in the event the Sky Ranch CAB defaults on repaying the bond holders.

Oil and gas lease income – The $247,000 and $55,700 of oil and gas lease payments recognized in fiscal 2020 and fiscal 2019 include the recognition of $55,700 in both fiscal 2020 and 2019 for the deferred up-front payment of $167,200 that we received in October 2017 in connection with the Bison Lease, which payment is being recognized in income over the three year term of the Bison Lease, and the recognition of $191,300 in fiscal 2020 of the deferred up-front payment of $573,700 that we received in July 2019 for the OGOA giving the operator of the Sky Ranch O&G Lease (defined below) right to access 16 acres for an oil and gas pad site for three years through July 2022.

Oil and gas royalty income – Oil and gas royalty income represents amounts we receive pursuant to the Sky Ranch O&G Lease as royalties for well production from the six wells in our mineral estate at Sky Ranch. Pursuant to the Sky Ranch O&G Lease, we receive 20% of the income generated by each well (after payment of taxes by the oil and gas company). During the years ended August 31, 2020 and 2019, the six wells drilled on our property produced 413,700 and 50,600 barrels of oil, respectively, resulting in oil and gas royalty income of $669,000 and $148,300, respectively.

The wells produce oil, gas, and natural gas liquids, which are hydrocarbons in the same family of molecules as natural gas and crude oil, composed exclusively of carbon and hydrogen.

Interest Income – Interest income represents interest earned on investment of capital in cash equivalents or debt securities and interest accrued on the notes receivable from the Rangeview District. The lower level of interest income in fiscal 2020 compared to fiscal 2019 was primarily attributable to interest rates on investments and timing of the maturity of the investments.

Liquidity, Capital Resources and Financial Position

At August 31, 2020, our working capital, defined as current assets less current liabilities, was $19.8 million, which includes $21.8 million in cash and cash equivalents. We believe that as of August 31, 2020, and as of the date of the filing of this Annual Report on Form 10-K, we had and have sufficient working capital to fund our operations for the next 12 months. We have substantially completed the work required to deliver all lots under contract in the first filing at Sky Ranch and are in the permitting process for the next filing at Sky Ranch. We estimate the cost to finish the nearly 900 lots expected to be platted in the second filing at Sky Ranch to be approximately $65.6 million. Of this, we estimate we will spend up to $15.0 million during fiscal 2021, and we anticipate receiving approximately $12.0 million in milestone payments from the homebuilders over the same period. Due to staffing shortages at Arapahoe County and the disruption to its operations caused by COVID-19, permitting is taking longer than normal, but we do anticipate having permits and beginning construction of the next phase of development before the end of calendar 2020. We believe we can fund such capital expenditures from cash and cash equivalents on hand and phased payments from our lot sales agreements.

ECCV Capacity Operating System

In May 2012, we entered into an agreement to operate and maintain certain wells and transmission lines, the ECCV facilities, allowing us to utilize the system to provide water to commercial and industrial customers, including customers providing water for drilling and hydraulic fracturing of oil and gas wells. Our cost associated with the use of the ECCV system is a flat monthly fee of $8,000 per month from January 1, 2013 through December 31, 2020, which decreases to $3,000 per month from January 1, 2021 through April 30, 2032. Additionally, we pay a fee per 1,000 gallons of water produced from ECCV's system, which is included in the water usage fees charged to customers. In addition, the ECCV system costs us approximately $5400 per month to maintain.

South Metropolitan Water Supply Authority and WISE

SMWSA is a municipal water authority in the State of Colorado organized to pursue the acquisition and development of new water supplies on behalf of its members, including the Rangeview District. Pursuant to certain agreements with the Rangeview District, we agreed to provide funding to the Rangeview District in connection with its membership in the SMWSA. In July 2013, the Rangeview District, together with nine other SMWSA members, formed an SMWA to enable its members to participle in a cooperative water project known as WISE and entered into an agreement that specifies each member's pro rata share of WISE and the members' rights and obligations with respect to WISE. On December 31, 2013, SMWA, Denver Water, and Aurora Water entered into the Amended and Restated WISE Partnership – Water Delivery Agreement, which provides for the purchase of certain infrastructure (pipelines, water storage facilities, water treatment facilities, and other appurtenant facilities) to deliver water to and among Rangeview District and the other nine members of the SMWA from Denver Water and Aurora Water. We have entered into a financing agreement that obligates us to fund the Rangeview District's cost of participating in WISE. During the years ended August 31, 2020 and 2019, we provided $2.8 million and $1.5 million, respectively, of financing to the Rangeview District to fund its obligation to purchase WISE water rights and pay for operational and construction charges. Ongoing funding requirements are dependent on operational and overhead costs of SMWA and the construction activities. We anticipate that we will be investing an additional $1.1 million in 2021 and $7.5 million in total for the fiscal years 2022 through 2025 to fund the Rangeview District's obligation to purchase infrastructure for WISE, its obligations related to SMWSA, and the construction of a connection to the WISE system. In exchange for funding the Rangeview District's obligations in WISE, we will have the sole right to use and reuse the Rangeview District's 9% share of the WISE water and infrastructure to provide water service to the Rangeview District's customers and to receive the revenue from such service.

Summary Cash Flows

	For the Fiscal Years Ended August 31,		Change 2020 versus 2019	
	2020	2019	$	%
Cash provided (used) by:				
Operating activities	$ 20,720,100	$ 3,530,500	$ 17,189,600	487%
Investing activities	$ (3,445,500)	$ (10,803,800)	$ 7,358,300	(68)%
Financing activities	$ 44,800	$ 186,200	$ (141,400)	(76)%

Changes in Operating Activities – Operating activities include amounts we receive from the sale of wholesale water and wastewater services, costs incurred in the delivery of those services, the sale of lots, the costs incurred in completing and delivering finished lots, and G&A Expenses.

Cash provided by operations in fiscal 2020 increased $17.2 million as compared to fiscal 2019, which is primarily due to the reimbursement of capitalized costs of $10.5 million partially recorded in *Land development inventories*, the collection of up-front deferred oil and gas payments of $1.6 million, receipt of water and wastewater tap fees, receipt of lot sale proceeds, timing differences on payments of payables and accrued liabilities along with an increase in net income of $1.9 million. Cash provided by operations in fiscal 2019 consisted primarily of payments received relating to milestone payments from two builders at Sky Ranch that had been deferred, an upfront payment for industrial water and a payment for the OGOA that had been deferred, offset by increases in inventories related to the construction activities of Sky Ranch, and the payment of approximately $1.0 million for a collateral deposit paid to Arapahoe County in connection with the grading, erosion and sediment control permit application for Sky Ranch, coupled with the increase in net income due primarily to recognized revenue from water and wastewater tap fees of $3.5 million.

Changes in Investing Activities – Investing activities in fiscal 2020 consisted of the sale and maturity ofdebt securities of $6.9 million offset by the purchase of $1.7 million in securities, the investment in our land and water system of $8.0 million, and the purchase of equipment of $586,000. Investing activities in fiscal 2019 consisted of the sale and maturity of debt securities of $56 million offset by the purchase of $52 million in securities, the investment in our water system of $14.1 million, and the purchase of equipment of $354,000.

Changes in Financing Activities – Financing activities in 2020 consisted of proceeds from the exercise of stock options of $49,200, offset by a payment to contingent liability holders of $4,400. Financing activities in 2019 consisted of proceeds from the exercise of stock options of $193,100, offset by a payment to contingent liability holders of $6,900.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements consist entirely of the contingent portion of the Comprehensive Amendment Agreement No. 1 (the "CAA"), which is $647,200, as described in Note 5 – *Participating Interests in Export Water* to the accompanying consolidated financial statements. The contingent liability is not reflected on our balance sheet because the obligation to pay the CAA is contingent on sales of Export Water, the amounts and timing of which are not reasonably determinable.

Recently Adopted and Issued Accounting Pronouncements

See Note 2 – *Summary of Significant Accounting Policies* to the accompanying consolidated financial statements for recently adopted and issued accounting pronouncements.

Item 7A – Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8 – Financial Statements and Supplementary Data

Index to Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Pure Cycle Corporation:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Pure Cycle Corporation (the "Company") as of August 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the years in the two-year period ended August 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of August 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended August 31, 2020 and 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Plante & Moran PLLC

We have served as the Company's auditor since 2017.

Boulder, CO
November 10, 2020

PURE CYCLE CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS:	**August 31, 2020**	**August 31, 2019**
Current Assets:		
Cash and cash equivalents	$ 21,797,358	$ 4,478,020
Short-term investments	—	5,188,813
Trade accounts receivable, net	1,123,740	1,099,631
Prepaid expenses and deposits	1,000,617	1,016,751
Land development inventories	481,451	11,613,112
Income taxes receivable	1,588,035	141,410
Total current assets	25,991,201	23,537,737
Investments in water and water systems, net	55,086,743	50,270,310
Land and mineral interests	4,914,880	5,104,477
Other assets	2,043,429	1,945,202
Notes receivable – related parties, including accrued interest	1,078,596	988,381
Deferred tax asset	—	1,283,246
Long-term land investment	450,641	450,641
Operating leases - right of use assets, less current portion	195,566	—
Income taxes receivable	—	141,410
Total assets	$ 89,761,056	$ 83,721,404
LIABILITIES:		
Current liabilities:		
Accounts payable	179,718	170,822
Accrued liabilities	1,390,949	1,097,922
Accrued liabilities - related parties	1,212,404	2,330,496
Deferred revenues	1,635,443	3,991,535
Deferred oil and gas lease and water sales payment	1,800,068	706,464
Total current liabilities	6,218,582	8,297,239
Deferred oil and gas lease and water sales payment, less current portion	165,012	360,884
Participating Interests in Export Water Supply	327,718	332,140
Deferred tax liability	885,632	—
Lease obligations - operating leases, less current portion	120,285	—
Total liabilities	7,717,229	8,990,263
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Preferred stock:		
Series B – par value $.001 per share, 25 million shares authorized; 432,513 shares issued and outstanding (liquidation preference of $432,513)	433	433
Common stock:		
Par value 1/3 of $.01 per share, 40 million shares authorized; 23,856,098 and 23,826,598 shares issued and outstanding, respectively	79,525	79,427
Additional paid-in capital	172,926,538	172,360,413
Accumulated other comprehensive income	—	3,891
Accumulated deficit	(90,962,669)	(97,713,023)
Total shareholders' equity	82,043,827	74,731,141
Total liabilities and shareholders' equity	$ 89,761,056	$ 83,721,404

See accompanying Notes to Consolidated Financial Statements

PURE CYCLE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	For the Fiscal Years Ended August 31,	
	2020	**2019**
Revenues:		
Metered water usage from:		
Municipal customers	$ 524,060	$ 318,199
Industrial - Oil and gas operations	512,772	4,238,334
Wastewater treatment fees	95,810	35,818
Lot sales	18,934,400	11,955,989
Water and wastewater tap fees	5,641,020	3,642,548
Other	147,153	170,621
Total revenues	25,855,215	20,361,509
Expenses:		
Water service operations	(804,080)	(1,502,370)
Wastewater service operations	(199,962)	(28,020)
Land development construction costs	(15,869,547)	(11,304,962)
Other	(70,408)	(140,118)
Depletion and depreciation	(1,367,160)	(968,229)
Total cost of revenues	(18,311,157)	(13,943,699)
Gross profit	7,544,058	6,417,810
General and administrative expenses	(4,249,315)	(3,106,547)
Non-cash mineral interest impairment charge	(1,425,459)	—
Depreciation	(355,909)	(312,602)
Operating income	1,513,375	2,998,661
Other income:		
Reimbursement of construction costs - related party	6,275,500	—
Oil and gas lease income, net	246,962	55,733
Oil and gas royalty income, net	669,033	148,327
Interest income	178,554	298,605
Other	35,723	26,627
Net income before taxes	8,919,147	3,527,953
Income tax (expense) benefit	(2,168,793)	1,283,195
Net income	$ 6,750,354	$ 4,811,148
Unrealized holding losses	(3,891)	(62,556)
Total comprehensive income	$ 6,746,463	$ 4,748,592
Earnings per common share:		
Basic	$ 0.28	$ 0.20
Diluted	$ 0.28	$ 0.20
Weighted average common shares outstanding:		
Basic	23,845,015	23,795,973
Diluted	24,061,612	24,002,836

See accompanying Notes to Consolidated Financial Statements

PURE CYCLE CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount				
August 31, 2018 balance:	432,513	433	23,764,098	79,218	171,831,293	66,446	(102,524,171)	69,453,219
Share-based compensation	—	—	—	—	336,228	—	—	336,228
Exercise of options	—	—	62,500	209	192,892	—	—	193,101
Net income	—	—	—	—	—	—	4,811,148	4,811,148
Unrealized holding losses on investments	——	—	—	—	—	(62,556)	—	(62,556)
August 31, 2019 balance:	432,513	433	23,826,598	79,427	172,360,413	3,891	(97,713,023)	74,731,141
Share-based compensation	—	—	—	—	367,624	—	—	367,624
Exercise of options	—	—	17,500	58	49,141	—	—	49,199
Unrestricted stock issue	—	—	12,000	40	149,360	—	—	149,400
Net income	—	—	—	—	—	—	6,750,354	6,750,354
Unrealized holding losses on investments	—	—	—	—	—	(3,891)	—	(3,891)
August 31, 2020 balance:	432,513	$ 433	23,856,098	$ 79,525	$ 172,926,538	$ —	$ (90,962,669)	$ 82,043,827

See accompanying Notes to Consolidated Financial Statements

PURE CYCLE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Fiscal Years Ended August 31,	
	2020	**2019**
Cash flows from operating activities:		
Net income	$ 6,750,354	$ 4,811,148
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation expense	517,024	336,228
Depreciation and depletion	1,723,069	1,280,830
Recovery of doubtful accounts	—	(37,233)
Investment in Well Enhancement and Recovery Systems LLC	11,730	6,601
Interest income and other non-cash items	(175)	(420)
Interest added to receivable from related parties	(45,556)	(41,776)
Deferred income taxes	2,168,878	(1,284,066)
Proceeds from Sky Ranch CAB reimbursement applied to land development inventories	4,229,501	—
Non-cash mineral interest impairment charge	1,425,459	—
Changes in operating assets and liabilities:		
Land development inventories	6,487,689	(5,018,452)
Trade accounts receivable	(24,109)	4,870
Prepaid expenses and other assets	91,195	(700,063)
Note receivable – related parties	(44,659)	(40,406)
Accounts payable and accrued liabilities	192,057	(368,456)
Income taxes	(1,305,215)	—
Deferred revenues	(2,353,591)	3,630,485
Deferred income – oil and gas lease and water sales payment	897,732	951,237
Lease obligations - operating leases	(1,291)	—
Net cash provided by operating activities	20,720,092	3,530,527
Cash flows from investing activities:		
Investments in water, water systems and land	(8,044,059)	(14,106,724)
Sales and maturities of marketable securities	6,905,157	55,697,933
Purchase of marketable securities	(1,720,234)	(52,040,964)
Purchase of property and equipment	(586,396)	(353,995)
Net cash used by investing activities	(3,445,532)	(10,803,750)
Cash flows from financing activities:		
Proceeds from exercise of options	49,199	193,101
Payment to contingent liability holders	(4,421)	(6,896)
Net cash provided by financing activities	44,778	186,205
Net change in cash and cash equivalents	17,319,338	(7,087,018)
Cash and cash equivalents – beginning of year	4,478,020	11,565,038
Cash and cash equivalents – end of year	$ 21,797,358	$ 4,478,020
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Land development inventories included in accounts payable and accrued liabilities	$ 985,130	$ 1,399,602
Investments in water, water systems and land included in accounts payable and accrued liabilities	$ 260,649	$ 930,895
Transfer of income taxes to income taxes receivable	$ —	$ 282,820
Income taxes paid, net of refunds	$ 1,022,310	$ —

See accompanying Notes to Consolidated Financial Statements

PURE CYCLE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2020 and 2019

NOTE 1 – ORGANIZATION

Pure Cycle Corporation (the "Company") was incorporated in Delaware in 1976 and reincorporated in Colorado in 2008. The Company operates in two business segments: (i) wholesale water and wastewater services and (ii) land development. The Company has accumulated valuable water and land interests over the past 30 years and has developed an extensive network of wholesale water production, storage, treatment and distribution systems, and wastewater collection and treatment systems which serve domestic, commercial and industrial customers in the Denver metropolitan region. The Company's land assets are located along the active and high-profile I-70 corridor in the Denver metropolitan region. Through its land development segment, the Company is developing Sky Ranch, a 930 acre master planned community located four miles south of Denver International Airport. Sky Ranch is planned to include a mix of 3,200 single-family and multifamily residential units and over two million square feet of commercial, retail, and industrial space.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of Pure Cycle Corporation and its wholly-owned and controlled subsidiary. Intercompany accounts and transactions have been eliminated in consolidation.

Coronavirus Aid, Relief, and Economic Security Act ("CARES Act")

On March 27, 2020, Congress enacted the CARES Act to provide financial relief due tothe outbreak of a novel strain of the coronavirus ("COVID-19"). The CARES Act provides numerous tax provisions and other stimulus measures, including temporary changes regarding the prior and future utilization of net operating losses, temporary changes to the prior and future limitations on interest deductions, temporary suspension of certain payment requirements for the employer portion of Social Security taxes, technical corrections from prior tax legislation for tax depreciation of certain qualified improvement property, and the creation of certain refundable employee retention credits. The Company does not believe there will be any material impacts to its financial statements because of the CARES Act.

On April 17, 2020, the Company entered into a $390,000 note payable to Central Bank & Trust part of Farmers & Stockmens Bank, pursuant to the Paycheck Protection Program ("PPP Loan") under the CARES Act. On May 13, 2020, the Company returned the entire outstanding balance of $390,278, inclusive of interest. The interest was waived by Central Bank & Trust.

Reclassifications

Certain reclassifications have been made to the financial statements to conform to the consolidated 2020 financial statement presentation. These reclassifications had no effect on net earnings or cash flows previously reported.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used to account for certain items such as revenue recognition, reimbursable costs and expenses, costs of revenue for lot sales, share-based compensation, deferred tax asset valuation, and the useful lives of assets. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less. The Company's cash equivalents are comprised entirely of money market funds maintained at a reputable financial institution and U.S. Treasury debt securities. The Company had no cash equivalents as of August 31, 2020. At various times during the fiscal year ended August 31, 2020, the Company's main operating account exceeded federally insured limits. To date, the Company has never suffered a loss due to such excess balance.

Contract Asset

Contract assets reflect revenue which has been earned but not yet invoiced. Contract assets are transferred to receivables when the Company has the right to bill such amounts and they are invoiced. Contract receivables are recorded at the invoiced amount and do not bear interest. Credit is extended based on the evaluation of a customer's financial condition and collateral is not required.

Investments

Management determines the appropriate classification of investments in marketable securities at the time of purchase and reevaluates such determinations each reporting period.

Marketable securities the Company does not have the positive intent or ability to hold to maturity, including certificate of deposits and U.S. Treasury debt securities, are reported at their fair value. Changes in value of such securities are recorded as a component of *Accumulated other comprehensive income (loss)*. The cost of securities sold is based on the specific identification method. As of August 31, 2020, the Company held no marketable securities.

Land Development Inventories

Land development inventories primarily include land held for development and sale stated at cost. The Company began developing its Sky Ranch property in 2018. Capitalized lot development costs at Sky Ranch are costs incurred to construct finished lots that meet the Company's capitalization criteria for improvements to a lot and are capitalized as incurred. The Company capitalizes certain legal, engineering, design, permitting, land acquisition, and construction costs related to the development of lots at Sky Ranch. The Company uses the specific identification method for purposes of accumulating land development costs and allocates costs to each lot to determine the cost basis for each lot sale. The Company records all land cost of sales when a lot is completed and sold on a lot-by-lot basis. Costs included in *Land Development Inventories* include common area costs the Company funded through the Sky Ranch Community Authority Board (the "Sky Ranch CAB"). The Company believes these costs will be reimbursable by the Sky Ranch CAB. The Company will record any reimbursements as a reduction of capitalized costs remaining in *Land Development Inventories* once the Sky Ranch CAB has reimbursed the costs (i.e., once the Sky Ranch Districts and/or the Sky Ranch CAB has issued bonds).

The Company measures land held for sale at the lower of the carrying value or net realizable value. In determining net realizable value, the Company primarily relies upon the most recent comparable sales prices. If recent sales prices are not available, the Company will consider several factors, including, but not limited to, current market conditions, nearby recent sales transactions, and market analysis studies. If the net realizable value is lower than the current carrying value, the land is written down to its net realizable value.

Concentration of Credit Risk and Fair Value

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and investments. From time to time, the Company places its cash in money market instruments, certificates of deposit and U.S. government treasury obligations. To date, the Company has not experienced significant losses on any of these investments.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value. The Company uses a fair value hierarchy that has three levels of inputs, both observable and unobservable, with use of the lowest possible level of significant input to determine where within the fair value hierarchy the measurement falls. The estimated fair value measurements in Note 2 – *Fair Value Measurements* are based on Level 2 of the fair value hierarchy.

Cash and Cash Equivalents **–** The Company's cash and cash equivalents are reported using the values as reported by the financial institution where the funds are held. These securities primarily include balances in the Company's operating and savings accounts. The carrying amount of cash and cash equivalents approximate fair value.

Trade Accounts Receivable **–** The Company records accounts receivable net of allowances for uncollectible accounts and the carrying values approximate fair value due to the short-term nature of the receivables.

Investments **–** The carrying amounts of investments approximate fair value. Investments are described further in Note 3 –*Fair Value Measurements.*

Accounts Payable **–** The carrying amounts of accounts payable approximate fair value due to the relatively short period to maturity for these instruments.

Long-Term Financial Liabilities **–** The Comprehensive Amendment Agreement No. 1 (the "CAA") is comprised of a recorded balance and an off-balance sheet or "contingent" obligation associated with the Company's acquisition of its "Rangeview Water Supply" (as defined in Note 4 – *Water and Land Assets*). The amount payable is a fixed amount but is repayable only upon the sale of "Export Water" (as defined in Note 4 – *Water and Land Assets*). Because of the uncertainty of the sale of Export Water, the Company has determined that the contingent portion of the CAA does not have a readily determinable fair value. The CAA is described further in Note 5 – *Participating Interests in Export Water.*

Notes Receivable – Related Parties **–** The carrying amounts of the *Notes receivable – related parties* (including with the Rangeview Metropolitan District (the "Rangeview District") and the Sky Ranch CAB) approximate their fair value because the interest rates on the notes approximate market rates.

Off-Balance Sheet Instruments – The Company's off-balance sheet instruments consist entirely of the contingent portion of the CAA. Because repayment of this portion of the CAA is contingent on the sale of Export Water, which is not reasonably estimable, the Company has determined that the contingent portion of the CAA does not have a determinable fair value. See further discussion in Note 5 – *Participating Interests in Export Water.*

Trade Accounts Receivable

The Company records accounts receivable net of allowances for uncollectible accounts. The Company has not recorded an allowance for uncollectible accounts in receivables from continuing operations for either of the periods ended August 31, 2020 or 2019. The allowance for uncollectible accounts was determined based on a specific review of all past due accounts.

Long-Lived Assets Impairment Loss

The Company evaluates its long-lived assets for impairment at least annually or more frequently if the Company believes events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Estimates of future cash flows and timing of events for evaluating long-lived assets for impairment are based upon management's assumptions and market conditions. If any of its long-lived assets are deemed to be impaired, the amount of impairment to be recognized is the excess of the carrying amount of the assets over its fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The impairment testing of long-lived assets during fiscal 2020 resulted in $1.4 million impairment charge for the Arkansas Valley mineral rights, as described below.

As of August 31, 2020, the Company assessed the recoverability of its Arkansas Valley mineral rights. The Company determined the carrying value of these mineral rights is not recoverable. As a result, the Company recorded an impairment charge of $1.4 million. The charge was recorded in *Non-cash mineral asset impairment charge* in the consolidated statements of operations and comprehensive income for fiscal 2020. There was no impairment for the Arkansas Valley mineral rights long-lived asset in fiscal 2019.

Capitalized Costs of Water and Wastewater Systems and Depreciation and Depletion Charges

Costs to construct water and wastewater systems that meet the Company's capitalization criteria are capitalized as incurred, including interest, if applicable, and depreciated on a straight-line basis over their estimated useful lives of up to 30 years. The Company capitalizes design and construction costs related to construction activities, and it capitalizes certain legal, engineering and permitting costs relating to the adjudication and improvement of its water assets.

The Company depletes its water assets that are being utilized based on units produced (i.e., thousands of gallons sold) divided by the total volume of water adjudicated in the water decrees.

Revenue Recognition

The Company disaggregates revenue by major product line as reported on the consolidated statements of operations and comprehensive income.

The Company generates revenues through two lines of business. Revenues are derived through its wholesale water and wastewater business and through the sale of developed land primarily for residential lots, both of which businesses are described below.

Water and Wastewater Segment Revenues

The Company generates revenues through its wholesale water and wastewater business predominantly from the items identified below. Because these items are separately delivered and distinct, the Company accounts for each of the items separately, as described below.

Monthly water usage and wastewater treatment fees – The Company provides water and wastewater services to customers, for which the customers are charged fees monthly. Water usage fees are assessed to customers based on actual metered usage each month plus a base monthly service fee assessed per single family equivalent ("SFE") unit served. One SFE is a customer, whether residential, commercial or industrial, that imparts a demand on the Company's water or wastewater systems similar to the demand of a family of four persons living in a single-family house on a standard-sized lot. Water usage pricing is based on a tiered pricing structure. The Company recognizes wholesale water usage revenues at a point in time upon delivering water to its customers or its governmental customers' end-use customers, as applicable. Revenues recognized by the Company from the sale of "Export Water" and other portions of its "Rangeview Water Supply" off the "Lowry Range" are shown gross of royalties to the State of Colorado Board of Land Commissioners (the "Land Board"). The Company is the primary distributor of the Export Water and sets pricing for the sale of Export Water. Revenues recognized by the Company from the sale of water on the Lowry Range are shown net of royalties paid to the Land Board and amounts retained by the Rangeview District. For water sales on the Lowry Range, the Rangeview District is directly selling the water and deemed the primary distributor of the water. The Rangeview District sets the price for the water sales on the Lowry Range. See further description of "Export Water," the "Lowry Range," and the "Rangeview Water Supply" in Note 4 – *Water and Land Assets* under "Rangeview Water Supply and Water System."

The Company also sells raw water for industrial uses to oil and gas companies during drilling processes (referred to as "O&G operations"). O&G operations revenues are recognized at a point in time upon delivering water to the customer, unless other special arrangements are made.

The Company delivered 76.2 million and 356.3 million gallons of water to customers during the years ended August 31, 2020 and 2019. Of this, 1% and 84% was used for O&G operations.

The Company recognizes wastewater treatment revenues monthly based on a flat monthly fee and actual usage charges. The monthly wastewater treatment fees are shown net of amounts retained by the Rangeview District. Costs of delivering water and providing wastewater service to customers are recognized as incurred.

Water and wastewater tap fees and construction fees/special facility funding – The Company has various water and wastewater service agreements, components of which may include payment of tap fees. A tap constitutes a right to connect to the wholesale water and wastewater systems through a service line to a residential or commercial building or property, and once granted, the customer may make a physical tap into the wholesale line(s) to connect its property for water and/or wastewater service. The right stays with the property. The Company has no obligation to physically connect the property to the lines. Once connected to the water and/or wastewater systems, the customer has live service to receive metered water deliveries from the Company's system and send wastewater into the Company's system. Thus, the customer has full control of the connection right as it can obtain all the benefits from this right. As such, management has determined that tap fees are separate and distinct performance obligations that are recognized at a point in time.

The Company recognizes water and wastewater tap fee revenues at the time the Company grants a right for the customer to connect to the water or wastewater service line to obtain service, and the customer pays the tap fee. During the years ended August 31, 2020 and 2019, the Company recognized $4,758,700 and $3,116,100 of water tap fee revenues. The water tap fees recognized are based on the amounts billed by the Rangeview District to customers, after deduction of royalties due to the Land Board for water taps, if applicable, and net of amounts paid to third parties pursuant to the CAA as further described in *Note 7 – Long-Term Obligations and Operating Lease.*

During the years ended August 31, 2020 and 2019, the Company recognized $882,300 and $526,400 of wastewater tap fee revenues.

The Company recognizes construction fees, including fees received to construct "special facilities," over time as the construction is completed because the customer is generally able to use the property improvement to enhance the value of other assets during the construction period. Special facilities are facilities that enable water to be delivered to a single customer and are not otherwise classified as a typical wholesale facility or retail facility. Temporary infrastructure required prior to construction of permanent water and wastewater systems or transmission pipelines to transfer water from one location to another are examples of special facilities. Management has determined that special facilities are separate and distinct performance obligations because these projects are contracted to construct a specific water and wastewater system or transmission pipeline and typically do not include multiple performance obligations in a contract with a customer. No special facilities revenue was recognized during the fiscal year ended August 31, 2020 or 2019.

As of August 31, 2020 and 2019, the Company had no contract liabilities related to water tap and construction fee/special facility funding revenue.

Consulting fees – The Company receives, typically on a monthly basis, fees from municipalities and area water providers along the I-70 corridor, for contract operations services over time as services are consumed. Consulting fees are recognized monthly based on a flat monthly fee plus charges for additional work performed. During the years ended August 31, 2020 and 2019, the Company recognized $25,700 and $158,600 of consulting fees. During the year ended August 31, 2020, the Company cancelled all but one of its remaining consulting contracts to focus its resources on the Sky Ranch water and wastewater operations and land development. These fees are classified in *Other income*.

Land Development Segment Revenues

The Company generates revenues through its land development business predominantly from the sources described below. Because these items are separately delivered and distinct, the Company accounts for each of the items separately, as described below.

Sale of finished lots – The Company acquired approximately 930 acres of land zoned as a Master Planned Community known as Sky Ranch along the I-70 corridor east of Denver, Colorado. The Company has entered into purchase and sale agreements with three separate home builders pursuant to which the Company agreed to sell, and each builder agreed to purchase, residential lots at Sky Ranch. The Company began construction of lots in March 2018 and segments its reporting of the activity relating to the costs and revenues from the construction and sale of lots at Sky Ranch.

The Company sells lots at Sky Ranch pursuant to distinct agreements with each home builder. These agreements follow one of two formats. One format is the sale of a finished lot, whereby the purchaser pays for a ready-to-build finished lot and the sales price is paid in a lump-sum upon completion of the finished lot that is permit ready. The Company recognizes revenues at the point in time of the closing of the sale of a finished lot in which control transfers to the builder as the transaction cycle is complete and the Company has no further obligations for the lot. During the year ended August 31, 2020, the Company received payment and recognized revenue of $4,911,700 from one home builder in exchange for the delivery of 70 finished lots. During the year ended August 31, 2019, the Company received payment and recognized revenue of $4,053,800 from one home builder in exchange for the delivery of 57 finished lots.

The second format is the sale of finished lots pursuant to a lot development agreement with builders, whereby the Company receives payments in stages that include: (i) payment upon the delivery of platted lots (which requires the Company to deliver deeded title to individual lots), (ii) a second payment upon the completion of certain infrastructure milestones, and (iii) final payment upon the delivery of the finished lot. Ownership and control of the platted lots pass to the builders once the Company closes the sale of the platted lots. Because the builder (i.e., the customer) takes control of the lot at the first closing and subsequent improvements made by the Company improve the builder's lot as construction progresses, the Company accounts for revenue over time with progress measured based upon costs incurred to date compared to total expected costs. Any revenue in excess of amounts entitled to be billed is reflected on the balance sheet as a contract asset, and amounts received in excess of revenue recognized are recorded as deferred revenue. As of August 31, 2020, the Company had received cumulative payments of $25.6 million under the development agreements relating to 356 lots from two home builders, of which $24.1 million of revenue was recognized over time based on the costs incurred to date compared to total expected costs for full completion of the 356 lots. For the years ended August 31, 2020 and 2019, the Company recognized $14,022,700 and $7,902,200 of lot sales over time. As of August 31, 2020 and 2019, the Company had deferred revenues of $1,635,400 and $3,991,500. The Company does not have any material significant payment terms as all payments are expected to be received within 12 months after the delivery of the platted lot. The Company adopted the practical expedient for financing components and does not need to account for a financing component of these lot sales as the delivery of lot sales is expected to occur within one year.

Reimbursable Costs for Public Improvements – The Sky Ranch CAB is required to construct certain public improvements, such as water distribution systems, sewer collection systems, storm water systems, drainage improvements, roads, curbs, sidewalks, landscaping, and parks, the costs of which may qualify as reimbursable costs. Pursuant to its agreements with the Sky Ranch CAB (see Note 6 – *Related Party Transactions*), the Company is obligated to finance this infrastructure. These public improvements are constructed pursuant to design standards specified by the Sky Ranch Districts and/or the Sky Ranch CAB, and, after inspection and acceptance, are turned over to the applicable governmental entity to operate and maintain. As these public improvements are owned and operated on behalf of a governmental entity, they may qualify for reimbursement.

Pursuant to the agreements with the Sky Ranch CAB, the Sky Ranch CAB is not required to make payments to the Company for any advances made by the Company or expenses incurred related to construction of public improvements unless and until the Sky Ranch CAB and/or the Sky Ranch Districts issue bonds in an amount sufficient to reimburse the Company for all or a portion of the advances made and expenses incurred. Because the timing of the issuance and approval of any bonds is subject to considerable uncertainty, any potential reimbursable costs for the construction of public improvements, including construction support activities and project management fees, are initially capitalized in *Land development inventories*. If the bonds have not been approved and issued prior to the sale of the lots serviced by the public improvements, the costs are expensed through *Land development construction costs* when the lots are sold consistent with other construction related costs. If bonds ultimately are issued, upon receipt of reimbursements by the Company, the Company records the reimbursements received as *Other income* to the extent that costs have previously been expensed and reduces *Land development inventories* by any remaining reimbursables received. The Company submits specific costs for reimbursement to the Sky Ranch CAB. If reimbursable costs received exceed actual expenses incurred by the Company for the cost of the public improvements, they are recorded as *Other income* as received.

The Company has entered certain funding agreements with the Sky Ranch CAB, which are described in Note 6 –*Related Party Transactions.* These agreements allow for interest to be accrued on amounts funded by the Company to the Sky Ranch CAB. Due to the uncertainty of collecting the interest (because payment is contingent on the issuance of bonds), interest income is not recognized on the amounts owed by the Sky Ranch CAB until the bonds are issued. As of August 31, 2020, the Company had deferred the recognition of $1,176,300 of interest income on advances made to the Sky Ranch CAB.

On November 19, 2019, the Sky Ranch CAB sold tax-exempt, fixed rate senior bonds in the aggregate principal amount of $11,435,000 and tax-exempt, fixed-rate subordinate bonds in the aggregate principal amount of $1,765,000 (collectively, the "Bonds"). Upon the issuance of the Bonds, the Company received $10.5 million as partial reimbursement for advances the Company made to the Sky Ranch CAB to fund the construction of public improvements to the Sky Ranch property. Of the $10.5 million received by the Company, $6.3 million was recognized as *Income from reimbursement of construction costs (related party)* in other income and the remaining $4.2 million partially reduced the remaining capitalized costs in *Land development inventories*.

Project management services – On May 2, 2018, the Company entered into two Service Agreements for Project Management Services (the "Project Management Agreements") with the Sky Ranch CAB. Pursuant to the Project Management Agreements, the Company acts as the project manager and provides any and all services required to deliver the Sky Ranch CAB-eligible improvements, including but not limited to Sky Ranch CAB compliance; planning design and approvals; project administration; contractor agreements; and construction management and administration. The Company is responsible for all expenses it incurs in the performance of the Project Management Agreements and is not entitled to any reimbursement or compensation except as set forth in the Project Management Agreements, unless otherwise approved in advance by the Sky Ranch CAB in writing. The Company receives a project management fee of five percent (5%) of actual construction costs of Sky Ranch CAB-eligible improvements. The project management fee qualifies as a reimbursable cost to the Company. The project management fee is based only on the actual costs of the improvements; thus, items such as fees, permits, review fees, consultant or other soft costs, and land acquisition or any other costs that are not directly related to the cost of construction of Sky Ranch CAB-eligible improvements are not included in the calculation of the project management fee. Soft costs and other costs that are not directly related to the construction of Sky Ranch CAB-eligible improvements are included in *Land development inventories* and accounted for in the same manner as construction support activities as described below. Per the Project Management Agreements, no payment is required by the Sky Ranch CAB with respect to project management fees unless and until the Sky Ranch CAB and/or the Sky Ranch Districts have funds or issue municipal bonds in an amount sufficient to reimburse the Company for all or a portion of advances provided or expenses incurred for reimbursables. Due to this contingency, the project management fees are deferred and will not be recognized until bonds are issued by the Sky Ranch Districts and/or the Sky Ranch CAB and the Sky Ranch CAB reimburses the Company for the public improvements. At that point, the portion of the project management fees repaid will be recognized as revenue. As of August 31, 2020, the Company had deferred recognition of $1,464,900 in project management services to the Sky Ranch CAB.

Construction support activities – The Company performs certain construction activities at Sky Ranch. The activities performed include construction and maintenance of the grading erosion and sediment control best management practices and other construction-related services. These activities are invoiced upon completion and are included in *Land development inventories* and subsequently expensed through *Land development construction costs* unless or until bonds are issued by the Sky Ranch Districts (as defined in Note 6 – *Related Party Transactions*) and/or the Sky Ranch CAB and the Sky Ranch CAB reimburses the Company for public improvements. Refer to *Reimbursable Costs for Public Improvements* above for details on repayment of reimbursable costs. As of August 31, 2020, the Company had invoiced the Sky Ranch CAB $674,800 for construction support activities, which amount was recorded to *Land development inventories*.

Unpaid reimbursable costs the Company believes are recoverable from the Sky Ranch CAB are recorded to a note receivable from the Sky Ranch CAB. Each reporting period, the Company assesses the collectability of the receivable from the Sky Ranch CAB and the recoverability of the outstanding reimbursable costs to determine if the amounts should be expensed. The following table summarizes all reimbursable costs incurred as of August 31, 2020, payments made from the Sky Ranch CAB and any outstanding reimbursable amounts.

	As of August 31, 2020		
	Costs incurred	Reimbursement Received	Net costs incurred
Public Improvements	$ 26,355,400	$ 10,505,000	$ 15,850,400
Accrued interest	1,176,300	—	1,176,300
Project management services	1,464,900	—	1,464,900
Construction support activities	674,800	—	674,800
Total reimbursable costs	$ 29,671,400	$ 10,505,000	$ 19,166,400

The Company believes it will incur an additional $2.3 million through the end of the calendar year 2021 to complete the construction related to public improvements for the initial lots at Sky Ranch. It further believes that it will be reimbursed an additional $18.5 million related to the public improvement costs on this initial filing. Pursuant to the Company's agreements with the Sky Ranch CAB, no payment is required by the Sky Ranch CAB with respect to reimbursable costs unless and until the Sky Ranch CAB and/or the Sky Ranch Districts have funds or issue municipal bonds in an amount sufficient to reimburse the Company for all or a portion of advances provided or expenses incurred for reimbursables.

The Company evaluated disaggregation of revenue and has determined that no additional disaggregation of revenue is necessary.

Deferred Revenue

In July 2019, the Company received an up-front payment of $573,700 from an Agreement on Locations of Oil and Gas Operations (the "OGOA") for a pad site covering approximately 16 acres with the operator of the Sky Ranch O&G Lease (defined below under the heading Oil and Gas Lease Payments), which will be recognized as income on a straight-line basis over three years. If after three years the operator has not spud at least one well on the OGOA, the operator may extend the right to the OGOA one additional year by paying the Company $75,000. The operator may only extend the OGOA for two additional years for a total of five years. The Company recognizes the up-front payments on a straight-line basis over the term of the OGOA. For the years ended August 31, 2020 and 2019, the Company recognized $191,200 and $26,200 of income related to the up-front payments received pursuant to the OGOA. As of August 31, 2020 and 2019, the Company had deferred revenue of $356,300 and $547,500, related to the OGOA.

In September 2017, the Company entered a Paid-Up Oil and Gas Lease with Bison Oil and Gas, LLP (the "Bison Lease"). Pursuant to the Bison Lease, the Company received an up-front payment of $167,200 in October 2017, which will be recognized as income on a straight-line basis over the three-year term of the lease. During each of the years ended August 31, 2020 and 2019, the Company recognized lease income of $55,700 related to the up-front payment received pursuant to the Bison Lease. As of August 31, 2020 and 2019, the Company had deferred revenue of $4,700 and $60,400, related to the Bison Lease that will be recognized as income ratably through September 2020.

One of the Company's industrial water customers provided $2.0 million of advanced water purchase payments to the Company to reserve first-priority water for O&G operations for defined periods through January 2021. The customer is required to use predetermined amounts of water on a predetermined schedule. The Company recognizes revenue based on the amount of water used by the customer in the period the water is used. If the customer does not use the water pursuant to the predetermined use and timing schedules, then the customers first-priority is forfeited. The Company records breakage revenue when it is remote that any future water services will be provided to the customer. In July 2020, the customer failed to use its water pursuant to the predetermined schedule. The customer revised its water usage estimate; therefore, the first of its upfront payments of $425,800 was recognized in *Industrial - Oil and gas operations* under metered water usage revenues because it was then determined the customer was unable to utilize the first advanced payment, which expired prior to August 31, 2020. As of August 31, 2020 and 2019, the Company had deferred recognition of $1.6 million and $425,800, as a result of these advanced water purchase payments.

The Company has also deferred recognition of lot sale revenues, which are recognized as development progresses. As of August 31, 2020 and 2019, the Company's deferred revenues along with the changes in the deferred revenues are as follows:

	August 31, 2020	August 31, 2019
Deferred lot sale revenue	$ 1,635,443	$ 3,991,535
Oil and gas lease and water sales payments	1,965,080	1,067,348
Total deferred revenues	$ 3,600,523	$ 5,058,883

Changes in deferred revenue were as follows:

	August 31, 2020	August 31, 2019
Balance, beginning of period	$ 5,058,883	$ 477,161
Billings	24,643,817	24,998,964
Revenue recognized	(26,102,177)	(20,417,242)
Balance, end of period	$ 3,600,523	$ 5,058,883

As of August 31, 2020, one homebuilder at Sky Ranch still has payment obligations to the Company pursuant to a purchase and sale agreement for lots at Sky Ranch. This contracted payment represents revenue that has not yet been fully recognized because revenue is recognized as construction work is completed. At August 31, 2020, the Company had outstanding open contracts for $1.6 million, which relates to the last payment for the sale of the final lots in the first development filing at Sky Ranch, which contractually was payable in December 2020, but was paid on November 3, 2020.

In addition to the deferred revenues recorded on the Company's consolidated balance sheet, the Company has deferred interest income of $1.2 million and project management revenues of $1.5 million due from the Sky Ranch CAB related to the development at Sky Ranch, which, due to the contingent nature of the payments, are not reflected on the Company's consolidated balance sheet.

Royalty and Other Obligations

Revenues from the sale of Export Water are shown gross of royalties payable to the Land Board. Revenues from the sale of water on the Lowry Range are invoiced directly by the Rangeview District, and a percentage of such collections are then paid to the Company by the Rangeview District. Water revenue from such sales are shown net of royalties paid to the Land Board and amounts retained by the Rangeview District.

Oil and Gas Lease Payments

As further described in Note 4 – *Water and Land Assets* below, on March 10, 2011, the Company entered into a Paid-Up Oil and Gas Lease (the "Sky Ranch O&G Lease") and a Surface Use and Damage Agreement that were subsequently purchased by a wholly owned subsidiary of ConocoPhillips Company and recently acquired by Crestone Peak Resources. Six wells have been drilled within the Company's mineral interest and placed into service (four new wells beginning in fiscal 2020) and are producing oil and gas and accruing royalties to the Company. During the fiscal years ended August 31, 2020, and 2019, the Company received $669,000 and $148,300, in royalties attributable to these six wells. The Company classifies income from lease and royalty payments as *Other income* in the consolidated statements of operations and comprehensive income as the Company does not consider these arrangements to be an operating business activity. Oil and gas operations, although material in certain years, are deemed a passive activity as the Chief Operating Decision Maker ("CODM") does not actively allocate resources to these projects; therefore, this is not classified as a reportable segment.

Share-based Compensation

The Company maintains a stock option plan for the benefit of its employees and non-employee directors. The Company recognizes share-based compensation costs as expenses over the applicable vesting period of the stock award using the straight-line method. The compensation costs to be expensed are measured at the grant date based on the fair value of the award. The Company has adopted the alternative transition method for calculating the tax effects of share-based compensation, which allows for a simplified method of calculating the tax effects of employee share-based compensation. The Company has released its full valuation allowance on its deferred tax assets as of August 31, 2019. The impact on the income tax provision for the granting and exercise of stock options during the fiscal year ended August 31, 2020, was a tax expense of $80,300. Because the Company had a full valuation allowance on its deferred tax assets as of August 31, 2018, there was a $410,600 deferred tax impact on the 2019 income tax provision as a result of the granting and exercise of stock options.

The Company recognized $517,000 and $336,200 of share-based compensation expenses during the years ended August 31, 2020 and 2019.

Income Taxes

The Company uses a "more-likely-than-not" threshold for the recognition and de-recognition of tax positions, including any potential interest and penalties relating to tax positions taken by the Company. The Company does not have any significant unrecognized tax benefits as of August 31, 2020.

The Company records deferred tax assets and liabilities for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating losses and tax credit carry-forwards. The Company measures deferred tax assets and liabilities using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Due to continued operating losses, prior to the Company's fiscal 2019, the Company maintained a valuation allowance on the net deferred tax assets other than Alternative Minimum Tax ("AMT") credits. During the year ended August 31, 2019, the Company determined it was more likely than not that the Company would realize its deferred tax assets, consisting primarily of net operating loss carryforwards, resulting in the release of the valuation allowance. By releasing the valuation allowance, for the year ended August 31, 2019, the Company recognized a deferred tax benefit of $1,284,100. The Company is required to reassess its conclusions regarding the realization of its deferred tax assets at each financial reporting date.

The Company files income tax returns with the Internal Revenue Service and the State of Colorado. The tax years that remain subject to examination are fiscal 2015 through fiscal 2019. The Company does not believe there will be any material changes in its unrecognized tax positions over the next 12 months.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax positions as a component of income tax expense. At August 31, 2020, the Company did not have any accrued interest or penalties associated with any unrecognized tax benefits, nor was any interest expense recognized during the years ended August 31, 2020 or 2019.

Earnings per Common Share

Basic earnings per common share is computed by dividing net income by the weighted-average number of shares outstanding during each period. Diluted earnings per share is computed similarly but reflects the potential dilution that would occur if dilutive options were exercised and all unvested share-based payment awards were vested. As of August 31, 2020 and 2019, the Company included 216,600 and 206,860 stock options in the calculation of diluted earnings per common share as dilutive common stock equivalents using the treasury stock method. As of each August 31, 2020 and 2019, the Company excluded 50,000 stock options from the diluted earnings per common share as their effect is anti-dilutive.

Recently Issued Accounting Pronouncements

The Company continually assesses any new accounting pronouncements to determine their applicability. When it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequence of the change to its consolidated financial statements and to ensure that there are proper controls in place to ascertain that the Company's consolidated financial statements properly reflect the change. New pronouncements assessed by the Company recently are discussed below:

In February 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-02,*Leases (Topic 842).* ASU 2016-02 provides guidance on the recognition, measurement, presentation and disclosure of leases. The new standard supersedes the present GAAP standard on leases and requires substantially all leases to be reported on the balance sheet as right-of-use assets and lease obligations. This standard is effective for fiscal years beginning after December 15, 2018. The Company adopted the standard effective September 1, 2019, and recorded a right-of-use asset of $258,900 and a lease obligation liability of $252,300.

In June 2016, the FASB issued ASU No. 2016-13,*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). Among other things, ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Companies will now use forward-looking information to better inform their credit loss estimates. ASU 2016-13 was set to be effective for public companies on January 1, 2020; however, the FASB delayed the effective date to January 1, 2023 for smaller reporting companies. The Company continues to monitor economic implications of the COVID-19 pandemic; however, based on current market conditions, we do not expect the impact of ASU 2016-13 to be material upon adoption.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have a significant impact on our consolidated financial statements and related disclosures.

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market. The Company uses a fair value hierarchy that has three levels of inputs, both observable and unobservable, with use of the lowest possible level of input to determine fair value.

Level 1 — Valuations for assets and liabilities traded in active exchange markets, such as The NASDAQ Stock Market. As of August 31, 2020 and August 31, 2019, the Company had no Level 1 assets or liabilities.

Level 2 — Valuations for assets and liabilities obtained from readily available pricing sources via independent providers for market transactions involving similar assets or liabilities. As of August 31, 2020 and 2019, the Company had zero and one Level 2 assets, which consisted of U.S. treasury notes.

Level 3 — Valuations for assets and liabilities that are derived from other valuation methodologies, including discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. As of August 31, 2020, the Company had two level 3 assets, the right-of-use asset (its operating lease) and the Arkansas Valley mineral rights and one Level 3 liability, the contingent portion of the CAA. As of August 31, 2019, the Company had one level 3 asset, the Arkansas Valley mineral rights and one Level 3 liability, the contingent portion of the CAA. The Company has determined that the contingent portion of the CAA does not have a readily determinable fair value (see Note 5 – *Participating Interests in Export Water*).

The Company maintains policies and procedures to value instruments using what management believes to be the best and most relevant data available.

Level 2 Asset – Investments. The Company's investments are the Company's only financial asset measured at fair value on a recurring basis. The fair value of the investment securities is based on the values reported by the financial institutions where the funds are held. These securities include only federally insured certificates of deposit and U.S. treasuries.

The Company's non-financial assets measured at fair value on a non-recurring basis when assessing recoverability consist entirely of its investments in water and water systems and other long-lived assets. See Note 4 – *Water and Land Assets* below.

There were no assets or liabilities measured at fair value on a recurring basis as of August 31, 2020.

The following table provides information on the assets and liabilities measured at fair value on a recurring basis as of August 31, 2019:

			Fair Value Measurement Using:			
	Fair Value	Cost / Other Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Accumulated Unrealized Gains and (Losses)
U.S. treasuries	$ 4,996,000	$ 4,992,100	$ —	$ 4,996,000	$ —	$ 3,900
Total	$ 4,996,000	$ 4,992,100	$ —	$ 4,996,000	$ —	$ 3,900

As of August 31, 2019, the Company held a $192,800 certificate of deposit that is not carried at fair value on the consolidated balance sheets because it is classified as a held-to-maturity security. As of August 31, 2020, the Company had no securities it was holding-to-maturity.

Level 3 Assets and Liability. The Company's non-financial assets that were required to be remeasured at fair value on a non-recurring basis consist of the operating lease right-of-use asset and the Arkansas Valley mineral rights.

The carrying value of the operating lease right-of-use asset is deemed recoverable based on the present value of the estimated future cash flows using a discount rate commensurate with the risk.

During 2020, as described in *Note 2 – Summary of significant Accounting Policies*, the Company determined the carrying value of the Arkansas mineral rights was not recoverable and recorded an impairment of $1.4 million. The Company estimated the fair value of the mineral rights using a market approach based upon anticipated sales proceeds less costs to sell. The Company has determined that the contingent portion of the CAA does not have a readily determinable fair value (see Note 5 – *Participating Interests in Export Water*).

There were no transfers between Level 1, 2 or 3 categories during the years ended August 31, 2020 or 2019.

NOTE 4 – WATER AND LAND ASSETS

Investment in Water and Water Systems

The Company's water and water systems consist of the following:

	August 31, 2020		August 31, 2019	
	Costs	Accumulated Depreciation and Depletion	Costs	Accumulated Depreciation and Depletion
Rangeview water supply	$ 14,569,900	$ (15,600)	$ 14,823,800	$ (14,700)
Sky Ranch water rights and other costs	7,498,900	(980,600)	7,371,500	(757,400)
Fairgrounds water and water system	2,899,900	(1,238,900)	2,899,800	(1,151,000)
Rangeview water system	15,947,700	(788,600)	5,617,800	(372,300)
Water supply – other	7,549,800	(1,115,800)	4,758,200	(860,100)
Wild Pointe service rights	1,631,800	(708,500)	1,631,800	(489,800)
Sky Ranch pipeline	5,727,300	(602,300)	5,723,700	(411,600)
Lost Creek water supply	3,372,400	—	3,324,000	—
Construction in progress	1,339,300	—	8,176,600	—
Totals	60,537,000	(5,450,300)	54,327,200	(4,056,900)
Net investments in water and water systems	$ 55,086,700		$ 50,270,300	

Construction in progress primarily consists of an irrigation system and new water well at Sky Ranch. The Company anticipates the additional facilities will be placed in service during fiscal 2021.

During fiscal 2019, the Company constructed a water reclamation facility for the Sky Ranch development. The costs of the facility were recorded in construction in progress. The Company placed the facility in service during the second quarter of fiscal 2020 at a total cost of $10.2 million. The Rangeview water system includes the Sky Ranch water reclamation facility.

Depletion and Depreciation

During the years ended August 31, 2020 and 2019, the Company recorded an immaterial amount of depletion charges, which relates entirely to the Rangeview Water Supply (as defined below).

During the years ended August 31, 2020 and 2019, the Company recorded $1,722,200 and $1,278,900 of depreciation expense. These figures include $355,900 and $312,600 of depreciation expense for other equipment not included in the table above in the fiscal years ended August 31, 2020 and 2019.

The following table presents the estimated useful lives by asset class used for calculating depreciation and depletion charges:

Assets Classes	Estimated Useful Lives
Wild Pointe	Units of production depletion
Rangeview water supply	Units of production depletion
Lost Creek water supply	Units of production depletion
Rangeview, Sky Ranch and WISE water systems	30 years
ECCV wells	10 years
Furniture and fixtures	5 years
Trucks and heavy equipment	5 years
Water system general (pumps, valves, etc.)	5 years
Computers	3 years
Water equipment	3 years
Software	1 year

Rangeview Water Supply and Water System

The "Rangeview Water Supply" consists of approximately 27,000 acre-feet and is a combination of tributary surface water and groundwater rights along with certain storage rights associated with the Lowry Range, a 26,000-acre property owned by the Land Board located 16 miles southeast of Denver, Colorado. As of August 31, 2020, the Company had invested $17.9 million in facilities to extend water service to customers located on and off the Lowry Range. The recorded costs of the Rangeview Water Supply include payments to the sellers of the Rangeview Water Supply, design and construction costs and certain direct costs related to improvements to the asset, including legal and engineering fees.

The Company acquired the Rangeview Water Supply in 1996 pursuant to the following agreements:

- 1996 Amended and Restated Lease Agreement between the Land Board and the Rangeview District, which was superseded by the 2014 Amended and Restated Lease Agreement, dated July 10, 2014 (the "Lease"), between the Company, the Land Board, and the Rangeview District;

- The 1996 Service Agreement between the Company and the Rangeview District, which was superseded by the Amended and Restated Service Agreement, dated July 11, 2014, between the Company and the Rangeview District (the "Lowry Service Agreement"), which provides for the provision of water service to the Rangeview District's customers located on the Lowry Range;

- The Agreement for Sale of non-tributary and not non-tributary groundwater between the Company and the Rangeview District (the "Export Agreement"), pursuant to which the Company purchased a portion of the Rangeview Water Supply referred to as the "Export Water" because the Export Agreement allows the Company to export water from the Lowry Range to supply water to nearby communities; and

- The 1997 Wastewater Service Agreement between the Company and Rangeview District (the "Lowry Wastewater Agreement"), which allows the Company to provide wastewater service to the Rangeview District's customers on the Lowry Range.

The Lease, the Lowry Service Agreement, the Export Agreement, and the Lowry Wastewater Agreement are collectively referred to as the "Rangeview Water Agreements."

Additionally, in August 2019, the Company purchased approximately 300 acre-feet of fully consumptive surface water in the Lost Creek Designated Ground Water Basin ("Lost Creek Water"). The Lost Creek Water is currently adjudicated for agricultural use, and the Company has filed an application with the Colorado water court to change the use of the water to augment its municipal/industrial water supplies at the Lowry Range. The Company has consolidated the Lost Creek Water with the Rangeview Water Supply to provide service to the Rangeview District's customers both on and off the Lowry Range.

Pursuant to the Rangeview Water Agreements, the Company owns 11,650 acre feet of water consisting of 10,000 acre feet of groundwater and 1,650 acre feet of average yield surface water which can be exported off the Lowry Range to serve area users (referred to as "Export Water"). The 1,650 acre feet of surface rights are subject to completion of documentation by the Land Board related to the Company's exercise of its right to substitute an aggregate gross volume of 165,000 acre feet of its groundwater for 1,650 acre feet per year of adjudicated surface water and to use this surface water as Export Water. Additionally, assuming completion of the substitution of groundwater for surface water, the Company has the exclusive right to provide water and wastewater service, through 2081, to all water users on the Lowry Range and the right to develop an additional 13,685 acre feet of groundwater and 1,650 acre feet of adjudicated surface water to serve customers either on or off the Lowry Range. The Rangeview Water Agreements also provide for the Company to use surface reservoir storage capacity in providing water service to customers both on and off the Lowry Range.

Services on the Lowry Range – Pursuant to the Rangeview Water Agreements, the Company designs, finances, constructs, operates and maintains the Rangeview District's water and wastewater systems to provide service to the Rangeview District's customers on the Lowry Range. The Company will operate both the water and the wastewater systems during the contract period, and the Rangeview District owns both systems. After 2081, ownership of the water system will revert to the Land Board, with the Rangeview District retaining ownership of the wastewater system.

Rates and charges for all water and wastewater services on the Lowry Range, including tap fees and usage or monthly fees, are governed by the terms of the Rangeview Water Agreements. Rates and charges cannot exceed the average of similar rates and charges of three surrounding municipal water and wastewater service providers, which are reassessed annually. Pursuant to the Rangeview Water Agreements, the Land Board receives a royalty of 10% or 12% of gross revenues from the sale or disposition of the water, depending on the nature and location of the purchaser of the water, except that the royalty on tap fees shall be 2% (other than taps sold for Sky Ranch which are exempt). The Company also is required to pay the Land Board a minimum annual water production fee of $45,600 per year, which offsets earned royalties, and annual rent of $7,600 which amount is increased every five years based on the Consumer Price Index for Urban Customers The Rangeview District retains 2% of the remaining revenues, and the Company receives 98% of the remaining revenues after the Land Board royalty. The Land Board does not receive a royalty on wastewater fees. The Company receives 100% of the Rangeview District's wastewater tap fees and 90% of the Rangeview District's wastewater treatment fees (the Rangeview District retains the other 10%).

Export Water – The Company owns the Export Water and intends to use it to provide wholesale water and wastewater services to customers off the Lowry Range, including customers of the Rangeview District and other governmental entities and industrial and commercial customers. The Company will own all wholesale facilities required to extend water and wastewater services using its Export Water. The Company anticipates contracting with third parties for the construction of these facilities. If the Company sells Export Water, the Company is required to pay royalties to the Land Board ranging from 10% to 12% of gross revenues, except that the royalty on tap fees shall be 2% (other than taps sold for Sky Ranch which are exempt).

WISE

The WISE Partnership Agreement provides for the purchase of certain infrastructure (i.e., pipelines, water storage facilities, water treatment facilities, and other appurtenant facilities) to deliver water to and among the 10 members of the SMWA, Denver Water and Aurora Water. Certain infrastructure has been constructed and other infrastructure will be constructed over the next several years. During the years ended August 31, 2020 and 2019, the Company made $2.8 million and $419,200 in capital investments in WISE. Capitalized terms used under this caption are defined in Note 7 – *Long-Term Obligations and Operating Lease*.

The Arapahoe County Fairgrounds Water and Water System

The Company owns 321 acre-feet of groundwater purchased pursuant to its agreement with Arapahoe County. The Company plans to use this water in conjunction with its Rangeview Water Supply in providing water to areas outside the Lowry Range. The $2.9 million of capitalized costs noted in the table *Investment in Water and Water Systems* above includes the costs to construct various wholesale and special facilities, including a new deep water well, a 500,000-gallon water tank and pipelines to transport water to the Arapahoe County fairgrounds.

The Lost Creek Water Supply

In August 2019, the Company purchased 150 acre-feet of ditch water rights, 800 acre-feet of renewable groundwater rights, 70 acre-feet of deep groundwater rights and 260 acres of land in Weld County. Total consideration for the land, water and related costs was $3.5 million. The Company allocated the acquisition cost to the land and water rights based on estimates of each asset's respective fair value at the acquisition date. The purchase of the Lost Creek land and water was accounted for as an asset acquisition.

Service to Customers Not on the Lowry Range

Sky Ranch – In 2010, the Company purchased the undeveloped land known as Sky Ranch. The property includes the rights to approximately 830 acre-feet of water, which the Company is using in conjunction with its Rangeview Water Supply to provide water service to the Rangeview District's customers at Sky Ranch. The $23.4 million of capitalized costs includes the costs to acquire the water rights and to construct various facilities.

Total consideration for the land, water and acquisition related costs and fees was $7.6 million. The Company allocated the total acquisition cost to the land and water rights based on estimates of each asset's respective fair value at the acquisition date. The purchase of the Sky Ranch land and water was accounted for as an asset acquisition.

In June 2017, the Company completed and placed into service its Sky Ranch pipeline, which cost $5.7 million to construct, connecting its Sky Ranch water system to the Rangeview District's water system.

Wild Pointe – On December 15, 2016, the Rangeview District, acting by and through its water activity enterprise, and Elbert & Highway 86 Commercial Metropolitan District, a quasi-municipal corporation and political subdivision of the State of Colorado, acting by and through its water enterprise (the "Elbert 86 District"), entered into a Water Service Agreement (the "Wild Pointe Service Agreement"). Subject to the conditions set forth in the Wild Pointe Service Agreement and the terms of the Company's engagement by the Rangeview District as the Rangeview District's exclusive service provider, the Company acquired, among other things, the exclusive right to provide water services to residential and commercial customers in the Wild Pointe development, located in unincorporated Elbert County, Colorado, for $1.6 million in cash. Pursuant to the terms of the Wild Pointe Service Agreement, the Company, in its capacity as the Rangeview District's service provider, is responsible for providing water services to all users of water services within the boundaries and service area of the Elbert 86 District and for operating and maintaining the Elbert 86 District's water system. In exchange, the Company receives 100% of the tap fees from new customers and 98% of all other fees and charges, including monthly water service revenues, remitted to the Rangeview District by the Elbert 86 District pursuant to the Wild Pointe Service Agreement. The Elbert 86 District's water system currently provides water service to approximately 200 SFE water connections in Wild Pointe.

O&G Leases

In 2011, the Company signed the Sky Ranch O&G Lease with Anadarko. Pursuant to the Sky Ranch O&G Lease, the Company received an up-front payment from Anadarko for the purpose of exploring for, developing, producing and marketing oil and gas on 634 acres of mineral estate owned by the Company at its Sky Ranch property. The Sky Ranch O&G Lease is now held by production, entitling the Company to royalties based on production.

In September 2017, the Company signed the three-year Bison Lease for the purpose of exploring for, developing, producing, and marketing oil and gas on 40 acres of mineral estate owned by the Company adjacent to the Lowry Range.

Land and Mineral Rights

As part of the 2010 Sky Ranch acquisition, the Company acquired approximately 930 acres of land, of which approximately 150 acres have been sold to home builders for the purpose of building residential homes. As of August 31, 2020, the remaining acres the Company owns, which are also intended to be sold to builders, are valued at $3.6 million.

Additionally, the Company holds approximately 13,900 acres of mineral interests in Southeast Colorado in Otero, Bent and Prowers Counties and has valued these mineral interests at $1.4 million. As further described in Note 2 – *Summary of significant Accounting Policies*, the Company assessed the recoverability of the Arkansas Valley mineral right and determined that the fair value of these assets was below their carrying value by $1.4 million. As a result, the Company recorded an impairment charge of $1.4 million in *Non-cash mineral rights impairment charge* in the consolidated statements of operations and comprehensive income for fiscal 2020. There was no impairment for the Arkansas Valley mineral rights long-lived asset in fiscal 2019.

As of August 31, the costs allocated to the Company's land and mineral interest are as follows:

	August 31, 2020	August 31, 2019
Sky Ranch land	$ 3,569,266	$ 3,037,556
Sky Ranch development costs	1,127,476	423,324
Lost Creek land	218,138	218,138
Arkansas Valley mineral rights	—	1,425,459
Net land and mineral interests	$ 4,914,880	$ 5,104,477

NOTE 5 – PARTICIPATING INTERESTS IN EXPORT WATER

The acquisition of the Rangeview Water Supply was finalized with the signing of the CAA in 1996. Upon entering into the CAA, the Company recorded an initial liability of $11.1 million, which represented the cash that the Company received from the participating interest holders that was used to purchase the Company's Export Water (described in greater detail in Note 4 – *Water and Land Assets*). The Company agreed to remit a total of $31.8 million of proceeds received from the sale of Export Water to the participating interest holders in return for their initial $11.1 million investment. The obligation for the $11.1 million was recorded as debt, and the remaining $20.7 million contingent liability was not reflected on the Company's balance sheet because the obligation to pay this is contingent on the sale of Export Water, the amounts and timing of which are not reasonably determinable.

The CAA obligation is non-interest bearing, and if the Export Water is not sold, the parties to the CAA have no recourse against the Company. Additionally, if the Company does not sell the Export Water, the holders of the Series B Preferred Stock are not entitled to payment of any dividend and have no contractual recourse against the Company.

As the proceeds from the sale of Export Water are received and the amounts are remitted to the CAA holders, the Company allocates a ratable percentage of this payment to the principal portion (the Participating Interests in Export Water Supply liability account), with the balance of the payment being charged to the contingent obligation portion. Because the original recorded liability, which was $11.1 million, was 35% of the original total liability of $31.8 million, approximately 35% of each payment remitted to the CAA holders is allocated to the recorded liability account. The remaining portion of each payment, or approximately 65%, is allocated to the contingent obligation, which is recorded on a net revenue basis.

From time to time, the Company repurchased various portions of the CAA obligations, which retained their original priority. The Company did not make any CAA acquisitions during the fiscal year ended August 31, 2020 or 2019.

The Company is currently allocated approximately 88% of the total proceeds from the sale of Export Water after payment of the Land Board royalty. Additionally, as a result of the acquisitions, and the consideration from the cumulative sales of Export Water, as detailed in the table below, the remaining potential third-party obligation at August 31, 2020, is approximately $1 million:

	Export Water Proceeds Received	Initial Export Water Proceeds to Pure Cycle	Total Potential Third-party Obligation	Participating Interests Liability	Contingency
Original balances	$ —	$ 218,500	$ 31,807,700	$ 11,090,600	$ 20,717,100
Activity from inception until August 31, 2017:					
Acquisitions	—	28,042,500	(28,042,500)	(9,790,000)	(18,252,500)
Relinquishment	—	2,386,400	(2,386,400)	(832,100)	(1,554,300)
Option payments - Sky Ranch and The Hills at Sky Ranch	110,400	(42,300)	(68,100)	(23,800)	(44,300)
Arapahoe County tap fees	533,000	(373,100)	(159,900)	(55,800)	(104,100)
Export Water sale payments	737,300	(593,900)	(143,400)	(49,800)	(93,600)
Balance at August 31, 2018	1,380,700	29,638,100	1,007,400	339,100	668,300
Fiscal 2019 activity:	166,300	(146,500)	(19,800)	(6,900)	(12,900)
Balance at August 31, 2019	1,547,000	29,491,600	987,600	332,200	655,400
Fiscal 2020 activity:					
Export Water sale payments	106,600	(93,900)	(12,700)	(4,500)	(8,200)
Balance at August 31, 2020	$ 1,653,600	$ 29,397,700	$ 974,900	$ 327,700	$ 647,200

The CAA includes contractually established priorities which call for payments to CAA holders in order of their priority. This means the first payees receive their full payment before the next priority level receives any payment and so on until full repayment. Of the next $6.3 million of Export Water payouts, which at current levels would occur over several years, the Company will receive $5.6 million of revenue. Thereafter, the Company will be entitled to all but $220,000 of the proceeds from the sale of Export Water after deduction of the Land Board royalty.

NOTE 6 – ACCRUED LIABILITIES

At August 31, 2020, the Company had accrued liabilities of $2.6 million, of which $766,800 was for accrued compensation, $74,000 was for current operating lease obligations, $72,200 was for estimated property taxes, $56,000 was for professional fees and the remaining $1.7 million was related to operating payables. Of the $1.7 million in operating payables, $1.2 million is payable to the Sky Ranch CAB related to development costs at Sky Ranch. These costs are included in *Land development inventories* and subsequently expensed through *Land development construction costs*. In addition, $42,800 of the operating payables is payable to the Rangeview District for construction costs related to water infrastructure at Sky Ranch. These costs are included in *Investments in water and water systems.*

At August 31, 2019, the Company had accrued liabilities of $3.4 million, of which $460,500 was for accrued compensation, $94,000 was for estimated property taxes, $70,000 was for professional fees and the remaining $2.8 million was related to operating payables. Of the $2.8 million in operating payables, $1.4 million is payable to the Sky Ranch CAB for costs related to the development of Sky Ranch. These costs are included in *Land development inventories* and subsequently expensed through *Land development construction costs*. In addition, $930,900 of the operating payables is payable to the Rangeview District for construction costs related to the wastewater facility. These costs are included in *Investments in water and water systems.*

NOTE 7 – LONG-TERM OBLIGATIONS AND OPERATING LEASE

As of August 31, 2020 and 2019, the Company had no debt.

The Participating Interests in Export Water Supply are obligations of the Company that have no scheduled maturity dates. Therefore, these liabilities are not disclosed in tabular format. However, the Participating Interests in Export Water Supply are described in Note 5 – *Participating Interests in Export Water.*

WISE Partnership

During December 2014, the Company, through the Rangeview District, consented to the waiver of all contingencies set forth in the Amended and Restated WISE Partnership – Water Delivery Agreement, dated December 31, 2013 (the "WISE Partnership Agreement"), among the City and County of Denver acting through its Board of Water Commissioners ("Denver Water"), the City of Aurora acting by and through its utility enterprise ("Aurora Water"), and the South Metro WISE Authority ("SMWA"). The SMWA was formed by the Rangeview District and nine other governmental or quasi-governmental water providers pursuant to the South Metro WISE Authority Formation and Organizational Intergovernmental Agreement, dated December 31, 2013 (the "SM IGA"), to enable the members of SMWA to participate in the regional water supply project known as the Water Infrastructure Supply Efficiency partnership ("WISE") created by the WISE Partnership Agreement. The SM IGA specifies each member's pro rata share of WISE and the members' rights and obligations with respect to WISE. The WISE Partnership Agreement provides for the purchase of certain infrastructure (i.e., pipelines, water storage facilities, water treatment facilities, and other appurtenant facilities) to deliver water to and among the 10 members of the SMWA, Denver Water and Aurora Water. Certain infrastructure has been constructed and other infrastructure will be constructed over the next several years.

Pursuant to the terms of the Rangeview/Pure Cycle WISE Project Financing and Service Agreement (the "WISE Financing Agreement") between the Company and the Rangeview District, the Company has an agreement to fund the Rangeview District's participation in WISE effective as of December 22, 2014. During the years ended August 31, 2020 and 2019, the Company through the Rangeview District, purchased an additional 400 and 0 acre-feet of WISE water for $582,200 and $0. See further discussion in Note 14 – *Related Party Transactions.*

Lease Commitments

Operating lease expense is generally recognized evenly over the term of the lease. Effective February 2018, the Company entered into an operating lease for 11,393 square feet of office and warehouse space in Watkins, Colorado. The lease has a three-year term with payments of $6,600 per month and an option to extend the primary lease term for a two-year period at a rate equal to a 12.5% increase over the primary base payments.

As of September 1, 2019, the company adopted ASU No. 2016-02, Leases ("Topic 842"). Under Topic 842, operating lease expense is generally recognized evenly over the term of the lease. Prior to September 1, 2019 leases were accounted for under the previous guidance in Accounting Standard Codification 840. The Company did not enter into any new leases in fiscal 2020. For the years ended August 31, 2020 and 2019, rent expense consisted of operating lease expense of $85,200 and $79,200. The Company paid $72,800 against *Lease obligations — operating leases* during fiscal 2020.

Leases with an initial term of twelve months or less are not recorded on the consolidated balance sheet. For lease agreements entered into or reassessed in the future, the Company will be required to combine the lease and non-lease components in determining the lease liabilities and right-of-use ("ROU") assets.

The Company's lease agreements generally do not provide an implicit borrowing rate; therefore, an internal incremental borrowing rate is determined based on information available at lease commencement date for purposes of determining the present value of lease payments. The Company used the incremental borrowing rate of 6% on September 1, 2019, for all leases that commenced prior to that date. The Company elected the hindsight practical expedient to determine the lease term for existing leases, which resulted in the lengthening of the lease term related to the Company's office lease.

ROU lease assets and lease liabilities for the Company's operating leases were recorded in the consolidated balance sheet as follows:

	As of August 31, 2020
Operating leases - ROU assets	$ 195,566
Accrued liabilities	$ 73,991
Lease obligations - operating leases, net of current portion	120,285
Total lease liability	$ 194,275
Weighted average remaining lease term (in years)	2.4
Weighted average discount rate	6%

NOTE 8 – SHAREHOLDERS' EQUITY

Preferred Stock

The Company's non-voting Series B Preferred Stock has a preference in liquidation of $1.00 per share less any dividends previously paid. Additionally, the Series B Preferred Stock is redeemable at the discretion of the Company for $1.00 per share less any dividends previously paid. In the event the proceeds from the sale or disposition of Export Water rights exceed $36,026,232, the Series B Preferred Shareholders will receive the next $432,513 of proceeds in the form of a dividend. The terms of the Series B Preferred Stock prohibit payment of dividends on common stock unless all dividends accrued on the Series B Preferred Stock have been paid.

Equity Compensation Plan

The Company maintains the 2014 Equity Incentive Plan (the "2014 Equity Plan"), which was approved by shareholders in January 2014 and became effective April 12, 2014. Executives, eligible employees, consultants, and non-employee directors are eligible to receive options and stock grants pursuant to the 2014 Equity Plan. Pursuant to the 2014 Equity Plan, options to purchase shares of stock and restricted stock awards can be granted with exercise prices, vesting conditions and other performance criteria determined by the Compensation Committee of the Company's board of directors. The Company has reserved 1.6 million shares of common stock for issuance under the 2014 Equity Plan. As of August 31, 2020, stock awards and awards to purchase 511,500 shares of the Company's common stock have been made under the 2014 Equity Plan. As of August 31, 2020 and 2019, there were 1,088,500 and 1,230,500 shares available for grant under the 2014 Equity Plan. Prior to the effective date of the 2014 Equity Plan, the Company granted stock awards to eligible participants under its 2004 Incentive Plan (the "2004 Incentive Plan"), which expired April 11, 2014. No additional awards may be granted pursuant to the 2004 Incentive Plan; however, awards outstanding as of April 11, 2014, will continue to vest and expire and may be exercised in accordance with the terms of the 2004 Incentive Plan.

The Company estimates the fair value of share-based payment awards on the date of grant using the Black-Scholes option-pricing model ("Black-Scholes model"). Using the Black-Scholes model, the value of the portion of the award that is ultimately expected to vest is recognized as a period expense over the requisite service period in the consolidated statements of operations and comprehensive income (loss). Option forfeitures are to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company does not expect any forfeiture of its option grants, and therefore, the compensation expense has not been reduced for estimated forfeitures. For the years ended August 31,2020 and 2019, 6,500 options and zero options expired. The Company attributes the value of share-based compensation to expense using the straight-line single option method for all options granted.

The Company's determination of the estimated fair value of share-based payment awards on the date of grant is affected by the following variables and assumptions:

- The grant date exercise price – is the closing market price of the Company's common stock on the date of grant;
- Estimated option lives – based on historical experience with existing option holders;
- Estimated dividend rates – based on historical and anticipated dividends over the life of the option;
- Life of the option – based on historical experience, option grants have lives of between five and 10 years;
- Risk-free interest rates – with maturities that approximate the expected life of the options granted;
- Calculated stock price volatility – calculated over the expected life of the options granted, which is calculated based on the weekly closing price of the Company's common stock over a period equal to the expected life of the option; and
- Option exercise behaviors – based on actual and projected employee stock option exercises.

In fiscal 2020, the Company granted 80,000 stock options to employees with weighted-average grant-date fair values of $4.21, and three-year vesting terms which expire ten years from the grant date. In fiscal 2020, the Company granted 50,000 stock options to an executive officer with a weighted-average grant-date fair value of $4.16, a three-year vesting term and an expiration date of ten years from the grant date. In addition, the six non-employee Board members were each granted 2,000 unrestricted stock grants. The fair market value of the unrestricted shares for share-based compensation expensing is equal to the closing price of the Company's common stock on the date of grant of $12.45. Stock-based compensation expense includes $149,400 of expense related to these unrestricted stock grants. The unrestricted stock grants were fully expensed at the date of the grant because no vesting requirements exist for unrestricted stock grants. There was no stock-based compensation expense related to unrestricted stock grants for fiscal 2019.

In fiscal 2019, the Company granted 50,000 stock options to an executive officer with a weighted-average grant-date fair value of $5.06, a three-year vesting term and an expiration date of ten years from the grant date. In fiscal 2019, the Company granted its non-employee directors a combined 32,500 stock options with a weighted-average grant-date fair value of $126,700, a one year vesting term and an expiration date of ten years from the grant date.

The variable assumptions used in the fair value calculations using the Black-Scholes model are as follows:

	For the Fiscal Years Ended August 31,	
	2020	2019
Expected term (years)	6.00	5.80
Risk-free interest rate	1.71%	2.93%
Expected volatility	39.32%	41.83%
Expected dividend yield	0%	0%
Weighted average grant-date fair value	$ 4.19	$ 4.60

During the fiscal years ended August 31, 2020 and 2019, 17,500 and 62,500 options were exercised.

The following table summarizes the combined stock option activity for the 2004 Incentive Plan and 2014 Equity Plan for the year ended August 31, 2020:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Approximate Aggregate Intrinsic Value
Outstanding at August 31, 2018	535,500	$ 5.31	6.04	$ 3,180,990
Granted	82,500	$ 10.48		
Exercised	(62,500)	$ 3.09		
Forfeited or expired	—	$ —		
Outstanding at August 31, 2019	555,500	$ 6.33	6.27	$ 2,527,590
Granted	130,000	$ 10.41		
Exercised	(17,500)	$ 2.81		
Forfeited or expired	(6,500)	$ 6.08		
Outstanding at August 31, 2020	661,500	$ 7.23	6.17	$ 1,831,075
Options exercisable at August 31,2020	481,501	$ 6.08	5.22	$ 1,795,076

The following table summarizes the activity and value of non-vested options as of and for the year ended August 31, 2020:

	Number of Options	Weighted Average Grant Date Fair Value
Non-vested options outstanding at August 31, 2019	152,499	$ 4.03
Granted	130,000	4.19
Vested	(102,500)	3.75
Forfeited	—	—
Non-vested options outstanding at August 31, 2020	179,999	$ 4.31

All non-vested options are expected to vest. For the years ended August 31, 2020 and 2019, the total fair value of options vested was $384,400 and $297,100. For the years ended August 31, 2020 and 2019, the weighted-average grant-date fair value of options granted was $4.19 and $4.60.

For the years ended August 31, 2020 and 2019, share-based compensation expense was $517,000 and $336,200.

As of August 31, 2020, the Company had unrecognized share-based compensation expenses totaling $461,100 relating to non-vested options that are expected to vest. The weighted average period over which these options are expected to vest is 1.7 years. The Company has not recorded any excess tax benefits to additional paid-in capital.

Warrants

As of August 31, 2020, the Company had outstanding warrants to purchase 92 shares of common stock at an exercise price of $1.80 per share. These warrants expire six months from the earlier of:

- The date that all the Export Water is sold or otherwise disposed of,
- The date that the CAA is terminated with respect to the original holder of the warrant, or
- The date on which the Company makes the final payment pursuant to Section 2.1(r) of the CAA.

No warrants were exercised during fiscal 2020 and 2019.

NOTE 9 – SIGNIFICANT CUSTOMERS

The Company primarily provides water and wastewater services on the Rangeview District's behalf to the Rangeview District's customers. Because the Rangeview District accounts for the majority of the Company's water and wastewater service revenue, the Company has included the end-use customers of the Rangeview District who generate the most revenue for it on its list of significant customers. Additionally, the Company has presented the percentages of revenue from water and wastewater services and water and wastewater tap sales separately (versus by the water and wastewater resource development segment or total revenue) because it believes that provides a more meaningful presentation of the relevance of each customer to that service line. Lot sales are generated entirely through sales to three customers as noted below. The tables below present revenue generated from the Company's significant customers for each of the services presented.

For the year ended August 31, 2020	Water and wastewater metered services	Water and wastewater tap fees	Land development (Lot sales recognized)
Ridgeview Youth Services	14%	–	–
Conoco / Crestone Peak (O&G operations)	45%	–	–
All Sky Ranch Homes (1)	22%	–	–
All Wild Pointe Homes (2)	9%	4%	–
Taylor Morrison	–	28%	32%
KB Home	–	38%	26%
Richmond Homes	–	31%	42%
Combined totals presented	90%	100%	100%

(1) This represents the water and wastewater fees for all homes combined at Sky Ranch and not one individual home
(2) This represents the water and wastewater metered services and water and wastewater tap fees for all homes combined at Wild Pointe and not one individual home

For the year ended August 31, 2019	Water and wastewater metered services	Water and wastewater tap fees	Land development (Lot sales recognized)
Ridgeview Youth Services	3%	–	–
Conoco / Crestone Peak (O&G operations)	74%	–	–
All Sky Ranch Homes (1)	–	–	–
All Wild Pointe Homes (2)	3%	6%	–
Taylor Morrison	–	26%	34%
KB Home	–	29%	34%
Richmond Homes	–	38%	32%
Combined totals presented	80%	100%	100%

(1) This represents the water and wastewater fees for all homes combined at Sky Ranch and not one individual home
(2) This represents the water and wastewater metered services and water and wastewater tap fees for all homes combined at Wild Pointe and not one individual home

The Ridgeview Youth Services customer accounted for approximately the same dollar sales year over year, but due to the decline in O&G operations revenue, the percentage increased in fiscal 2020 over 2019.

Because the Company provides services to the Rangeview District's customers, and those customers pay the Rangeview District, which then remits amounts to the Company, the Company's trade receivables at August 31, 2020 and 2019 from the Rangeview District comprise 81% and 40% of the balances. However, the receivable balances from the end-use customers that are owed to the Rangeview District, the majority of which in turn are owed to the Company, are comprised primarily of amounts owed by the home builders at Sky Ranch for tap fees. As of August 31, 2020, the three home builders accounted for 42% of the receivables balance, with all Sky Ranch homeowners combined accounting for 17% of the receivable balance and all Wild Pointe homeowners combined accounting for 14% of the receivable balance. As of August 31, 2019, the three home builders accounted for 5% of the receivables balance, with all Wild Pointe homeowners combined accounting for 26% of the receivable balance, and Conoco accounting for 57% of the receivable balance.

NOTE 10 – INCOME TAXES

The Company recorded income tax expense of $2.2 million and an income tax benefit of $1.3 million for the fiscal years ended August 31, 2020 and 2019. The net expense during the fiscal year ended August 31, 2020, consisted of current income tax expense of $0 and deferred income tax expense of $2.2 million. The deferred tax expense consists of the usage of the Company's $2.2 million net operating loss carryforwards and the timing difference between book and tax depreciation of fixed assets.

The Company's effective income tax rate was 24.4% and (36.4%) for fiscal years August 31, 2020 and 2019. The Company's effective tax rate was a benefit for 2019 due to the release of its valuation allowance on its deferred tax assets.

The Company paid Federal and State tax installments of $1,089,700 and $215,500, respectively, during fiscal year ended August 31, 2020. No taxes were paid during the fiscal year ended August 31, 2019.

Deferred income taxes reflect the tax effects of net operating loss carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets as of August 31 are as follows:

	For the Fiscal Years Ended August 31,	
	2020	2019
Deferred tax assets (liabilities):		
Net operating loss carryforwards	$ 22,922	$ 609,439
AMT credit carryforward	—	—
Accrued compensation	166,948	113,559
Deferred revenues	88,994	149,895
Depreciation and depletion	(1,700,771)	(46,408)
Non-qualified stock options	490,952	410,633
Other	45,323	46,128
Valuation allowance	—	—
Net deferred tax (liability) asset	$ (885,632)	$ 1,283,246

As of August 31, 2020 and August 31, 2019 the Company had no liability for unrecognized tax benefits.

The Company maintained a valuation allowance on the net deferred tax asset other than AMT credit carryforwards through fiscal year August 31, 2018. During the fiscal year ended August 31, 2019, the Company had determined it is more likely than not that the Company will realize its deferred tax assets, which consist primarily net operating loss carryforwards. The Company assessed the realizability of its deferred tax assets using all available evidence; considering both historical results and projections of profitability for the reasonably foreseeable future periods. As a result of the Company's annual reassessment of its conclusions regarding the realization of its deferred tax assets at each financial reporting date, the Company concluded that its deferred tax assets were realizable, and therefore, the valuation allowance was no longer necessary. By releasing the valuation allowance, the Company recognized a deferred tax benefit of approximately $1,284,100 which positively impacted the Company's results of operations and financial position.

Income taxes computed using the federal statutory income tax rate differs from the Company's effective tax rate primarily due to the following for the fiscal years ended August 31:

	For the Fiscal Years Ended August 31,	
	2020	2019
Expected benefit from federal taxes at statutory rate of 21% for the years 2020 and 2019	$ 1,873,021	$ 740,870
State taxes, net of federal benefit	326,441	129,123
Permanent and other differences	2,137	10,388
NOL true up	(8,240)	225,067
Non-qualified stock options adjustment	—	(348,441)
Other	(24,566)	(26,202)
Change in valuation allowance	—	(2,014,000)
Total income tax expense / (benefit)	$ 2,168,793	$ (1,283,195)

At August 31, 2020, the Company has $109,200 of net operating loss carryforwards available for income tax purposes. The net operating loss carryforwards expire at various times beginning in 2036 and ending in 2038 for federal income tax purposes and expire at various times beginning in 2035 and ending in 2036 for state income tax purposes. At August 31, 2019, the Company had $2.5 million of net operating loss carryforwards available for income tax purposes.

No net operating loss carryforwards expired during the fiscal year ended August 31, 2020 or 2019.

NOTE 11 – 401(k) PLAN

The Company maintains the Pure Cycle Corporation 401(k) Profit Sharing Plan (the "401(k) Plan"), a defined contribution retirement plan for the benefit of its employees. In fiscal 2020, the Company implemented a 401(k) Plan match, for which the Company contributes 1.5% if an employee contributes 3% or more up to a maximum contribution of $2,500 per annum. The contributions vest based on years of service - first anniversary 25%, second anniversary 50%, third anniversary 75% and the fourth anniversary 100%. The Company pays the annual administrative fees of the 401(k) Plan, and the 401(k) Plan participants pay the investment fees. The 401(k) Plan is open to all employees, age 18 or older, who have been employees of the Company for at least three months.

For the years ended August 31, 2020 and 2019, the Company recorded total expense of $28,900 and $6,000, related to the 401(k) Plan.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Company has historically been involved in various claims, litigation and other legal proceedings that arise in the ordinary course of its business. The Company records an accrual for a loss contingency when its occurrence is probable and damages can be reasonably estimated based on the anticipated most likely outcome or the minimum amount within a range of possible outcomes. The Company makes such estimates based on information known about the claims and experience in contesting, litigating, and settling similar claims. Disclosures are also provided for reasonably possible losses that could have a material effect on the Company's financial position, results of operations or cash flows. As of August 31, 2020, the Company had no contingencies where the risk of material loss was probable.

NOTE 13 – SEGMENT REPORTING

An operating segment is defined as a component of an enterprise for which discrete financial information is available and is reviewed regularly by the CODM, or decision-making group, to evaluate performance and make operating decisions. The Company has identified its CODM as its Chief Executive Officer.

Because of the methods used by the CODM to allocate resources, the Company has identified two operating segments which meet GAAP segment disclosure requirements, namely the water and wastewater resource development segment and the land development segment.

The water and wastewater resource development business includes selling water services to customers, which water is provided by the Company using water rights owned or controlled by the Company, and developing infrastructure to divert, treat and distribute that water and collect, treat and reuse wastewater. The land development segment includes all the activities necessary to develop and sell finished lots, which as of August 31, 2020 and 2019, was done exclusively at the Company's Sky Ranch Master Planned Community.

O&G operations, although material in certain years, are deemed a passive activity as the CODM does not actively allocate resources to these projects; therefore, this is not classified as a reportable segment.

The tables below present the measure of profit and assets the CODM uses to assess the performance of the segment for the periods presented:

	Year Ended August 31, 2020			
	Water and wastewater resource development	Land development	Corporate	Total
Total revenue	$ 6,920,815	$ 18,934,400	$ —	$ 25,855,215
Cost of revenue	(1,074,450)	(15,869,547)	—	(16,943,997)
Depletion and depreciation	(1,367,160)	—	—	(1,367,160)
Total cost of revenue	(2,441,610)	(15,869,547)	—	(18,311,157)
Gross Margin	4,479,205	3,064,853	—	7,544,058
Reimbursement of construction costs - related party	—	6,275,500	—	6,275,500
Gross Margin after reimbursables	$ 4,479,205	$ 9,340,353	$ —	$ 13,819,558
Pretax operating income	$ 4,479,205	$ 3,064,853	$ (6,030,683)	$ 1,513,375
Total long-term assets	$ 56,266,579	$ 6,975,289	$ 26,519,188	$ 89,761,056

	Year Ended August 31, 2019			
	Water and wastewater resource development	Land development	Corporate	Total
Total revenue	$ 8,405,520	$ 11,955,989	$ —	$ 20,361,509
Cost of revenue	(1,670,508)	(11,304,962)	—	(12,975,470)
Depletion and depreciation	(968,229)	—	—	(968,229)
Total cost of revenue	(2,638,737)	(11,304,962)	—	(13,943,699)
Gross Margin	$ 5,766,783	$ 651,027	$ —	$ 6,417,810
Pretax operating income	$ 5,766,783	$ 651,027	$ (3,419,149)	$ 2,998,661
Total long-term assets	$ 51,588,079	$ 16,866,542	$ 15,266,783	$ 83,721,404

NOTE 14 – RELATED PARTY TRANSACTIONS

On December 16, 2009, the Company entered into a Participation Agreement with the Rangeview District, whereby the Company agreed to provide funding to the Rangeview District in connection with the Rangeview District joining the South Metro Water Supply Authority ("SMWSA"). During the years ended August 31, 2020 and 2019, the Company provided funding of $17,400 and $22,200 to the Rangeview District related to this Participation Agreement.

Through the WISE Financing Agreement, to date the Company has made payments totaling $6,316,600 to purchase certain rights to use existing water transmission and related infrastructure acquired by the WISE project and to construct the connection to the WISE system. The amounts are included in *Investments in water and water systems* on the Company's balance sheet as of August 31, 2020. During the fiscal year ended August 31, 2020, the Company, through the Rangeview District, purchased an additional 400 acre feet of WISE water for $582,200.

The cost of the water to the members is based on the water rates charged by Aurora Water and can be adjusted each January 1. As of January 1, 2020, WISE water was $5.77 per thousand gallons and such rate will remain in effect through calendar 2021. In addition, the Company pays certain system operational and construction costs. If a WISE member, including the Rangeview District, does not need its WISE water each year or a member needs additional water, the members can trade and/or buy and sell water amongst themselves.

During the years ended August 31, 2020 and 2019, the Company provided $2.8 million and $1.5 million of financing to the Rangeview District to fund the Rangeview District's obligation to purchase WISE water rights and pay for operational and construction charges. Ongoing funding requirements are dependent on the WISE water subscription amount and the Rangeview District's allocated share of the operational and overhead costs of SMWA and construction activities related to delivery of WISE water.

The Company has outstanding notes receivable of $1,078,600 in the aggregate from the Rangeview District and the Sky Ranch CAB, which are related parties, as discussed below:

The Rangeview District is a quasi-municipal corporation and political subdivision of Colorado formed in 1986 for the purpose of providing water and wastewater service to the Lowry Range and other approved areas. The Rangeview District is governed by an elected board of directors. Eligible voters and persons eligible to serve as a director of the Rangeview District must own an interest in property within the boundaries of the Rangeview District. The Company owns certain rights and real property interests which encompass the current boundaries of the Rangeview District. Sky Ranch Metropolitan District Nos. 1, 3, 4 and 5 (the "Sky Ranch Districts") and the Sky Ranch CAB are quasi-municipal corporations and political subdivisions of Colorado formed for the purpose of providing service to the Company's Sky Ranch property. The current members of the board of directors of the Rangeview District, each Sky Ranch District, and the Sky Ranch CAB consist of three employees of the Company (including the Company's President) and one independent board member.

The Rangeview District

In 1995, the Company extended a loan to the Rangeview District. The loan provided for borrowings of up to $250,000, is unsecured, and bears interest based on the prevailing prime rate plus 2% (5.25% at August 31, 2020). The maturity date of the loan is December 31, 2020. Beginning in January 2014, the Rangeview District and the Company entered into a funding agreement that allows the Company to continue to provide funding to the Rangeview District for day-to-day operations and accrue the funding into a note that bears interest at a rate of 8% per annum and remains in full force and effect for so long as the Lease remains in effect. Of the August 31, 2020 balance in *Notes receivable - related parties*, $1,050,000 includes borrowings by the Rangeview District of $598,500 and accrued interest of $451,500. Of the August 31, 2019 balance in *Notes receivable - related parties*, $961,700 includes borrowings by the Rangeview District of $546,500 and accrued interest of $414,800.

Sky Ranch Metropolitan District Nos. 1, 3, 4 and 5

The Company had been providing funding to the Sky Ranch Districts, beginning in 2012 through 2016 by entering into annual Operation Funding Agreements with one of the Sky Ranch Districts obligating the Company to advance funding to the Sky Ranch District for the operation and maintenance expenses for the then-current calendar year. The Sky Ranch District paid the outstanding note receivable to the Company in November 2017. As of August 31, 2018, there was no outstanding balance under these agreements.

In November 2014, but effective as of January 1, 2014, the Company entered into a Facilities Funding and Acquisition Agreement with a Sky Ranch District obligating the Company to either finance district improvements or to construct improvements on behalf of the Sky Ranch District subject to reimbursement. Each advance or reimbursable expense accrued interest at a rate of 6% per annum. No payments were required by the Sky Ranch District unless and until the Sky Ranch District issued bonds in an amount sufficient to reimburse the Company for all or a portion of the advances and costs incurred. The Sky Ranch CAB agreed to repay the amounts owed by the Sky Ranch District under this agreement and the agreement was terminated pursuant to the Sky Ranch FFAA (defined and described below).

Sky Ranch Community Authority Board

Pursuant to a certain Community Authority Board Establishment Agreement, as the same may be amended from time to time, Sky Ranch Metropolitan District No. 1 and Sky Ranch Metropolitan District No. 5 formed the Sky Ranch CAB to, among other things, design, construct, finance, operate and maintain certain public improvements for the benefit of the property within the boundaries and/or service area of the Sky Ranch Districts. In order for the public improvements to be constructed and/or acquired, it is necessary for each Sky Ranch District, directly or through the Sky Ranch CAB, to be able to fund the improvements and pay its ongoing operations and maintenance expenses related to the provision of services that benefit the property. In November 2017, but effective as of January 1, 2018, the Company entered into a Project Funding and Reimbursement Agreement ("PF Agreement") with the CAB for the Sky Ranch property. The PF Agreement required the Company to fund an agreed upon list of public improvements for Sky Ranch with respect to earthwork, erosion control, streets, drainage, and landscaping at an estimated cost of $13.2 million for calendar years 2018 and 2019. Each advance or reimbursable expense accrues interest at a rate of 6% per annum.

On September 18, 2018 and effective as of November 13, 2017, the parties entered into a series of agreements that superseded and consolidated the previous agreements into one primary agreement, the Facilities Funding and Acquisition Agreement (the "Sky Ranch FFAA"), pursuant to which:

- the Sky Ranch CAB agreed to repay the amounts owed by Sky Ranch Metropolitan District No. 5 to the Company totaling $857,900, and the previous Facilities Funding and Acquisition Agreement entered into between the Company and Sky Ranch Metropolitan District No. 5 in 2014 was terminated;
- the PF Agreement and a June 2018 Funding Acquisition Agreement between the Sky Ranch CAB and the Company totaling $2.4 million were terminated;
- the Sky Ranch CAB acknowledged all amounts owed to the Company under the terminated agreements totaling $3.3 million, as well as amounts the Company incurred to finance the formation of the Sky Ranch CAB; and
- the Company agreed to fund an agreed upon list of improvements to be constructed by the Sky Ranch CAB with an estimated cost of $30,000,000 (including improvements already funded) on an as-needed basis for calendar years 2018–2023.

All amounts owed under the terminated agreements and all amounts advanced under the Sky Ranch FFAA, collectively totaling $20 million, bear interest at a rate of 6% per annum. No payment is required of the Sky Ranch CAB for advances made to the Sky Ranch CAB or expenses incurred related to construction of improvements unless and until the Sky Ranch CAB and/or Sky Ranch Districts issue bonds in an amount sufficient to reimburse the Company for all or a portion of advances or other expenses incurred. The Sky Ranch CAB agrees to exercise reasonable efforts to issue bonds to reimburse the Company subject to certain limitations. In addition, the Sky Ranch CAB agrees to utilize any available moneys not otherwise pledged to payment of debt, used for operation and maintenance expenses, or otherwise encumbered, to reimburse the Company. Any advances not paid or reimbursed by the Sky Ranch CAB by December 31, 2058, shall be deemed forever discharged and satisfied in full.

As of August 31, 2020, the balance of the Company's advances for improvements, excluding interest, net of costs reimbursed in November 2019, to the Sky Ranch CAB totaled $15.9 million, of which $0.5 million is included in *Land development inventories* and $15.4 million was expensed through *Land development construction costs*. The advances have been used by the Sky Ranch CAB to pay for construction of public improvements. The Company submits specific costs for reimbursement to the Sky Ranch CAB. Based on the specific costs being reimbursed by the Sky Ranch CAB, the Company records those costs that have been previously expensed in cost of sales as other income and those costs that remain capitalized as land development inventory costs as a reduction of the related land development inventory costs held in *Land development inventories.* Any reimbursable costs repaid after all capitalized expenses and lot revenues have been fully recognized are recorded as *Other income*.

Refer to Note 2 – *Summary of Significant Accounting Policies - Revenue Recognition - Land Development Activities* for a summary of reimbursable costs incurred as of August 31, 2020, payments made by the Sky Ranch CAB, and any outstanding reimbursable amounts.

In 2018, the Company advanced the Sky Ranch CAB $2.3 million to begin construction of improvements on the Sky Ranch property. In 2019, the Company advanced the Sky Ranch CAB $17.7 million for the Sky Ranch property. The advances have been used by the Sky Ranch CAB to pay for construction of public improvements and have been recorded as *Land development inventories* and subsequently expensed through *Land development construction costs* in the accompanying consolidated financial statements. If the Sky Ranch Districts and/or the Sky Ranch CAB issues bonds and the Sky Ranch CAB reimburses the Company, the reimbursement will reduce any applicable capitalized costs remaining in Inventories.

In September 2018, effective as of November 13, 2017, the Company entered into an Operation Funding Agreement with the Sky Ranch CAB obligating the Company to advance funding to the Sky Ranch CAB for operation and maintenance expenses for the 2018 and 2019 calendar years. All payments are subject to annual appropriations by the Sky Ranch CAB in its absolute discretion. The advances by the Company accrue interest at the rate of 6% per annum from the date of the advance. $28,600 of the balance of the *Notes receivable – related parties* at August 31, 2020, includes borrowings by the Sky Ranch CAB of $25,500 and accrued interest of $3,100. The $27,100 balance of the *Notes receivable – related parties* at August 31, 2019, includes borrowings by the Sky Ranch CAB of $25,500 and accrued interest of $1,600.

NOTE 15 – SUBSEQUENT EVENTS

The Company, through its wholly-owned subsidiary PCY Holdings, LLC, entered into contracts for the purchase and sale of real estate in its second filing at Sky Ranch (collectively, the "Purchase and Sale Contracts") with each of KB Home Colorado Inc. ("KB Home"), Melody Homes, Inc., a wholly-owned subsidiary of DR Horton, Inc. ("Melody Home"), Challenger Denver, LLC ("Challenger"), and Meritage Homes of Colorado, Inc. ("Meritage Home"), collectively referred to as the "Builders." The Purchase and Sale Contracts with KB Home and Melody were entered into on October 30, 2020. The Purchase and Sale Contracts with Meritage and Challenger were entered into on November 2, 2020. Each Purchase and Sale Contract provides that, upon the terms and subject to the conditions set forth in the Purchase and Sale Contract, PCY Holdings will sell, and the Builder will purchase, a certain number of platted residential lots at the Sky Ranch property. Each Builder is required to purchase water and wastewater taps for the lots from the Rangeview District.

The closing of the transactions contemplated by each Purchase and Sale Contract is subject to customary closing conditions, including, among others, the Builder's completion to its satisfaction of a title review and other due diligence of the property, the accuracy of the representations and warranties made by the Company contained in the Purchase and Sale Contract, and a commitment by the title company to issue to the Builder a title policy, subject to certain conditions. KB Home, Meritage, and Challenger have a 60-day due diligence period, and Melody has a 75-day due diligence period. Within seven business days of the execution of each Purchase and Sale Contract, the Builders are obligated to make an earnest money deposit. Pursuant to certain Purchase and Sale Contracts, Builders are required to make additional earnest money deposits after the due diligence period and/or final approval of the entitlements for the property. If a Purchase and Sale Contract is terminated prior to the expiration of the due diligence period, then the earnest money deposit must be refunded to the Builder. Otherwise, the earnest money deposit and other deposits will be applied to the payment of the purchase price of the lots at closing in accordance with a specified takedown schedule or be paid to the Company, subject to certain conditions. Pursuant to each Purchase and Sale Contract, the Company must use commercially reasonable efforts to obtain final approval of the entitlements for the property on or before nine months after the expiration of the due diligence period, but the Company will have the right to extend the date for obtaining final approval of the entitlements for up to six months after the initial nine-month period.

The Company estimates that the development of the finished lots for the second filing (nearly 900 lots) of Sky Ranch will cost $65.6 million. The total proceeds from the Purchase and Sales Contracts with the four builders for the 789 finished lots contracted for is $63.4 million. If the remaining 100+ lots, which have been reserved for future use, were sold at prices comparable to the first 789 lots, the total sales proceeds for all of filing two would be $72.6 million. The timing of cash flows will include payments for certain milestone deliveries, including, but not limited to, completion of governmental approvals for final plats, installation of wet utility public improvements, and final completion of lot deliveries.

Additionally, on November 3, 2020, the Company completed the sale of the remaining lots in the initial Sky Ranch filing for consideration of $1.6 million.

Item 9 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A – Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined in Rule 13a-15(e) of the Exchange Act) that are designed to ensure that information required to be disclosed in our reports filed or submitted to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and that information is accumulated and communicated to management, including the principal executive and financial officer, as appropriate, to allow timely decisions regarding required disclosures. Our Chief Executive Officer and our Chief Financial Officer evaluated the effectiveness of disclosure controls and procedures as of August 31, 2020, pursuant to Rule 13a-15(b) under the Exchange Act. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. The Exchange Act defines internal control over financial reporting as a process designed by, or under the supervision of, our executive and principal financial officers and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework (the "2013 COSO Framework"). Based on that assessment, management has concluded that, as of August 31, 2020, our internal control over financial reporting is effective based on these criteria.

A material weakness is a deficiency, or combination of deficiencies, in our internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Remediation of Material Weaknesses Completed

Management identified control deficiencies related to our identification of expense accruals of costs incurred from related parties and the preparation of our income tax provision that constituted material weaknesses in our internal control over financial reporting as of August 31, 2019, which continued as of May 31, 2020. With oversight from our Audit Committee, management dedicated itself to remediating the control deficiencies that gave rise to the material weaknesses in our control over financial reporting. As of August 31, 2020, the following measures, among others, have been implemented to address the material weaknesses identified as of August 31, 2019 and May 31, 2020:

- We initiated compensating controls, including designating an additional person to review the completeness of our expense accruals;
- We enhanced and revised the design of existing controls and procedures to improve our identification of expense accruals of costs;
- We initiated compensating controls, including designating an external tax consulting firm and creating a new tax provision model enhancing our ability to review and confirm our quarterly income tax provisions are correct and complete; and
- As described below, we hired a Chief Financial Officer separate from the President, who is expected to provide additional expertise and oversight of our internal control over financial reporting.

On April 1, 2020, Kevin B. McNeill, joined the Company as Vice President, and the board of directors of the Company voted to elect Mr. McNeill as Chief Financial Officer, principal accounting officer and principal financial officer of the Company effective as of April 10, 2020. Mark W. Harding continues to serve as the Company's President and Chief Executive Officer, but relinquished his position as Chief Financial Officer, principal accounting officer and principal financial officer effective as of April 10, 2020.

As a result of these actions, management believes that the previously identified material weaknesses were remedied at August 31, 2020. Although management believes that the material weaknesses in our internal control over financial reporting have been remediated, we expect to continue implementing measures to improve our internal control over financial reporting, including upgrading our financial accounting systems and recruiting further accounting and/or finance staff, as necessary, in order to maintain an effective control environment while growing our business.

We cannot assure that any additional material weaknesses will not arise in the future.

Changes in Internal Controls

Except as noted above, no changes were made to our internal control over financial reporting during our most recently completed fiscal quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B – Other Information

None.

PART III

Item 10 – Directors, Executive Officers and Corporate Governance

Our board of directors has adopted a Code of Business Conduct and Ethics applicable to all of our directors, officers and employees that is available on our website at www.purecyclewater.com. We intend to disclose any amendments to or waivers from the provisions of our Code of Business Conduct and Ethics that are applicable to our principal executive officer, principal financial officer or principal accounting officer and that relate to any element of the SEC's definition of code of ethics by posting such information on our website, in a press release, or on a Current Report on Form 8-K.

Information required by this item will be contained in, and is incorporated herein by reference to, our definitive Proxy Statement pursuant to Regulation 14A promulgated under the Exchange Act for the Annual Meeting of Shareholders to be held in January 2021, which is expected to be filed on or about December 1, 2020 (the "Proxy Statement").

Item 11 – Executive Compensation

The information required by this item will be included in, and is incorporated herein by reference to, our Proxy Statement.

Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be included in, and is incorporated herein by reference to, our Proxy Statement.

Item 13 – Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be included in, and is incorporated herein by reference to, our Proxy Statement.

Item 14 – Principal Accounting Fees and Services

The information required by this item will be included in, and is incorporated herein by reference to, our Proxy Statement.

PART IV

Item 15 – Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Annual Report on Form 10-K

(1) Financial Statements. See "Index to Consolidated Financial Statements and Supplementary Data" in *Part II, Item 8* of this Annual Report on Form 10-K.

(2) Financial Statement Schedules. All schedules are omitted either because they are not required or the required information is shown in the consolidated financial statements or notes thereto.

(3) Exhibits. The exhibits listed on the accompanying "Exhibit Index" are filed or incorporated by reference as part of this Annual Report on Form 10-K, unless otherwise indicated.

Item 16 – Form 10-K Summary

None.

EXHIBIT INDEX

Exhibit Number	Description
3.1	Articles of Incorporation of the Company. Incorporated by reference to Appendix B to the Proxy Statement on Schedule 14A filed on December 14, 2007.
3.2	Bylaws of the Company. Incorporated by reference to Appendix C to the Proxy Statement on Schedule 14A filed on December 14, 2007.
4.1	Specimen Stock Certificate. Incorporated by reference to Exhibit 4.1 to Quarterly Report on Form 10 Q for the fiscal quarter ended February 28, 2015.
4.2	Description of Capital Stock. Incorporated by reference to Exhibit 4.2 to the Annual Report on Form 10-K for the fiscal year ended August 31, 2019.
10.1	2004 Incentive Plan, effective April 12, 2004. Incorporated by reference to Exhibit F to the Proxy Statement for the Annual Meeting held on April 12, 2004. **
10.2	Wastewater Service Agreement, dated January 22, 1997, by and between the Company and the Rangeview Metropolitan District. Incorporated by reference to Exhibit 10.3 to the Annual Report on Form 10-KSB for the fiscal year ended August 31, 1998.
10.3	Comprehensive Amendment Agreement No. 1, dated April 11, 1996, by and among Inco Securities Corporation, the Company, the Bondholders, Gregory M. Morey, Newell Augur, Jr., Bill Peterson, Stuart Sundlun, Alan C. Stormo, Beverlee A. Beardslee, Bradley Kent Beardslee, Robert Douglas Beardslee, Asra Corporation, International Properties, Inc., and the Land Board. Incorporated by reference to Exhibit 10.7 to the Quarterly Report on Form 10-QSB for the period ended May 31, 1996.
10.4	Agreement for Sale of Export Water dated April 11, 1996 by and between the Company and the Rangeview Metropolitan District. Incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-QSB for the fiscal quarter ended May 31, 1996.
10.5	Bargain and Sale Deed among the Land Board, the Rangeview Metropolitan District and the Company dated April 11, 1996. Incorporated by reference to Exhibit 10.18 to Amendment No. 1 to Registration Statement on Form SB-2, filed on June 7, 2004, Registration No. 333-114568.
10.6	Agreement for Water Service dated August 3, 2005 among the Company, Rangeview Metropolitan District and Arapahoe County incorporated by reference to Exhibit 10.24 to the Current Report on Form 8-K filed on August 4, 2005.
10.7	Amendment No. 1 to Agreement for Water Service dated August 25, 2008, between the Company and Arapahoe County. Incorporated by reference to Exhibit 10.36 to the Annual Report on Form 10-K for the fiscal year ended August 31, 2008.
10.8	Paid-Up Oil and Gas Lease dated March 14, 2011, between the Company and Anadarko E&P Company, L.P. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on March 15, 2011.
10.9	Surface Use and Damage Agreement dated March 14, 2011, between the Company and Anadarko E&P Company, L.P. Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on March 15, 2011.
10.10	2014 Equity Incentive Plan, effective April 12, 2014. Incorporated by reference to Appendix A to the Proxy Statement for the Annual Meeting held on January 15, 2014. **
10.11	2014 Amended and Restated Lease Agreement, dated July 10, 2014, by and between the Land Board, the Rangeview Metropolitan District, and the Company. Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on July 14, 2014.

Exhibit Number	Description
10.12	2014 Amended and Restated Service Agreement, dated July 10, 2014, by and between the Company and the Rangeview Metropolitan District. Incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed on July 14, 2014.
10.13	Rangeview/Pure Cycle WISE Project Financing and Service Agreement, effective as of December 22, 2014. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on December 30, 2014.
10.14	South Metro WISE Authority Formation and Organizational Intergovernmental Agreement, dated December 31, 2013. Incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2014.
10.15	Amended and Restated WISE Partnership – Water Delivery Agreement, dated December 31, 2013, among the City and County of Denver acting through its Board of Water Commissioners, the City of Aurora acting by and through its Utility Enterprise, and South Metro WISE Authority. Incorporated by reference to Exhibit 10.3 to Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2014.
10.16	Agreement for Purchase and Sale of Western Pipeline Capacity, dated November 19, 2014, among the Rangeview Metropolitan District and certain members of the South Metro WISE Authority. Incorporated by reference to Exhibit 10.4 to Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2014.
10.17	Water Service Agreement by and between Rangeview Metropolitan District, acting by and through its Water Activity Enterprise, and Elbert & Highway 86 Commercial Metropolitan District, acting by and through its Water Enterprise, dated as of December 15, 2016. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on December 19, 2016.
10.18	Export Service Agreement, effective as of June 16, 2017, between the Company and the Rangeview Metropolitan District. Incorporated by reference to Exhibit 10.18 to the Annual Report on Form 10-K for the fiscal year ended August 31, 2017
10.19	Contract for Purchase and Sale of Real Estate, dated June 27, 2017, by and between PCY Holdings, LLC and Richmond American Homes of Colorado, Inc., as amended by First Amendment to Contract for Purchase and Sale of Real Estate, dated August 28, 2017, by and between PCY Holdings, LLC and Richmond American Homes of Colorado, Inc., as amended by Second Amendment to Contract for Purchase and Sale of Real Estate, dated August 29, 2017, by and between PCY Holdings, LLC and Richmond American Homes of Colorado, Inc., as amended by Third Amendment to Contract for Purchase and Sale of Real Estate, dated September 8, 2017, by and between PCY Holdings, LLC and Richmond American Homes of Colorado, Inc., as amended by Fourth Amendment to Contract for Purchase and Sale of Real Estate, dated September 20, 2017, by and between PCY Holdings, LLC and Richmond American Homes of Colorado, Inc., as amended by Fifth Amendment to Contract for Purchase and Sale of Real Estate, dated October 6, 2017, by and between PCY Holdings, LLC and Richmond American Homes of Colorado, Inc., as amended by Sixth Amendment to Contract for Purchase and Sale of Real Estate, dated October 11, 2017, by and between PCY Holdings, LLC and Richmond American Homes of Colorado, Inc., as amended by Seventh Amendment to Contract for Purchase and Sale of Real Estate, dated October 18, 2017, by and between PCY Holdings, LLC and Richmond American Homes of Colorado, Inc., as amended by Eighth Amendment to Contract for Purchase and Sale of Real Estate, dated October 20, 2017, by and between PCY Holdings, LLC and Richmond American Homes of Colorado, Inc., as amended by Ninth Amendment to Contract for Purchase and Sale of Real Estate, dated October 20, 2017, by and between PCY Holdings, LLC and Richmond American Homes of Colorado, Inc., as amended by Tenth Amendment to Contract for Purchase and Sale of Real Estate, dated November 3, 2017, by and between PCY Holdings, LLC and Richmond American Homes of Colorado, Inc., as amended by Eleventh Amendment to Contract for Purchase and Sale of Real Estate, dated November 10, 2017, by and between PCY Holdings, LLC and Richmond American Homes of Colorado, Inc., as amended by Twelfth Amendment to Contract for Purchase and Sale of Real Estate, dated April 20, 2018, by and between PCY Holdings, LLC and Richmond American Homes of Colorado, Inc., as amended by Thirteenth Amendment to Contract for Purchase and Sale of Real Estate, dated August 9, 2018, by and between PCY Holdings, LLC and Richmond American Homes of Colorado, Inc., as amended by Fourteenth Amendment to Contract for Purchase and Sale of Real Estate, dated March 11, 2019, by and between PCY Holdings, LLC and Richmond American Homes of Colorado, Inc., as amended by Fifteenth Amendment to Contract for Purchase and Sale of Real Estate, dated September 26, 2019, by and between PCY Holdings, LLC and Richmond American Homes of Colorado, Inc. The Contract for Purchase and Sale of Real Estate and the First through Tenth Amendments are incorporated by reference to Exhibit 10.19 to the Annual Report on Form 10-K for the fiscal year ended August 31, 2017. The Eleventh Amendment is incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2017. The Twelfth Amendment is incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2018. The Thirteenth, Fourteenth and Fifteenth Amendments are incorporated by reference to Exhibit 10.19 to the Annual Report on Form 10-K for the fiscal year ended August 31, 2019.

Exhibit Number	Description
10.20	Contract for Purchase and Sale of Real Estate, dated June 27, 2017, by and between PCY Holdings, LLC and Taylor Morrison of Colorado, Inc., as amended by First Amendment to Contract for Purchase and Sale of Real Estate, dated August 24, 2017, by and between PCY Holdings, LLC and Taylor Morrison of Colorado, Inc., as amended by Second Amendment to Contract for Purchase and Sale of Real Estate, dated September 19, 2017, by and between PCY Holdings, LLC and Taylor Morrison of Colorado, Inc., as amended by Third Amendment to Contract for Purchase and Sale of Real Estate, dated October 6, 2017, by and between PCY Holdings, LLC and Taylor Morrison of Colorado, Inc., as amended by Fourth Amendment to Contract for Purchase and Sale of Real Estate, dated October 13, 2017, by and between PCY Holdings, LLC and Taylor Morrison of Colorado, Inc., as amended by Fifth Amendment to Contract for Purchase and Sale of Real Estate, dated October 18, 2017, by and between PCY Holdings, LLC and Taylor Morrison of Colorado, Inc., as amended by Sixth Amendment to Contract for Purchase and Sale of Real Estate, dated October 20, 2017, by and between PCY Holdings, LLC and Taylor Morrison of Colorado, Inc., as amended by Seventh Amendment to Contract for Purchase and Sale of Real Estate, dated October 20, 2017, by and between PCY Holdings, LLC and Taylor Morrison of Colorado, Inc., as amended by Eighth Amendment to Contract for Purchase and Sale of Real Estate, dated November 3, 2017, by and between PCY Holdings, LLC and Taylor Morrison of Colorado, Inc., as amended by Ninth Amendment to Contract for Purchase and Sale of Real Estate, dated November 7, 2017, by and between PCY Holdings, LLC and Taylor Morrison of Colorado, Inc., as amended by Tenth Amendment to Contract for Purchase and Sale of Real Estate, dated November 10, 2017, by and between PCY Holdings, LLC and Taylor Morrison of Colorado, Inc., as amended by Eleventh Amendment to Contract for Purchase and Sale of Real Estate, dated March 27, 2018, by and between PCY Holdings, LLC and Taylor Morrison of Colorado, Inc., as amended by Twelfth Amendment to Contract for Purchase and Sale of Real Estate, dated April 10, 2018, by and between PCY Holdings, LLC and Taylor Morrison of Colorado, Inc., as amended by Thirteenth Amendment to Contract for Purchase and Sale of Real Estate, dated August 9, 2018, by and between PCY Holdings, LLC and Taylor Morrison of Colorado, Inc., as amended by Fourteenth Amendment to Contract for Purchase and Sale of Real Estate, dated July 19, 2019, by and between PCY Holdings, LLC and Taylor Morrison of Colorado, Inc. The Contract for Purchase and Sale of Real Estate and the First through Ninth Amendments are incorporated by reference to Exhibit 10.20 to the Annual Report on Form 10-K for the fiscal year ended August 31, 2017. The Tenth Amendment is incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2017. The Eleventh and Twelfth Amendments are incorporated by reference to Exhibits 10.1 and 10.2, respectively, to the Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2018. The Thirteenth and Fourteenth Amendments are incorporated by reference to Exhibit 10.20 to the Annual Report on Form 10-K for the fiscal year ended August 31, 2019.
10.21	Contract for Purchase and Sale of Real Estate, dated June 29, 2017, by and between PCY Holdings, LLC and KB Home Colorado Inc., as amended by First Amendment to Contract for Purchase and Sale of Real Estate, dated August 28, 2017, by and between PCY Holdings, LLC and KB Home Colorado Inc., as amended by Second Amendment to Contract for Purchase and Sale of Real Estate, dated September 15, 2017, by and between PCY Holdings, LLC and KB Home Colorado Inc., as amended by Third Amendment to Contract for Purchase and Sale of Real Estate, dated September 28, 2017, by and between PCY Holdings, LLC and KB Home Colorado Inc., as amended by Fourth Amendment to Contract for Purchase and Sale of Real Estate, dated October 9, 2017, by and between PCY Holdings, LLC and KB Home Colorado Inc., as amended by Fifth Amendment to Contract for Purchase and Sale of Real Estate, dated October 18, 2017, by and between PCY Holdings, LLC and KB Home Colorado Inc., as amended by Sixth Amendment to Contract for Purchase and Sale of Real Estate, dated October 20, 2017, by and between PCY Holdings, LLC and KB Home Colorado Inc., as amended by Seventh Amendment to Contract for Purchase and Sale of Real Estate, dated October 31, 2017, by and between PCY Holdings, LLC and KB Home Colorado Inc., as amended by Eighth Amendment to Contract for Purchase and Sale of Real Estate, dated November 3, 2017, by and between PCY Holdings, LLC and KB Home Colorado Inc., as amended by Ninth Amendment to Contract for Purchase and Sale of Real Estate, dated November 7, 2017, by and between PCY Holdings, LLC and KB Home Colorado Inc., as amended by Tenth Amendment to Contract for Purchase and Sale of Real Estate, dated November 10, 2017, by and between PCY Holdings, LLC and KB Home Colorado Inc., as amended by Eleventh Amendment to Contract for Purchase and Sale of Real Estate, dated March 29, 2018, by and between PCY Holdings, LLC and KB Home Colorado Inc., as amended by Twelfth Amendment to Contract for Purchase and Sale of Real Estate, dated January 22, 2019, by and between PCY Holdings, LLC and KB Home Colorado Inc., as amended by Thirteenth Amendment to Contract for Purchase and Sale of Real Estate, dated April 18, 2019, by and between PCY Holdings, LLC and KB Home Colorado Inc., as amended by Fourteenth Amendment to Contract for Purchase and Sale of Real Estate, dated May 21, 2019, by and between PCY Holdings, LLC and KB Home Colorado Inc., as amended by Fifteenth Amendment to Contract for Purchase and Sale of Real Estate, dated February 20, 2020, by and between PCY Holdings, LLC and KB Home Colorado Inc., as amended by Sixteenth Amendment to Contract for Purchase and Sale of Real Estate, dated April 30, 2020, by and between PCY Holdings, LLC and KB Home Colorado Inc. The Contract for Purchase and Sale of Real Estate and the First through Ninth Amendments are incorporated by reference to Exhibit 10.21 to the Annual Report on Form 10-K for the fiscal year ended August 31, 2017. The Tenth Amendment is incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2017. The Eleventh Amendment is incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2019. The Twelfth Amendment is incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2019. The Thirteenth Amendment is incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2019. The Fourteenth Amendment is incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2019. The Fifteenth Amendment is incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the fiscal quarter ended February 29, 2020. The Sixteenth Amendment is incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2020
10.22	Offer Letter between Pure Cycle Corporation and Kevin B. McNeill dated January 23, 2020. Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on April 13, 2020**
10.23	Contract for Purchase and Sale of Real Estate, dated October 30, 2020, by and between PCY Holdings, LLC and KB Home Colorado, Inc.*
10.24	Contract for Purchase and Sale of Real Estate, dated November 2, 2020, by and between PCY Holdings, LLC and Meritage Homes of Colorado, Inc.*
10.25	Contract for Purchase and Sale of Real Estate, dated November 2, 2020, by and between PCY Holdings, LLC and Challenger Denver, LLC.*
10.26	Contract for Purchase and Sale of Real Estate, dated October 30, 2020, by and between PCY Holdings, LLC and Melody Homes, Inc. (a wholly-owned subsidiary of DR Horton, Inc.). *

Exhibit Number	Description
21.1	Subsidiaries *
23.1	Consent of Plante & Moran PLLC *
31.1	Certification of principal executive officer under Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of principal financial officer under Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ***
32.2	Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ***
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document. *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document. *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document. *

* Filed herewith

** Indicates management contract or compensatory plan or arrangement in which directors or executive officers are eligible to participate.

*** Furnished herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PURE CYCLE CORPORATION

/s/ Kevin B. McNeill
Kevin B. McNeill
Vice President and Chief Financial Officer
November 10, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Mark W. Harding Mark W. Harding	President, Chief Executive Officer and Director (Principal Executive Officer)	November 10, 2020
/s/ Kevin B. McNeill Kevin B. McNeill	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	November 10, 2020
/s/ Harrison H. Augur Harrison H. Augur	Chairman, Director	November 10, 2020
/s/ Patrick J. Beirne Patrick J. Beirne	Director	November 10, 2020
/s/ Arthur G. Epker III Arthur G. Epker III	Director	November 10, 2020
/s/ Richard L. Guido Richard L. Guido	Director	November 10, 2020
/s/ Peter C. Howell Peter C. Howell	Director	November 10, 2020
/s/ Jeffrey G. Sheets Jeffrey G. Sheets	Director	November 10, 2020

Exhibit 10.23

PCY HOLDINGS, LLC

and

KB HOME COLORADO, INC.

CONTRACT FOR PURCHASE AND SALE OF REAL ESTATE

(Sky Ranch – Phase B)

Table of Contents

DEFINITIONS

"Additional Deposit" shall have the meaning set forth in Section 3(a).
"APS Mill Levy" shall have the meaning set forth in Section 4(d).
"Architectural Review Committee" shall have the meaning set forth in Section 12(d).
"ASP" shall have the meaning set forth in Section 5(a).
"ASP Criteria" shall have the meaning set forth in Section 12(d).
"Authorities" and "Authority" shall have the meaning set forth in the Recitals.
"BMPs" shall have the meaning set forth in Section 29(x).
"Board" shall have the meaning set forth in Section 16(b).
"Builder Designation" shall have the meaning set forth in Section 8(c)(ii)(7).
"CAB" shall have the meaning set forth in Section 4(d).
"CABEA" shall have the meaning set forth in Section 16(b).
"CDs" shall have the meaning set forth in Section 5(a).
"Closed" shall have the meaning set forth in Section 7.
"Closing Date" shall have the meaning set forth in Section 8(a).
"Closing" shall have the meaning set forth in Section 7.
"Closing Notice" shall have the meaning set forth in Section 8(a).
"Communication Improvements" shall have the meaning set forth in Section 21.
"Communications" shall have the meaning set forth in Section 29(j).
"Confidential Information" shall have the meaning set forth in Section 29(bb).
"Continuation Notice" shall have the meaning set forth in Section 10(a).
"Contract" shall have the meaning set forth in the Preamble.
"CO Holdback" shall have the meaning set forth in Section 5(c)(ii).
"County" shall have the meaning set forth in the Recitals.
"County Records" shall have the meaning set forth in Section 5(a).
"Dedications" shall have the meaning set forth in Section 18.
"Deferred Purchase Price" shall have the meaning set forth in Section 2(a).
"Deferred Purchase Price Deposit" shall have the meaning set forth in Section 5(c)(iv).
"Deposit" shall have the meaning set forth in Section 3(a).
"Design Guidelines" shall have the meaning set forth in Section 12(d).
"Development" shall have the meaning set forth in the Recitals.

"District" shall have the meaning set forth in Section 9(d).
"District Documentation" shall have the meaning set forth in Section 4(d).
"District Improvements" shall have the meaning set forth in Section 16(b).
"Due Diligence Period" shall have the meaning set forth in Section 10(a).
"Easement" shall have the meaning set forth in Section 21.
"Effective Date" shall have the meaning set forth in the Preamble.
"Entitlements" shall have the meaning set forth in Section 5(a).
"Environmental Claim" shall have the meaning set forth in Section 10(h).
"Environmental Laws" shall have the meaning set forth in Section 10(g).
"EPA" shall have the meaning set forth in Section 10(c).
"Escalator" shall have the meaning set forth in Section 2(b).
"Existing Entitlements" shall have the meaning set forth in Section 5(a)(i).
"Feasibility Review" shall have the meaning set forth in Section 10(a).
"Filing" and "Filings" shall have the meaning set forth in the Recitals.
"Final Approval" shall have the meaning set forth in Section 5(a).
"Final Lotting Diagram" shall have the meaning set forth in Section 1.
"Final Plat" shall have the meaning set forth in Section 5(a).
"Finished Lot Improvements" shall have the meaning set forth in the Recitals.
"First Closing" shall have the meaning set forth in Section 1.
"Fourth Closing" shall have the meaning set forth in Section 1.
"Gallagher Adjustments" shall have the meaning set forth in Section 4(d).
"GDP" shall have the meaning set forth in Section 5(a).
"General Assignment" shall have the meaning set forth in Section 8(c)(ii)(9).
"Good Funds" shall have the meaning set forth in Section 2(a).
"Government Warranty Period" shall have the meaning set forth in Exhibit C.
"Governmental Fees" shall have the meaning set forth in Section 18.
"Governmental Warranty" shall have the meaning set forth in Exhibit C.
"Hazardous Materials" shall have the meaning set forth in Section 10(g).
"Holdback Funds" shall have the meaning set forth in Section 5(c)(ii).
"Homebuyer Disclosures" shall have the meaning set forth in Section 12(e).
"Homes", "Houses", and "Residences" shall have the meaning set forth in Section 12(d)(i).

"Homeowners' Association" shall have the meaning set forth in Section 17.
"House Plans" shall have the meaning set forth in Section 12(d)(i).
"Infrastructure Improvements" shall have the meaning set forth in Section 18.
"Initial Deposit" shall have the meaning set forth in Section 3(a).
"Initial Purchase Condition" shall have the meaning set forth in Section 6(a)(i).
"Initial Purchase Price" shall have the meaning set forth in Section 2(a).
"Interchange Condition" shall have the meaning set forth in Section 6(a)(ii).
"Interchange Upgrades" shall have the meaning set forth in Section 5(b).
"Joint Improvements" shall have the meaning set forth in Section 5(c)(ii).
"Joint Improvements Memorandum" shall have the meaning set forth in Section 5(c)(ii).
"Letter of Credit" shall have the meaning set forth in Section 5(c)(iv).
"Lien Affidavit" shall have the meaning set forth in Section 4(a).
"Lot" and "Lots" shall have the meaning set forth in the Recitals.
"Lot Development Agreement" shall have the meaning set forth in the Recitals.
"Lotting Diagram" shall have the meaning set forth in the Recitals.
"Maintenance Declaration" shall have the meaning set forth in Section 17.
"Master Commitment" shall have the meaning set forth in Section 4(a).
"Master Covenants" shall have the meaning set forth in Section 4(d).
"Master Declaration" shall have the meaning set forth in Section 4(d).
"Maximum Mills Limitation" shall have the meaning set forth in Section 4(d).
"Metro District Payments" shall have the meaning set forth in Section 16(b).
"New Exception Objection" shall have the meaning set forth in Section 4(b).
"New Exception Review Period" shall have the meaning set forth in Section 4(b).
"New Exceptions" shall have the meaning set forth in Section 4(b).
"NOI" shall have the meaning set forth in Section 29(x).
"Non-Government Warranty Period" shall have the meaning set forth in Exhibit C.
"Non-Government Warranty" shall have the meaning set forth in Exhibit C.
"Non-Seller Caused Exceptions" shall have the meaning set forth in Section 4(b).
"NORM" shall have the meaning set forth in Section 10(c).
"OFAC" shall have the meaning set forth in Section 23.
"Other New Exceptions" shall have the meaning set forth in Section 4(b).

"Overex" shall have the meaning set forth in Section 10(e).
"Owner's Affidavit" shall have the meaning set forth in Section 4(a).
"Paired Lots" shall have the meaning set forth in the Recitals.
"Permissible New Exceptions" shall have the meaning set forth in Section 4(b).
"Permitted Exceptions" and "Permitted Exception" shall have the meaning set forth in Section 9.
"PIF Covenant" shall have the meaning set forth in Section 9(e).
"Plat Certificate" shall have the meaning set forth in Section 4(a).
"Property" shall have the meaning set forth in the Recitals.
"Public Improvement District" or "PID" shall have the meaning set forth in Section 4(d).
"Public Improvements" shall have the meaning set forth in Exhibit C.
"Purchase Price" shall have the meaning set forth in Section 2.
"Purchaser" shall have the meaning set forth in the Preamble.
"Purchaser Parties" shall have the meaning set forth in Section 10(i).
"Purchaser's Conditions Precedent" shall have the meaning set forth in Section 6(b).
"Purchaser's Geotechnical Reports" shall have the meaning set forth in Section 10(e).
"Purchaser's SWPPP" shall have the meaning set forth in Section 29(x).
"Rangeview" shall have the meaning set forth in Section 16(a).
"Regional Improvements" shall have the meaning set forth in Section 4(d).
"Regional Improvements Authority" shall have the meaning set forth in Section 4(d).
"Regional Improvements Mill Levy" shall have the meaning set forth in Section 4(d).
"Representatives" shall have the meaning set forth in Section 29(bb).
"Reservations and Covenants" shall have the meaning set forth in Section 8(c)(ii)(1).
"SDF" shall have the meaning set forth in Section 16(d)(iii).
"SDP" shall have the meaning set forth in Section 5(a).
"Second Closing" shall have the meaning set forth in Section 1.
"Seller" shall have the meaning set forth in the Preamble.
"Seller Caused Exception" shall have the meaning set forth in Section 4(b).
"Seller Cure Period" shall have the meaning set forth in Section 4(b).
"Seller Documents" shall have the meaning set forth in Section 10(a).
"Seller Party" or "Seller Parties" shall have the meaning set forth in Section 10(h).
"Seller's Actual Knowledge" shall have the meaning set forth in Section 11.

"Seller's Conditions Precedent" shall have the meaning set forth in Section 6(a).
"Seller's Express Representations" shall have the meaning set forth in Section 10(f).
"Seller's Representations" shall have the meaning set forth in Section 11.
"Service" shall have the meaning set forth in Section 21.
"Service Plans" shall have the meaning set forth in Section 16(b).
"Sidewalks" shall have the meaning set forth in Exhibit C.
"Sky Ranch" shall have the meaning set forth in the Recitals.
"Sky Ranch Districts" shall have the meaning set forth in Section 16(b).
"Substantially Complete" or "Substantial Completion" shall have the meaning set forth in Section 5(c)(iv).
"Survey" shall have the meaning set forth in Section 4(a).
"SWPPP" shall have the meaning set forth in Section 29(x).
"Takedown" shall have the meaning set forth in the Recitals.
"Takedown 1 Closing Date" shall have the meaning set forth in Section 8(a).
"Takedown 1 Lots" shall have the meaning set forth in the Recitals.
"Takedown 2 Closing Date" shall have the meaning set forth in Section 8(a).
"Takedown 2 Lots" shall have the meaning set forth in the Recitals.
"Takedown 3 Closing Date" shall have the meaning set forth in Section 8(a).
"Takedown 3 Lots" shall have the meaning set forth in the Recitals.
"Takedown 4 Closing Date" shall have the meaning set forth in Section 8(a).
"Takedown 4 Lots" shall have the meaning set forth in the Recitals.
"Takedown Commitment" shall have the meaning set forth in Section 4(b).
"Tap Purchase Agreement" shall have the meaning set forth in Section 16(a).
"Third Closing" shall have the meaning set forth in Section 1.
"Title Company" shall have the meaning set forth in Section 4(a).
"Title Company Indemnity" shall have the meaning set forth in Section 4(a).
"Title Objections" shall have the meaning set forth in Section 4(a).
"Title Policy" shall have the meaning set forth in Section 4(e).
"Tree Lawns" shall have the meaning set forth in Exhibit C.
"Uncontrollable Event" shall have the meaning set forth in Section 13.

CONTRACT FOR PURCHASE
AND SALE OF REAL ESTATE

THIS CONTRACT FOR PURCHASE AND SALE OF REAL ESTATE (this "**Contract**") is entered into as of the last date of the signatures hereto (the "**Effective Date**"), by and between PCY HOLDINGS, LLC, a Colorado limited liability company ("**Seller**"), and KB HOME COLORADO, INC., a Colorado corporation ("**Purchaser**").

RECITALS:

A. Seller is developing a master planned residential community known as "**Sky Ranch**" which is located in Arapahoe County, Colorado ("**County**"). The Sky Ranch master planned residential community may also be referred to herein as the "**Development**". The conceptual development plan and lotting diagram for Phase B of the Development (the "**Lotting Diagram**") are attached hereto as **Exhibit A** and incorporated herein by this reference. The Development is being platted in several subdivision filings and developed in phases. Each subdivision filing is hereinafter sometimes respectively referred to as a "**Filing**" and collectively as "**Filings**".

B. Seller desires to sell to Purchaser, and Purchaser desires to purchase and obtain from Seller, approximately 172 platted single family attached residential lots (individually referred to as a "**Lot**" and collectively as the "**Lots**") in the Development which will be finished in accordance with this Contract and which will be used for the construction of single family residential dwellings upon the terms and conditions set forth in this Contract.

C. Seller is selling platted residential lots within the Development to multiple homebuilders, including Purchaser. The Lots to be sold by Seller and acquired by Purchaser that are located within the Development shall be hereinafter collectively referred to as the "**Property**." The Lots will be conveyed at one or more Closings as more particularly provided herein and each such Closing may be referred to herein as a "**Takedown.**" The Lots which are to be conveyed at the first Closing shall be sometimes hereinafter collectively referred to as the "**Takedown 1 Lots**"; the Lots which are to be conveyed at the second Closing shall be sometimes hereinafter collectively referred to as the "**Takedown 2 Lots**"; the Lots which are to be conveyed at the third Closing shall be sometimes hereinafter collectively referred to as the "**Takedown 3 Lots**"; and the Lots which are to be conveyed at the fourth Closing shall be sometimes hereinafter collectively referred to as the "**Takedown 4 Lots**".

D. As of the Effective Date, the Lots have not been subdivided pursuant to a recorded final subdivision plat. The number and location of the Lots to be acquired by Purchaser are generally depicted on the Lotting Diagram. The precise number, dimension (subject to the minimums below) and location of the Lots will be established at the time the subdivision plat for such Lots is approved by the County and/or any other relevant governmental authority (the County any other governmental entity or authority may be referred to herein collectively as the "**Authorities**", and each an "**Authority**"). As of the Effective Date, the parties anticipate that Purchaser will acquire approximately 172 Lots. The Lots will be a minimum of 32 feet wide by 96 feet deep unless otherwise approved in writing by Purchaser, for the construction of alley loaded paired homes, with each Lot meaning a fee simple lot designed for an alley loaded, paired residential unit located within a building to be constructed and to sit on two (2) fee simple Lots with a common wall on the Lot line ("**Paired Lots**").

E. Following Purchaser's acquisition of Lots, Seller will construct certain infrastructure improvements for the Lots as described on **Exhibit C** attached hereto (the "**Finished Lot Improvements**") pursuant to a lot development agreement executed by Seller and Purchaser in the form set forth on **Exhibit E** ("**Lot Development Agreement**").

AGREEMENT:

1. Purchase and Sale.

The Property shall be purchased at four (4) Closings. Subject to the terms and conditions of this Contract, Seller agrees to sell to Purchaser, and Purchaser agrees to purchase from Seller, on or before the dates set forth in Section 6(b) below, the Lots in each Takedown, as generally depicted on the Lotting Diagram and as follows (the following number of Lots being an estimate as of the date hereof and dependent on the Entitlements):

At the Takedown 1 Closing ("**First Closing**"), forty-two (42) Paired Lots;

At the Takedown 2 Closing ("**Second Closing**"), forty-six (46) Paired Lots;

At the Takedown 3 Closing ("**Third Closing**"), forty (40) Paired Lots; and

At the Takedown 4 Closing ("**Fourth Closing**"), forty-four (44) Paired Lots.

Notwithstanding the foregoing, however, the parties acknowledge and agree that the Parties shall negotiate during the Due Diligence Period to reach agreement on a mutually acceptable site plan for the Lots ("**Final Lotting Diagram**") and that the exact number and location of the Lots within each Takedown are subject to adjustment based upon the approval by the Authorities of the Final Plat (as hereinafter defined) that includes the Lots to be acquired by Purchaser at each Takedown. The precise number, dimension (subject to the provisions of this Contract), location and legal description of the Lots will be established at the time the Final Plat for such Lots is approved by the County and/or any other Authority, and upon approval of each such Final Plat the parties shall execute an amendment to this Contract setting forth the legal description of those Lots included in the approved Final Plat.

2. Purchase Price.

The purchase price to be paid by Purchaser to Seller for each Lot (the "**Purchase Price**") shall consist of the Initial Purchase Price (as hereinafter defined) and the Deferred Purchase Price (as hereinafter defined). The Purchase Price for each Lot shall be calculated as provided in the following Section 2(a) and shall be subject to adjustment as provided in Section 2(b) below:

(a) Purchase Price Payments. For each Lot the Purchase Price shall be the sum of the "**Initial Purchase Price**" of Twenty Thousand and 00/100 Dollars ($20,000.00) per Paired Lot, paid by Purchaser to Seller by wire transfer or other immediately available and collectible funds ("**Good Funds**"), and the "**Deferred Purchase Price**" of Forty-One Thousand Nine Hundred and 00/100 Dollars ($41,900.00) per Paired Lot, paid by Purchaser to Seller in Good Funds, for a total of Sixty One Thousand Nine Hundred and 00/100 Dollars ($61,900.00) per Paired Lot, (subject to the Escalator adjustment as hereinafter provided in Section 2(b) of this Contract). The Deferred Purchase Price for the Lots acquired by Purchaser at the First Closing shall be secured by Good Funds or a letter of credit delivered by Purchaser into escrow at the First Closing, the Deferred Purchase Price for the Lots acquired by Purchaser at the Second Closing shall be secured by Good Funds or a letter of credit delivered by Purchaser into escrow at the Second Closing, the Deferred Purchase Price for the Lots acquired by Purchaser at the Third Closing shall be secured by Good Funds or a letter of credit delivered by Purchaser into escrow at the Third Closing, and the Deferred Purchase Price for the Lots acquired by Purchaser at the Fourth Closing shall be secured by Good Funds or a letter of credit delivered by Purchaser into escrow at the Fourth Closing, as more particularly described in Section 5(c) below.

(b) Purchase Price Escalator. Any portion of the Purchase Price due for a Lot which is to be paid after the occurrence of the First Closing will increase by an amount equal to the amount of simple interest that would accrue thereon for the period elapsing between the date that the First Closing occurs until the date such amount is paid, at a rate equal to four percent (4%) per annum (non-compounding) (the "**Escalator**"). The Escalator applies to both the Initial Purchase Price and the Deferred Purchase Price. By way of example and for clarification purposes only, if the Purchase Price of a Lot at the Closing of the Takedown 1 Lots is $61,900 then at the Takedown 2 Closing occurring 9 months (270 actual days) following the date of the Takedown 1 Closing, the Purchase Price for a Lot at the Takedown 2 Closing would be $63,757.00, which is calculated as follows: $61,900 + ($61,900 x 0.04) x (270/365) = $63,757.00. If the Initial Purchase Price for such Lot to be acquired at the Takedown 1 Closing is $20,000.00, then the Initial Purchase Price for a Lot to be paid at the Takedown 2 Closing (occurring 270 days later) will be $20,600.00 [calculated as follows: $20,000.00 + ($20,000.00 x .04) x (270/365) = $20,600.00]. Notwithstanding the foregoing or anything herein to the contrary, the Escalator shall not accrue or be calculated during extension periods requested by Seller and shall cease to accrue and be calculated against any portion of the Deferred Purchase Price which has not become due and owing twelve (12) months following the applicable Closing Date; provided that such delay is not the result of Purchaser's acts or omissions.

3. Payment of Purchase Price. The Purchase Price for each of the Lots, as determined pursuant to Section 2 above, shall be payable as follows:

(a) Earnest Money Deposit. Within three (3) business days following the Effective Date, Purchaser shall deliver to the Title Company (as defined in Section 4(a) hereof) an earnest money deposit in the amount of $159,702.00 (the "**Initial Deposit**"). Within three (3) business days after delivery of the Continuation Notice (as hereinafter defined), Purchaser shall deliver to Title Company an additional deposit in the amount of $159,702.00 (the "**Additional Deposit**"). The Initial Deposit and the Additional Deposit and all interest earned thereon shall be referred to herein as the "**Deposit**". The Title Company will act as escrow agent and invest the earnest money deposit in a federally insured institution at the highest money market rate available. The Deposit shall be paid in Good Funds. The Deposit shall be applied on a pro-rata basis to the Initial Purchase Price due at each Closing, being $1,857 per Lot based on an estimated 172 Lots. If this Contract is terminated prior to the expiration of the Due Diligence Period for any reason, the Initial Deposit shall be refunded to Purchaser. If this Contract is terminated after the Due Diligence Period and prior to the Deposit being fully applied to the Purchase Price at the last Closing, the unapplied portion of the Deposit shall be paid to Seller, except in the case of a termination of this Contract pursuant to a provision that expressly entitles Purchaser to a refund of the Deposit as provided elsewhere herein.

(b) Initial Purchase Price. That portion of the Purchase Price for each Lot that is identified as the Initial Purchase Price and calculated as provided in Section 2 above shall be paid by Purchaser to Seller in Good Funds at the Closing that is applicable to the Lot.

(c) Deferred Purchase Price. That portion of the Purchase Price for each Lot that is identified as the Deferred Purchase Price in Section 2 above is due and payable by Purchaser to Seller, as provided in and pursuant to Section 5(c) below and the terms of the Lot Development Agreement.

4. Seller's Title.

(a) Preliminary Title Commitment. Within ten (10) business days after the Effective Date, Seller shall furnish to Purchaser, at Seller's expense, a current commitment for a Title Policy (as defined below) for the Property (the "**Master Commitment**") issued by Land Title Guarantee Company ("**Title Company**") as agent for First American Title Insurance Company, together with copies of the instruments listed in the schedule of exceptions in the Master Commitment. If the Master Commitment contains any exceptions from coverage which are unacceptable to Purchaser, then Purchaser shall object to the condition of the Master Commitment in writing within sixty (60) days of Purchaser's receipt of the Master Commitment together with copies of all documents constituting exceptions to title (the "**Title Objections**"). Upon receipt of the Title Objections, Seller may, at its option and at its sole cost and expense, clear the title to the Property of the Title Objections within twenty (20) days of receipt of the Title Objections. In the event Seller fails, or elects not to clear the title to the Property of the Title Objections on or before the date that is ten (10) days before the expiration of the Due Diligence Period, the Purchaser, as its sole remedy, may elect before the expiration of the Due Diligence Period either: (i) to terminate this Contract, in which event the Initial Deposit shall be promptly returned to Purchaser, Purchaser shall deliver to Seller all information and materials received by Purchaser from Seller pertaining to the Property and any non-confidential and non-proprietary information otherwise obtained by Purchaser pertaining to the Property, and thereafter the parties shall have no further rights or obligations under this Contract except as otherwise provided in Section 12(c) below; or (ii) to waive such objections and proceed with the transactions contemplated by this Contract, in which event Purchaser shall be deemed to have approved the title matters as to which its Title Objections have been waived. If Purchaser fails to provide the Title Objections prior to the expiration of the sixty (60) day period required by this Section 4(a), Purchaser shall be deemed to have elected to waive its objections as described in the preceding clause. If Purchaser fails to notify Seller of its election to terminate this Contract or waive it objections, Purchaser shall be deemed to have elected to waive its objections to any title matter that Seller has failed or elected not to cure. Seller shall release at or prior to the applicable Closing any monetary lien that Seller caused or created against the Property with respect to that portion of the Property to be acquired at a particular Closing other than non-delinquent real estate taxes and assessments and Permitted Exceptions, and such monetary liens shall not constitute Permitted Exceptions (as hereinafter defined). At each Closing, without the need for Purchaser to object to the same in Purchaser's Title Objections, Seller shall execute and deliver the Title Company's standard form mechanic's lien affidavit (the "**Lien Affidavit**") in connection with the standard printed exception for liens arising against the Lots purchased at the Closing for work or materials ordered or contracted for by Seller, and to the extent required by the Title Company a commercially reasonable indemnity agreement (the "**Title Company Indemnity**"), provided, however, if Purchaser determines during the Due Diligence Period that the Title Company refuses or is unwilling to delete the standard printed exception for liens as part of extended coverage despite Seller's offer to execute and deliver the Lien Affidavit and Title Company Indemnity, then Purchaser will have the right to terminate this Contract on or before the expiration of the Due Diligence Period whereupon the Initial Deposit will be returned to Purchaser, or Purchaser may proceed with the Closing in which event the Title Policy will contain, and the Lots will be conveyed subject to, the standard printed exception for liens unless the Title Company agrees thereafter to delete such lien exception, however, the Purchaser shall have no further termination rights if the Title Company does not agree to do so. If the Title Company agrees during the Due Diligence Period to delete the standard printed exception for liens as part of extended coverage and thereafter the Title Company refuses to delete the exception for liens based on Seller's offer to execute and deliver the Lien Affidavit and Title Company Indemnity, then such exception shall be deemed a Non-Seller Caused Exception (as hereinafter defined) to which Purchaser shall have the right to object pursuant to Section 4(b). Seller shall request that each Takedown Commitment (as hereinafter defined) provide for the deletion of the other standard printed exceptions from the Title Policy; provided, that, Seller's only obligations with respect thereto shall be (i) to provide a copy of Seller's existing survey ("**Survey**"), if any, of the land that contains the Lots, (ii) to obtain and furnish, at Seller's sole cost and expense, a plat certification issued by a licensed surveyor ("**Plat Certificate**") if and to the extent a Plat Certificate is required by the Title Company as a requirement to delete the standard survey exception, (iii) to execute the Title Company's standard form seller-owner final affidavit and agreement as reasonably modified by Seller and as to Seller's acts only if such affidavit is required by the Title Company for the purpose of deleting any exception for parties in possession ("**Owner's Affidavit**"), and (iv) to execute the Title Company's Lien Affidavit with respect to Seller's acts, in form and substance reasonably acceptable to Seller. Seller has no obligation to provide a new Survey or to update any existing Survey.

(b) Subsequently Disclosed Exceptions. Not less than fifteen (15) days prior to each Closing, in conjunction with Seller's delivery of the applicable Closing Notice (hereafter defined), Seller shall request that the Title Company issue an updated title commitment for that portion of the Property to be acquired at such Closing (each a "**Takedown Commitment**"), together with copies of any additional instruments listed in the schedule of exceptions which are not reflected in the Master Commitment furnished pursuant to Section 4(a) above or in any prior Takedown Commitment. Additional items disclosed by a Takedown Commitment or by an amendment to the Master Commitment that affect title to the subject Property are referred to as "**New Exceptions**". New Exceptions affecting title to the subject Property that are allowed by the provisions of this Contract are referred to as "**Permissible New Exceptions**" and all other New Exceptions are referred to as "**Other New Exceptions**". Purchaser has no right to object to any Permissible New Exception. Other New Exceptions which do not materially increase or create new costs to construct Homes, or that materially adversely affect title or use of a Lot shall also be Permissible New Exceptions. Purchaser shall have a period of seven (7) days from the date of its receipt of such Takedown Commitment or amendment to the Master Commitment and a copy of the New Exceptions (the "**New Exception Review Period**") to review and to approve or disapprove any Other New Exceptions. If any Other New Exception is unacceptable to Purchaser, Purchaser shall object to such Other New Exception(s) in writing within seven (7) days after the date of Purchaser's receipt of the Takedown Commitment, together with a copy of the New Exceptions (the "**New Exception Objection**"). Upon receipt of the New Exception Objection, Seller shall cure the New Exception Objection (by deletion or, with Purchaser's approval, insuring over or endorsement) to the extent that such Other New Exception was caused or created by Seller and is not otherwise permitted by this Contract ("**Seller Caused Exception**"). If the New Exception Objection relates to an Other New Exception that was not caused by Seller ("**Non-Seller Caused Exception**"), Seller may, at its sole discretion, cure the New Exception Objection, within fifteen (15) days of receipt of the New Exception Objection ("**Seller Cure Period**") and the applicable Closing Date will be extended to accommodate the Seller Cure Period. In the event Seller fails, or elects not to cure a Non-Seller Caused Exception within such fifteen (15) day period, the Purchaser, as its sole remedy, may elect within five (5) business days after the end of the Seller Cure Period either: (i) to terminate this Contract as to the Lots affected by such New Exception, in which event the prorata portion of the Deposit for such Lots shall be refunded to Purchaser and the parties shall have no further rights or obligations under this Contract as to such Lots; or (ii) to waive such objection and proceed with the acquisition of the Lots in such Takedown, in which event Purchaser shall be deemed to have approved the New Exception. If Purchaser fails to notify Seller of its election to terminate this Contract as to the applicable Lots in accordance with the foregoing sentences within five (5) business days after the expiration of the Seller Cure Period (i) Purchaser shall be deemed to have elected to waive its objections as described in the preceding sentences and (ii) all such items shall be deemed to be Permitted Exceptions.

(c) Permitted Exceptions; Additional Easements. Seller shall convey title to the Lots included in each Takedown of the Property to Purchaser at the Closing for such Takedown subject to the Permitted Exceptions described in Section 9 hereof. Prior to each Closing, Seller shall have the right, subject to the limitations set forth below and those Reservations and Covenants (as hereinafter defined) as set forth on **Exhibit B**, attached hereto, and provided Seller shall advise and provide copies of same to Purchaser promptly after Seller becomes aware of same, to convey additional easements as Permissible New Exceptions to utility and cable service providers, governmental or quasi-governmental Authorities, metropolitan, water and sanitation districts, homeowners associations or property owners associations or other entities that serve the Development or adjacent property for construction of utilities and other facilities to support the Development or such adjacent property, including but not limited to sanitary sewer, water lines, electric, cable, broad-band and telephone transmission, storm drainage and construction access easements across the Property not yet acquired by Purchaser, allowing Seller or its assignees the right to install and maintain sanitary sewer, water lines, cable television, broad-band, electric, telephone and other utilities on the Property and on the adjacent property owned by Seller and/or its affiliates, and further, to accommodate storm drainage from the adjacent property. Such easements shall require the restoration of any surface damage or disturbance caused by the exercise of such easements, shall not be located within the building envelope of any Lot, shall not materially detract from the value, use or enjoyment of (i) the Lots affected or the remaining portion of the Property on which such easements are to be located, or (ii) any adjoining property of Purchaser.

(d) Master Covenants; Regional Improvement Authority. The Lots to be acquired pursuant to this Contract shall be, prior to each Closing, made subject to the Covenants, Conditions and Restrictions for Sky Ranch recorded in the County Records on August 10, 2018, at Reception No. D8079588 (the "**Master Declaration**"). The Master Declaration, together with any supplemental declarations which have been, or may in the future be, recorded against the Property, shall be collectively referred to as the "**Master Covenants**". The Master Covenants are administered by the Sky Ranch Community Authority Board ("**CAB**") and shall be a Permitted Exception (as hereinafter defined). Seller shall provide to Purchaser for its review, a copy of the Master Covenants as part of the Seller Documents (as hereinafter defined). Seller shall be permitted to revise or supplement the Master Covenants at any time before the First Closing under this Contract without the consent of Purchaser but with prior notice and copies of same to Purchaser; provided, that any such revision has no material adverse effect on the Lots acquired or to be acquired by Purchaser. The Seller may petition the County for the organization of a public improvement district pursuant to C.R.S. Title 30, Article 20 (the "**Public Improvement District**" or "**PID**"), or one or more public entities, including without limitation, the Sky Ranch Districts, CAB, and County may enter into an intergovernmental agreement pursuant to C.R.S. §§ 29-1-203 and – 203.5 to create a public authority (the "**Regional Improvements Authority**") to provide a source of funding for the construction and operation of certain regional public improvements serving the Development and other properties, including without limitation, the freeway interchange at Interstate I-70/Airpark Frontage Road adjacent to the Development and other regional improvements (collectively, the "**Regional Improvements**"). The PID, if formed, may pledge revenues and/or issue general obligation indebtedness, revenue bonds or special assessment bonds and will have the power to levy and collect ad valorem taxes on and against all taxable property within the PID in accordance with the provisions of part 5 of C.R.S. Title 30, Article 20. If and to the extent that Seller petitions the County and the County organizes a PID that includes the Development, Purchaser agrees that it will not object to the County's organization of any such PID. The Regional Improvements Authority, if created, may use revenue generated by the Sky Ranch Districts' imposition of a mill levy that is a subset of the Sky Ranch Districts' operations and maintenance mill levy to plan, design, acquire, construct, install, relocate and/or redevelop, and the administration, overhead and operations and maintenance costs incurred with respect to the Regional Improvements (the "**Regional Improvements Mill Levy**"). The Regional Improvements Mill Levy shall be calculated as the difference between the overlapping mill levies of property subject to the Aurora Public Schools mill levy ("**APS Mill Levy**") and the overlapping mill levies of property not subject to the APS Mill Levy. Notwithstanding the foregoing, (i) Purchaser may object if any proposal may exceed the Maximum Mills Limitation (hereafter defined) and (ii) regardless of whether or not Purchaser objects, Purchaser shall not be deemed to consent to or approve, and all PID documentation, coupled and aggregated with any and all other documentation relating to the District (hereafter defined), the other Sky Ranch Districts (hereafter defined), and the Regional Improvements Authority (such documentation being collectively referred to as, the "**District Documentation**") shall only be permitted to levy and collect in the aggregate amounts that do not exceed the lesser of: (i) the total mill levy assessed against a residential lot that is subject to the APS Mill Levy; and (ii) up to 55.664 mills (subject to "**Gallagher Adjustments**") commencing with the residential assessment rate as of January 1, 2021 for debt service, and up to 11.133 mills for operation and maintenance (also subject to Gallagher Adjustments) (collectively, the "**Maximum Mills Limitation**"). Seller shall be solely liable for and shall pay (i) any ad valorem taxes levied by any district or other entity in excess of the Maximum Mills Limitation, and (ii) any other rates, tolls, fees or charges adopted by any such district or other entity and this obligation of Seller shall survive all Closings for the benefit of Purchaser and all successor Lot owners.

(e) Title Policy. Within a reasonable time after each Closing, Seller, at its expense, shall cause the Title Company to deliver a Form 2006 ALTA extended coverage owner's policy of title insurance ("**Title Policy**"), insuring Purchaser's title to the Property conveyed at such Closing, pursuant to the applicable Takedown Commitment and subject only to the Permitted Exceptions, together with such endorsements as Purchaser may request and which the Title Company agrees to issue during the Due Diligence Period, and shall pay the premium for the basic policy at such Closing. The Title Policy shall provide insurance in an amount equal to the Purchase Price for all Lots purchased at such Closing. At each Closing, Seller shall offer to execute and deliver a Lien Affidavit and an Owner's Affidavit, and shall obtain and furnish a Plat Certificate, as necessary. Purchaser shall pay any fees charged by the Title Company to delete the standard pre-printed exceptions. Purchaser shall pay for the premiums for any endorsements requested by Purchaser, except that Seller shall pay for any endorsements that Seller agrees to provide in order to cure a Title Objection.

5. Seller Obligations. Seller shall have the following obligations:

(a) Entitlements.

(i) Platting and Entitlements. As part of the Seller Documents, Seller will provide to Purchaser any existing entitlement documents applicable to the Property (the "**Existing Entitlements**"). Seller shall be responsible, at Seller's sole cost and expense, for preparing and processing in a commercially reasonable manner and timeframe, and diligently pursuing and obtaining Final Approval (as defined below) from the County and any other appropriate Authority and recording in the records of the Clerk and Recorder of the County (the "**County Records**"), as may be required, the following: (A) a preliminary plat; (B) a general development plan ("**GDP**"); (C) a specific development plan that includes the Property ("**SDP**"); (D) an administrative site plan ("**ASP**") and final subdivision plat (or plats) for each Filing within the Property (each a "**Final Plat**"); (E) the public improvement construction plans for all improvements relating to each Final Plat ("**CDs**"); and (F) one or more development or subdivision improvement agreements associated with the Final Plats and other similar documentation required by the Authorities in connection with approval of the Final Plat(s) and CDs (collectively, along with the Existing Entitlements, the "**Entitlements**"). The Entitlements (A) shall substantially comply with the Final Lotting Diagram, and shall provide that Phase B of the Development contains approximately 834 total lots, including the Lots which are of the number, type, and dimension as set forth above in Recital D (after taking into consideration applicable setbacks); (B) shall allow for the construction of a Residence on each Lot; (C) shall not impose new or additional requirements upon Purchaser (except as anticipated pursuant to this Contract) the cost of which is expected to exceed $3,000 per Lot (in the aggregate) or which will materially adversely affect or limit the use of any Lot for the construction of a Residence thereon. Seller shall use commercially reasonable efforts to have the Entitlements for each Takedown, respectively, approved by the Authorities and recorded as necessary in the County Records with all applicable governmental or third-party appeal and/or challenge periods applicable to an approval decision of the County Board of Commissioners or County Planning Commission having expired without any appeal then-pending ("**Final Approval**"). Seller shall use commercially reasonably efforts to obtain Final Approval of the Entitlements applicable to the Takedown 1 Lots on or before that date which is nine (9) months after the expiration of the Due Diligence Period, as such period may be extended pursuant to this Section 5(a), or as a result of Force Majeure delays. If Final Approval of the Entitlements applicable to the Takedown 1 Lots has not been achieved as aforesaid on or before nine (9) months after the expiration of the Due Diligence Period (subject to Force Majeure delays), then Seller, in its discretion, shall have the right to extend the date for obtaining such Final Approval for a period not to exceed an additional six (6) months by providing written notice to Purchaser prior to the expiration of such nine (9) month period (or such later date as the same may have been previously extended). If Seller has not secured such Final Approval of the Takedown 1 Lots by the expiration of the initial nine (9) month period (subject to Force Majeure delays) and shall fail to exercise such extension, each party shall thereupon be relieved of all further obligations and liabilities under this Contract, except as otherwise provided herein, and the Deposit shall be returned to Purchaser. If Seller extends the time period for obtaining Final Approval of the Takedown 1 Lots, then during such extended time period Seller shall use commercially reasonable efforts to obtain Final Approval of such Entitlements, and failing which, Seller shall not be in default of its obligations under this Contract (unless Seller failed to use commercially reasonable efforts to obtain Final Approval of such Entitlements), but this Contract shall terminate in which case each party shall thereupon be relieved of all further obligations and liabilities under this Contract, except as otherwise provided herein, and the Deposit shall be returned to Purchaser. The timing for Final Approval of the Entitlements for Takedowns after Takedown 1 is as set forth in Section 6(b)(i) hereof. During the Entitlement process, Seller shall keep Purchaser reasonably informed of the process and the anticipated results therefrom and Seller will provide Purchaser with copies of those Entitlement documents as submitted to the County and other reasonable documentation relating to same; provided, however, that failure to provide the same to Purchaser shall not constitute a default hereunder. Purchaser, at no material cost to Purchaser (other than costs incurred to obtain services that could reasonably be performed or provided in-house), shall cooperate with Seller in Seller's efforts to obtain Final Approval of the Entitlements by the County.

(ii) Lot Minimums for each Takedown. The Final Plat(s) for the Property and the Lots are anticipated to be in a form which is substantially consistent with the Final Lotting Diagram, subject to changes made necessary by the Authorities and/or final engineering decisions which are necessary to properly engineer, design, and install the improvements in accordance with the requirements of the County and other applicable Authorities. In no event shall Purchaser be obligated to purchase any Lots which are less than the dimensions set forth in Recital D. In no event shall Purchaser be obligated to complete the First Closing if the total number of Lots in the First Closing is less than 38; provided, however, that in the event Seller delivers less than 38 Lots at the First Closing, Purchaser's sole and exclusive remedy shall be to terminate this Contract, after which neither Party shall have any further right or obligation hereunder.

(iii) Recordation of Final Plat. At or before each Closing, Seller shall cause to be recorded, in the County Records, the Final Plat that includes the Lots that are to be purchased at such Closing. Seller shall be responsible for providing to the County any bond or other financial assurance that is required by the County to record each Final Plat.

(b) Interchange Obligations. As of the Effective Date, the Existing Entitlements for the Development state that no more than 774 building permits may be issued for the Development until the freeway interchange is upgraded. The foregoing building permit provision may affect the ability of Purchaser and the other builders within Phase B from obtaining building permits on the Lots acquired after the First Closing under this Contract and after the initial closings under the other builder contracts. Seller is currently working with the County, CDOT, and other stakeholders to identify interim upgrades to the freeway interchange that, if implemented, would increase the number of building permits available within the Development to accommodate all Lots subject to this Contract and the other builder contracts within Phase B (the "**Interchange Upgrades**"). Seller will use commercially reasonable efforts to satisfy its obligations with respect to the Interchange Upgrades in a timely manner, such that Purchaser is not delayed (as a result of Seller's actions or inactions) in obtaining from the County, a building permit for any Lot acquired by Purchaser, or upon completion of a Home on such Lot, a certificate of occupancy. This section shall survive each Closing.

(c) Finished Lot Improvements/Lot Development Agreement.

(i) At the First Closing, Purchaser and Seller shall enter into the Lot Development Agreement regarding Seller's obligations to construct and install the Finished Lot Improvements as described on **Exhibit C** attached hereto. A draft of the Lot Development Agreement was provided to Purchaser prior to the Effective Date and the form thereof shall be mutually agreed upon by the parties not more than thirty (30) days after the Effective Date hereof and thereafter attached hereto, as **Exhibit E**, by an amendment signed by both parties,.

(ii) The Lot Development Agreement includes, without limitation, provisions that provide for the following: (A) the payment of the Deferred Purchase Price by Purchaser as follows: (1) one-half of the Deferred Purchase Price for the Lots acquired shall be paid to Seller upon Substantial Completion of that portion of the Finished Lot Improvements consisting of the water, sanitary sewer and storm sewer infrastructure that is necessary to serve such Lots acquired, and (2) the remaining one-half of the Deferred Purchase Price for such Lots acquired (subject to the CO Holdback, as set forth below) shall be paid to Seller upon Substantial Completion of the balance of Finished Lot Improvements for such Lots acquired; (B) Seller's and/or the District's obligation to post surety as required by the County in connection with the Finished Lot Improvements; (C) provisions regarding Seller's and/or the District's agreements with the contractors who will construct the Finished Lot Improvements; (D) Seller's and/or the District's warranty obligations, as provided on **Exhibit C**; (E) Seller's obligation to obtain lien waivers and to discharge mechanics liens related to construction of the Finished Lot Improvements; (F) Purchaser's step-in rights following a Seller and/or District Event of Default (as such term is defined in the Lot Development Agreement) under the Lot Development Agreement; and (G) a license from Purchaser to permit construction of the Finished Lot Improvements and performance of other related activities on the Lots. The Seller, Purchaser, other builder(s) affected by any improvements to be constructed under the Lot Development Agreement that serve or benefit the Lots and other property that is to be acquired by such other builder(s) (the "**Joint Improvements**") and the Title Company will, at the Takedown 1 Closing execute a "**Joint Improvements Memorandum**" that describes the rights and obligations of Seller, Purchaser, such other builder(s) and Title Company and such document will supplement the Lot Development Agreement regarding the installation and construction of any Joint Improvements. The form of the Joint Improvements Memorandum is attached to the Lot Development Agreement as **Exhibit F** thereto. Notwithstanding the foregoing, Purchaser shall have the option, by notice given to Seller within five (5) business days after Purchaser receives notice from Seller that Substantial Completion has occurred and the remaining one-half of the Deferred Purchase Price for such Lots is due: (1) to defer such payment until all Finished Lot Improvements necessary for the issuance of certificates of occupancy for Residences located on such Lots have been completed, and if such deferral is made Purchaser shall not apply for building permits or commence construction of Residences on such Lots until Purchaser makes such payment (with Purchaser having the right, despite such deferral, to make such payment at any time prior to completion of such Finished Lot Improvements); or (2) if such deferral is not made (or if despite such deferral, Purchaser makes such payment prior to Seller's completion of such Finished Lot Improvements) to make such payment and holdback a sum equal to $5,000.00 for each of the applicable Lots, which shall not be due and payable until all Finished Lot Improvements which are necessary for the issuance of certificates of occupancy for Residences located on such Lots have been completed. Any amount withheld in accordance with clause (1) or (2) of the preceding sentence shall hereinafter be referred to as the "**CO Holdback**" and until Purchaser has paid, in full, the total amount of the CO Holdback, Purchaser shall not apply for any certificates of occupancy with respect to any Residence on any Lot for which payment was withheld.

(iii) After each Closing, Seller acting as the Constructing Party (as defined in the Lot Development Agreement) under the Lot Development Agreement shall commence and diligently pursue Substantial Completion, or cause to be Substantially Completed, for the Lots purchased and acquired by Purchaser at each Closing, subject to Force Majeure, the Finished Lot Improvements in accordance with the phasing, provisions and schedules of the Lot Development Agreement and all applicable laws, codes, regulations and governmental requirements for the Lots. Seller will notify Purchaser when the applicable Finished Lot Improvements have been Substantially Completed. Seller's failure to comply with the foregoing covenant shall not constitute a default hereunder unless and until such failure shall constitute an Event of Default (as defined in the Lot Development Agreement) under the Lot Development Agreement.

(iv) In order to secure Purchaser's obligation (following each Closing) to pay the Deferred Purchase Price in accordance with the terms of this Contract and the payment schedule set forth in the Lot Development Agreement, as described in Section 5(c)5(a)(iii) of this Contract, at each Closing Purchaser shall deliver to Title Company (acting as escrow agent), either (a) a letter of credit, in a form agreeable to Seller in its reasonable discretion, issued by a financial institution acceptable to the parties in their reasonable discretion (the "**Letter of Credit**"), or (ii) a cash payment (a Letter of Credit and the cash payment each constitute a "**Deferred Purchase Price Deposit**"). The Deferred Purchase Price Deposit shall be in an amount equal to the sum of the Deferred Purchase Price for all of the Lots acquired by Purchaser at such Closing plus the Escalator thereon calculated pursuant to Section 2(a). Title Company shall hold and maintain the Deferred Purchase Price Deposit pursuant to the Lot Development Agreement in an escrow account established by Title Company for the benefit of Seller and Purchaser. A Letter of Credit that is posted as the Deferred Purchase Price Deposit for a Closing shall remain in place until the final payment of the Deferred Purchase Price applicable to such Closing has been made to the Seller following Substantial Completion of the Finished Lot Improvements which serve the Lots acquired by Purchaser at such Closing (or, at Purchaser's option, replacement of same with Good Funds). If a Letter of Credit is scheduled to expire prior to the Substantial Completion of all of such Lots, and Purchaser has not renewed the Letter of Credit or replaced same with Good Funds at least fifteen (15) days prior to the expiration date thereof, Title Company is authorized and directed to draw down the full amount of the Letter of Credit and deposit such funds in escrow to be used solely for the payment of any unpaid Deferred Purchase Price. The Letter of Credit may provide that it may be reduced from time to time to the extent of payments of the Deferred Purchase Price made by Purchaser for Finished Lot Improvements in accordance with the terms, including the payment schedule, set forth in the Lot Development Agreement and Section 5(c)(ii) of this Contract. The Letter of Credit for each Closing shall be returned to Purchaser, together with an executed reduction certificate reducing the face amount thereof to $0.00, upon payment in full of the Deferred Purchaser Price for all of the Lots in such Closing. A cash payment that is deposited as the Deferred Purchase Price Deposit for a Closing will be drawn down and disbursed by the Title Company to Seller from time to time to the extent of payments of the Deferred Purchase Price made by Purchaser for Finished Lot Improvements in accordance with the terms, including the payment schedule, set forth in the Lot Development Agreement and Section 5(c)(ii) of this Contract. Failure by Purchaser to pay any portion of the Deferred Purchase Price that is secured by a Letter of Credit when the same shall become due and payable, provided that at such failure continues for a period of ten (10) days after the delivery of written notice thereof from Seller to Purchaser, shall entitle Seller to enforce the collection of the delinquent Deferred Purchase Price by drawing upon the Letter of Credit or having the Title Company draw upon the Letter of Credit, and in either event the funds so drawn shall be paid to Seller as payment of any unpaid Deferred Purchase Price and such failure to pay shall be deemed cured. If Seller or Title Company is unable to draw upon the Letter of Credit, or Purchaser otherwise fails to pay the Deferred Purchase Price, Seller may protect and enforce its rights under this Contract pertaining to payment of the Deferred Purchase Price by (i) such suit, action, or special proceedings as Seller shall deem appropriate, including, without limitation, any proceedings for the specific performance of any covenant or agreement contained in this Contract and the Lot Development Agreement or the enforcement of any other appropriate legal or equitable remedy, or for the recovery of actual damages (excluding consequential, punitive damages or similar damages) caused by Purchaser's failure to pay the Deferred Purchase Price, including reasonable attorneys' fees, and (ii) enforcing Seller's lien rights under the Lot Development Agreement. Seller's remedies are non-exclusive. The foregoing provisions regarding the Letter of Credit as security for payment of the Deferred Purchase Price shall be included in the Lot Development Agreement in the form of escrow instructions.

(d) Substantial Completion of Improvements. The term "**Substantially Complete**" or "**Substantial Completion**" means that the Finished Lot Improvements for Lots acquired by Purchaser at a Closing have been substantially completed in accordance with the applicable CDs, the other applicable Entitlements, and all other applicable requirements of this Contract such that Purchaser will not thereby be precluded from obtaining building permits for such Lots and Seller has provided Purchaser written notice thereof. From and after Substantial Completion of the Lots acquired at a Closing hereunder, Seller shall complete such remaining improvements as are necessary so that Purchaser will not be precluded from obtaining certificates of occupancy for Homes constructed by Purchaser on such Lots, following Purchaser's completion thereof.

6. Pre-Closing Conditions.

(a) Seller's Conditions. It shall be a condition precedent to Seller's obligation to close each Takedown, that the following conditions ("**Seller's Conditions Precedent**") have been satisfied:

(i) Purchaser and other homebuilders are under contract to purchase at least 250 of the Lots in Phase B, and close the initial purchase of lots under some or all of such purchase and sale agreements as determined by Seller simultaneously (the "**Initial Purchase Condition**"); provided, that once such Initial Purchase Condition has been satisfied, it shall be considered satisfied at each subsequent Closing.

(ii) Seller shall have satisfied, or is reasonably certain it will be able to satisfy (and Purchaser reasonably concurs with such determination), its obligations with respect to the Interchange Upgrades, on or before the Substantial Completion Deadline (as set forth in the Lot Development Agreement) for such Takedown, such that Purchaser shall not be prevented from obtaining building permits to construct Houses on Lots acquired at such Takedown no later than the applicable Substantial Completion Deadline (the "**Interchange Condition**") and will not be prevented from obtaining certificates of occupancy for such Houses, solely as a result of Seller's failure to timely satisfy the Interchange Condition.

Seller agrees to use commercially reasonable, good faith efforts to timely satisfy the Seller's Conditions Precedent. If for any reason other than Seller's fault or exercise of its discretion, either Seller's Condition Precedent is not satisfied on or before a Closing Date, Seller may elect to: (1) terminate this Contract by giving written notice to Purchaser at least ten (10) days prior to such Closing; (2) waive the unsatisfied Seller's Condition(s) Precedent and proceed to the applicable Closing (provided, however, that such waiver shall not apply to any subsequent Closings); or (3) extend the applicable Closing Date for a period not to exceed ninety (90) days by giving written notice to Purchaser on or before the applicable Closing Date, during which time Seller shall use commercially reasonable efforts to cause such unsatisfied Seller's Conditions Precedent to be satisfied. If Seller elects to extend any Closing Date and the unsatisfied Seller's Condition Precedent is not satisfied on or before the last day of the 90-day extension period for any reason other than Seller's fault or exercise of its discretion, then Seller shall elect within five (5) business days after the end of such extension period to either terminate this Contract or waive the unsatisfied Seller's Condition(s) Precedent and proceed to the applicable Closing. In the event Seller terminates this Contract pursuant to this Section 6(a), that portion of the Deposit made by Purchaser that has not been applied to the Purchase Price for Lots already acquired by Purchaser shall be returned to Purchaser. Failure to give a termination notice as described above shall be an irrevocable waiver of Seller's right to terminate this Contract as to the affected Takedown pursuant to this Section 6(a).

(b) Purchaser's Conditions. It shall be a condition precedent to Purchaser's obligation to close each Takedown, that the following conditions ("**Purchaser's Conditions Precedent**") have been satisfied:

(i) Final Approval of the Entitlements for the applicable Takedown by the County and all other applicable Authorities and recordation in the County Records of the Final Plat for the Lots to be acquired at such Takedown and such other Entitlements, as may be required by the County, on or before the applicable Closing Date, as the same may be extended, and delivery from Seller of the Closing Notice.

(ii) Seller shall have satisfied, or reasonably determines it will be able to satisfy (and Purchaser reasonably concurs with such determination), the Interchange Condition, such that Purchaser shall not be prevented from obtaining building permits for such Lots no later than the applicable Substantial Completion Deadline (as set forth in the Lot Development Agreement) and will not be prevented from obtaining certificates of occupancy for such Houses solely as a result of Seller's failure to timely satisfy the necessary Interchange Upgrades.

(iii) Seller's representations and warranties set forth herein shall be materially true and correct as of the applicable Closing.

(iv) The Title Company shall be irrevocably and unconditionally committed (subject only to Purchaser's obligation to pay the portion of the Title Policy premium for which Purchaser is responsible under this Contract and satisfaction of any Title Company requirements applicable to Purchaser) to issue to Purchaser the applicable Title Policy with the endorsements as Purchaser may request and the Title Company agrees in writing to issue prior to the expiration of the Due Diligence Period, subject only to the Permitted Exceptions accepted by Purchaser in accordance with the provisions of this Contract.

(v) The Joint Improvements Memorandum shall have been fully executed by all required parties.

(vi) There shall have been no material adverse change to the Property.

(vii) If Purchaser delivered its proposed House Plans (hereafter defined) to Seller, receipt of written approval of same from Seller as provided in Section 12(d)(i) of this Contract.

(viii) With respect to the First Closing only, Seller shall have provided to Purchaser written assurance in form reasonable acceptable to Purchaser that, prior to the Takedown 2 Closing Date, Seller is expected to secure all necessary Entitlements and satisfy all conditions precedent to the Second Closing for the purchase by Purchaser of at least 40 Lots.

If the Purchaser's Conditions Precedent are not satisfied on or before a respective Closing Date, Purchaser may: (1) waive the unfulfilled Purchaser's Condition Precedent and proceed to Closing, (2) extend the applicable Closing Date for up to thirty (30) days to allow more time for Seller to satisfy the unfulfilled Purchaser's Condition Precedent, or (3) as its sole remedy hereunder terminate this Contract as to such Takedown and any subsequent Takedowns by written notice to Seller, delivered within two (2) business days after the Closing Date for the applicable Takedown, in which case each party shall thereupon be relieved of all further obligations and liabilities under this Contract, except as otherwise provided herein, and the Deposit made by Purchaser that has not been applied to the Purchase Price for Lots already acquired by Purchaser shall be returned to Purchaser, but if the failure of any of Purchaser's Conditions Precedent are the result of Seller's default hereunder, Purchaser also shall have the rights and remedies of Section 28(b). If Purchaser elects to extend the Closing Date under (2), above, and the unsatisfied Purchaser's Condition Precedent is not satisfied as of the last day of the thirty (30) day extension period, then Purchaser shall, as its sole remedy, elect to waive or terminate under (1) or (3). Failure to give notice as described above shall be an irrevocable waiver of Purchaser's right to terminate this Contract as to the affected Takedown pursuant to this Section 6(b). If Purchaser terminates the Contract pursuant to this paragraph, Seller may negate such termination by giving notice to Purchaser that Seller has elected to extend the applicable Closing Date by ninety (90) days for the purpose of continuing its efforts to satisfy the unfulfilled Purchaser's Condition(s) Precedent, so long as such notice is given within five (5) business days after Seller's receipt of Purchaser's notice of termination, and Purchaser shall again have a termination right pursuant to this Section if such condition is not satisfied prior to the last day of such extended period.

7 . Closing. "**Closing**" shall mean the delivery to the Title Company of all applicable documents and funds required to be delivered pursuant to Section 8 hereof and unconditional authorization of the Title Company to disburse, deliver and record the same. The purchase of Lots at the closing of a Takedown shall be deemed to be "**Closed**" when the documents and funds required to be delivered pursuant to Section 8 hereof have been delivered to the Title Company, and the Title Company agrees to unconditionally to disburse, deliver and record the same.

8 . Closings; Closing Procedures.On each respective Closing Date, Purchaser shall purchase the number of Lots that Purchaser is obligated to acquire hereunder in the applicable Takedown.

(a) Closing Dates. The First Closing shall occur on that date which is ten (10) business days after Seller has provided Purchaser with written notice (a "**Closing Notice**") that Final Approval of the Entitlements has been obtained for the Takedown 1 Lots (the "**Takedown 1 Closing Date**"). The Second Closing shall occur on that date which is ten (10) business days after the last to occur of (i) delivery to Purchaser of a Closing Notice for Final Approval of the Entitlements applicable to the Takedown 2 Lots and (ii) that date which is twelve (12) months after the Takedown 1 Closing Date and (iii) the completion by Seller of all Finished Lot Improvements for the Lots previously purchased hereunder by Purchaser (the "**Takedown 2 Closing Date**"). The Third Closing shall occur on that date which is ten (10) business days after the last to occur of (i) delivery to Purchaser of a Closing Notice for Final Approval of the Entitlements applicable to the Takedown 3 Lots and (ii) that date which is twelve (12) months after the Takedown 2 Closing Date and (iii) the completion by Seller of all Finished Lot Improvements for the Lots previously purchased hereunder by Purchaser (the "**Takedown 3 Closing Date**"). The Fourth Closing shall occur on that date which is ten (10) business days after the last to occur of (i) delivery to Purchaser of a Closing Notice for Final Approval of the Entitlements applicable to the Takedown 4 Lots and (ii) that date which is twelve (12) months after the Takedown 3 Closing Date and (iii) the completion by Seller of all Finished Lot Improvements for the Lots previously purchased hereunder by Purchaser (the "**Takedown 4 Closing Date**"). The term "**Closing Date**" may be used to refer to each of the Takedown 1 Closing Date, the Takedown 2 Closing Date, the Takedown 3 Closing Date, and the Takedown 4 Closing Date. If Purchaser desires to accelerate any Closing Date, Purchaser may request that a Closing Date be accelerated, and if Seller is willing to do so, in its sole and absolute discretion, the parties will work together to prepare a mutually acceptable amendment to this Contract to accommodate such request. Seller shall have the right to extend the Takedown 1 Closing Date for up to 90 days in order to satisfy Seller's Condition Precedent as provided in Section 6(a) of this Contract. With each Closing Notice, Seller shall provide, or otherwise make available, to Purchaser a copy of the Approved Entitlements to the extent not previously provided to Purchaser.

(b) Closing Place and Time. Each Closing shall be held at 11:00 a.m. on the applicable Closing Date at the offices of the Title Company or at such other time and place as Seller and Purchaser may mutually agree.

(c) Closing Procedures. Each purchase and sale transaction shall be consummated in accordance with the following procedures:

(i) All documents to be recorded and funds to be delivered hereunder shall be delivered to the Title Company to hold, deliver, record and disburse in accordance with closing instructions approved by Purchaser and Seller;

(ii) At each Closing, Seller shall deliver or cause to be delivered in accordance with the closing instructions the following:

(1) A special warranty deed conveying the applicable portion of the Property to be acquired at such Closing to Purchaser. The special warranty deed shall contain a reservation of easements, minerals, mineral rights and water and water rights, as well as other rights, as set forth on **Exhibit B** (the "**Reservations and Covenants**"). The special warranty deed shall also be subject to non-delinquent general real property taxes for the year of such Closing and subsequent years, District assessments and the Permitted Exceptions.

(2) Payment (from the proceeds of such Closing or otherwise) sufficient to satisfy any encumbrance relating to the portion of the Property being acquired at such Closing, required to be paid by Seller at or before the time of Closing.

(3) A tax certificate or other evidence sufficient to enable the Title Company to ensure the payment of all general real property taxes and installments of District assessments then due and payable for the portion of the Property being acquired at such Closing.

(4) An affidavit, in a form sufficient to comply with applicable laws, stating that Seller is not a foreign person or a foreign corporation subject to the Foreign Investment in Real Property Tax Act, and therefore not subject to its withholding requirements.

(5) A certification or affidavit to comply with the reporting and withholding requirements for sales of Colorado properties by non-residents (Colorado Department of Revenue Form DR-1083).

(6) A Lien Affidavit and Title Company Indemnity.

(7) A partial assignment of declarant rights or builder rights under the Master Covenants (a "**Builder Designation**"), assigning only the following declarant rights (to the extent such rights are not automatically granted to Purchaser as a "builder" by the terms of the Master Covenants) from Seller to Purchaser: to maintain sales offices, construction offices, management offices, model homes and signs advertising the Development and/or Lots, and such other rights to which the parties may mutually agree, the form of such Builder Designation being attached hereto and incorporated herein as **Exhibit H**.

(8) The Tap Purchase Agreement (as defined herein).

(9) A general assignment to Purchaser in the form attached hereto as **Exhibit D** ("**General Assignment**") with respect to the applicable Lots.

(10) An Owner's Affidavit.

(11) The Lot Development Agreement and the Joint Improvements Memorandum executed by Seller and other applicable parties.

(12) Such other documents as may be required to be executed by Seller pursuant to this Contract or the closing instructions.

(iii) At each Closing, Purchaser shall deliver or cause to be delivered in accordance with the closing instructions the following:

(1) The Purchase Price payable at such Closing, computed in accordance with Section 2 above, for the Lots being acquired at such Closing, such payment to be made in Good Funds.

(2) The Tap Purchase Agreement.

(3) The Lot Development Agreement and the Joint Improvements Memorandum executed by Purchaser.

(4) All other documents required to be executed by Purchaser pursuant to the terms of this Contract or the closing instructions.

(5) Payment of any amounts due pursuant to Section 16 hereof.

(iv) At each Closing, Purchaser and Seller shall each deliver an executed settlement statement, which shall set forth all prorations, disbursements of the Purchase Price and expenses applicable to such Closing;

(v) The following adjustments and prorations shall be made between Purchaser and Seller as of each Closing:

(1) Real property taxes and installments of District assessments, if any, for the applicable portion of the Property for the year in which the Closing occurs shall be prorated based upon the most recent known rates, mill levy and assessed valuations; and such proration shall be final.

(2) Seller shall pay real property taxes and assessments for years prior to the year in which the Closing occurs.

(3) Purchaser shall pay any and all recording costs and documentary fees required for the recording of the deed.

(4) Seller shall pay the base premium for the Title Policy and for any endorsement Seller agrees to provide to cure a Title Objection, and Purchaser shall pay the premium for any other endorsements requested by Purchaser in accordance with Section 4 above, including an extended coverage endorsement.

(5) Each party shall pay one-half (1/2) of any closing or escrow charges of the Title Company.

(6) All other costs and expenses not specifically provided for in this Contract shall be allocated between Purchaser and Seller in accordance with the customary practice of commercial real estate transactions in Arapahoe County, Colorado.

(vi) Possession of the applicable portion of the Property being acquired at each Closing shall be delivered to Purchaser at such Closing, subject to the Permitted Exceptions.

9. Seller's Delivery of Title. At each Closing, Seller shall convey title to the applicable portion of the Property, together with the following items, to the extent that they have been approved, or are deemed to have been approved by Purchaser pursuant to the terms of this Contract (each, a "**Permitted Exception**" and collectively, the "**Permitted Exceptions**"):

(a) all easements, agreements, covenants, restrictions, rights-of-way and other matters of record that affect title to the Property as disclosed by the Master Commitment or any Takedown Commitment, or otherwise, to the extent that such matters are approved or deemed approved by Purchaser in accordance with Section 4 above or otherwise approved by Purchaser (unless otherwise identified herein as an obligation, fee or encumbrance to be assumed by Purchaser or which is otherwise identified herein as a Purchaser obligation which survives such Closing, the foregoing items, however, shall not include any mortgages, deeds of trust, mechanic's liens or judgment liens arising by, through or under Seller, which monetary liens Seller shall cause to be released (or with Purchaser's approval fully insured over by the Title Company), to the extent they affect any portion of the Property, on or prior to the date that such portion of the Property is conveyed to Purchaser);

(b) the Entitlements, including without limitation, the Final Plat applicable to the Property being acquired at such Closing and all easements and other terms, agreements, provisions, conditions and obligations as shown on such Final Plat provided such easements and other terms, agreements, provisions, conditions and obligations as shown on such Final Plat otherwise constitute Permitted Exceptions;

(c) the Master Covenants;

(d) the inclusion of the Property into the Sky Ranch Metropolitan District No. 3 (the '**District**"), the PID, and such other special improvement districts or metropolitan districts as may be disclosed by the Master Commitment or any Takedown Commitment delivered to Purchaser pursuant to this Contract (all subject to the Maximum Mills Limitation);

(e) the inclusion of the Property into that certain Declaration of Covenants Imposing and Implementing the Sky Ranch Public Improvement Fee recorded in the County Records on August 13, 2018, at Reception No. D8079674 (the "**PIF Covenant**").

(f) A reservation of water and mineral rights as set forth on **Exhibit B** hereof;

(g) applicable zoning and governmental regulations and ordinances;

(h) title exceptions, encumbrances, or other matters arising by, through or under Purchaser;

(i) items apparent upon an inspection of the Property or shown or that would be shown on an accurate and current survey of the Property as of the end of the Due Diligence Period; and

(j) any Permissible New Exception and any other document required or permitted to be recorded against the Property in the County Records pursuant to the terms of this Contract.

10. Due Diligence Period; Acceptance of Property; Release and Disclaimer.

(a) Feasibility Review. Within five (5) business days following the Effective Date, Seller shall deliver or make available (via electronic file share if available in electronic form, otherwise at Seller's office) to Purchaser the following listed items to the extent in Seller's actual possession; if an item listed below is not in Seller's possession and not delivered or made available to Purchaser, but is otherwise readily available to Seller, then Purchaser may make written request to Seller to provide such item, and Seller will use its reasonable efforts to obtain and deliver or make such item available to Purchaser, but Seller will have no obligation otherwise to obtain any item not in Seller's possession: (i) any environmental reports, soil reports and certifications pertaining to the Lots, (ii) a copy of any subdivision plat for the Property, (iii) engineering and construction plans pertaining to the Lots, (iv) biological, grading, drainage, hydrology and other engineering reports and plans and engineering and constructions plans for offsite improvements that are required to obtain building permits/certificates of occupancies for single-family detached residences constructed on the Lots; (v) any PUD, Development Agreement, Site Development Plans and other approvals pertaining to the Lots particularly and the Development generally; (vi) the Master Covenants; (vii) any Special District Service Plans; (viii) the PIF Covenant; (ix) any existing ALTA or other boundary Survey of the Property; and (x) copies of any subdivision bonds or guarantees applicable to the Lots (collectively, the "**Seller Documents**"). If Seller receives any update to the Seller Documents, Seller shall deliver same promptly to Purchaser. Purchaser shall have a period expiring sixty (60) calendar days following the Effective Date of this Contract within which to review the same (the "**Due Diligence Period**"). During the Due Diligence Period, Purchaser shall have an opportunity to review and inspect the Property, all Seller Documents and any and all factors deemed relevant by Purchaser to its proposed development and the feasibility of Purchaser's intended uses of the Property in Purchaser's sole and absolute discretion (the "**Feasibility Review**"). The Feasibility Review shall be deemed to have been completed to Purchaser's satisfaction only if Purchaser gives written notice to Seller of its election to continue this Contract ("**Continuation Notice**") prior to the expiration of the Due Diligence Period. If Purchaser fails to timely give a Continuation Notice or if Purchaser gives a notice of its election to terminate, this Contract shall automatically terminate, the Initial Deposit shall be promptly returned to Purchaser, Purchaser shall deliver to Seller all information and materials received by Purchaser from Seller pertaining to the Property and any non-confidential and non-proprietary information otherwise obtained by Purchaser pertaining to the Property, and thereafter the parties shall have no further rights or obligations under this Contract except as otherwise provided in Section 25 below. Seller will reasonably cooperate with Purchaser, at Purchaser's cost and at no cost and with no liability to Seller to assist Purchaser in obtaining: (A) an updated or recertification of any of the Seller Documents, (B) reliance letters from any of the preparers of the Seller Documents, and (C) any consents that may be required so that Purchaser may receive the benefits after Closing of any agreements comprising the Seller Documents that confer a benefit and are reasonably necessary for the Purchaser's proper and efficient development of the Property for residential use, to the extent such are obtainable by Purchaser.

(b) Approval of Property. If Purchaser gives a Continuation Notice on or before the expiration of the Due Diligence Period, except as otherwise provided in this Section 10, Purchaser shall be deemed to have waived Feasibility Review and elected to continue this Contract and proceed as provided hereunder.

(c) Radon. Purchaser acknowledges that radon gas and naturally occurring radioactive materials ("**NORM**") each naturally occurs in many locations in Colorado. The Colorado Department of Public Health and Environment and the United States Environmental Protection Agency (the "**EPA**") have detected elevated levels of naturally occurring radon gas in residential structures in many areas of Colorado, including the County and all of the other counties along the front range of Colorado. The EPA has raised concerns with respect to adverse effects on human health from long-term exposure to high levels of radon and recommends that radon levels be tested in all Residences. Purchaser acknowledges that Seller neither claims nor possesses any special expertise in the measurement or reduction of radon or NORM. Purchaser further acknowledges that Seller has not undertaken any evaluation of the presence or risks of radon or NORM with respect to the Property nor has it made any representation or given any other advice to Purchaser as to acceptable levels or possible health hazards of radon and NORM. SELLER HAS MADE NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE PRESENCE OR ABSENCE OF RADON, NORM OR OTHER ENVIRONMENTAL POLLUTANTS WITHIN THE PROPERTY OR THE RESIDENCES TO BE CONSTRUCTED ON THE LOTS OR THE SOILS BENEATH OR ADJACENT TO THE PROPERTY OR THE RESIDENCES TO BE CONSTRUCTED ON THE LOTS PRIOR TO, ON OR AFTER THE APPLICABLE CLOSING DATE. Purchaser, on behalf of itself and its successors and assigns, hereby releases the Seller from any and all liability and claims with respect to any NORM. Every home sales contract entered in to by Purchaser with respect to subsequent sales of Lots shall include any disclosures with respect to radon (and other NORMs) as required by applicable Colorado law.

(d) Soils. Purchaser acknowledges that soils within the State of Colorado consist of both expansive soils and low-density soils, and certain areas contain potential heaving bedrock associated with expansive, steeply dipping bedrock, which will adversely affect the integrity of a dwelling unit constructed on a Lot if the dwelling unit and the Lot on which it is constructed are not properly maintained. Expansive soils contain clay mineral, which have the characteristic of changing volume with the addition or subtraction of moisture, thereby resulting in swelling and/or shrinking soils. The addition of moisture to low-density soils causes a realignment of soil grains, thereby resulting in consolidation and/or collapse of the soils. Purchaser agrees that it shall obtain a current geotechnical report for the Property and an individual lot soils report for each Lot containing design recommendations from a licensed geotechnical engineer for all structures to be placed upon the Lot. Purchaser shall require all homes to have engineered footing and foundations consistent with results of the individual lot soils report for each Lot and shall take reasonable action as shall be necessary to ensure that the homes to be constructed upon the Lots shall be done in accordance with proper design and construction techniques. Purchaser shall also provide a copy of the geotechnical report for the Property and the individual lot soils report for each Lot to Seller within seven (7) days after Seller's request for the same, and agrees in the event that this Contract terminates for any reason Purchaser shall use reasonable efforts to assign, without liability or recourse to Purchaser, at Seller's request, the geotechnical report for the Property and the individual lot soils report for each Lot to any subsequent homebuilder who enters into a purchase and sale agreement with Seller to purchase all of a portion of the Lots. SELLER HAS MADE NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE PRESENCE OR ABSENCE OF EXPANSIVE SOILS, LOW-DENSITY SOILS OR DIPPING BEDROCK UPON THE PROPERTY AND PURCHASER SHALL UNDERTAKE SUCH INVESTIGATION AS SHALL BE REASONABLE AND PRUDENT TO DETERMINE THE EXISTENCE OF THE SAME. Purchaser shall provide all disclosures required by C.R.S. Section 6-6.5-101 in every home sales contract entered in to by Purchaser with respect to subsequent sales of a Lot to a homebuyer. Purchaser, on behalf of itself and its successors and assigns, hereby releases the Seller from any and all liability and claims with respect to expansive and low-density soils and dipping bedrock located within the Property.

(e) Over Excavation. The Finished Lot Improvements required for each Lot do not include any "over excavation" or comparable preparation or mitigation of the soil (the "**Overex**") on the Property and Purchaser shall have sole responsibility at Purchaser's sole expense with respect to the Overex and shall have the right (pursuant to a license agreement to be provided by Seller) to enter such Lots for the purposes of performing the Overex; provided, however, that such entry shall be performed in a manner that does not materially interfere with or result in a material delay or an increase in the costs or any expenses in the construction of the Finish Lot Improvements, and provided further that Purchaser shall promptly repair any portion of the Lots and adjacent property that is materially damaged by Purchaser or its agents, designees, employees, contractors, or subcontractors in performing the Overex. Purchaser shall obtain, at its cost, a current geotechnical report for the Property and an individual lot soils report for each Lot containing design recommendations from a licensed geotechnical engineer for all structures to be placed upon the Lot ("**Purchaser's Geotechnical Reports**"). Purchaser shall not rely upon any geotechnical or soils report furnished by Seller, and Seller shall have no responsibility or liability with respect to the Overex, Purchaser's Geotechnical Reports or any matters related thereto. The parties shall reasonably cooperate in coordinating Purchaser's completion of the Overex so that the Overex can be properly sequenced with Seller's completion of the Finished Lot Improvements and the parties acknowledge and agree that any delay in Seller's completion of the Finished Lot Improvements resulting from Purchaser's Overex work shall extend the date for substantial completion of the Finished Lot Improvements in accordance with the provisions of the Lot Development Agreement. In no event shall the Seller be liable to Purchaser for any delay or costs or damages incurred by Purchaser with respect to such Overex, even if caused by any delay in installation of Finished Lot Improvements sequenced ahead of the Overex . THE PARTIES ACKNOWLEDGE AND AGREE THAT SELLER IS NOT PERFORMING ANY OVER-EXCAVATION OF THE LOTS AND THAT SELLER SHALL HAVE NO LIABILITY WHATSOEVER WITH RESPECT TO OR ARISING OUT OF ANY OVER-EXCAVATION OF THE LOTS OR EXPANSIVE SOILS PRESENT ON THE LOTS AND SELLER EXPRESSLY DISCLAIMS ANY LIABILITY WITH RESPECT TO ANY OVER-EXCAVATION OF THE LOTS AND EXPANSIVE SOILS PRESENT ON THE LOTS. PURCHASER SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS SELLER AND ITS SHAREHOLDERS, EMPLOYEES, DIRECTORS, OFFICERS, AGENTS, AFFILIATES, SUCCESSORS AND ASSIGNS FOR, FROM AND AGAINST ALL CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES (EXCLUSIVE OF SPECIAL, CONSEQUENTIAL, PUNITIVE, SPECULATIVE OR LOST PROFITS DAMAGES), COSTS AND EXPENSES, INCLUDING BUT NOT LIMITED TO COURT COSTS AND REASONABLE ATTORNEYS' FEES, ARISING OUT OF ANY EXPANSIVE SOILS, OVER-EXCAVATION OR OTHER SOIL MITIGATION OR PURCHASER'S ELECTION NOT TO PERFORM SOILS MITIGATION, ON OR PERTAINING TO PURCHASER'S LOTS. THE PROVISIONS OF THIS SECTION SHALL EXPRESSLY SURVIVE THE EXPIRATION OR TERMINATION OF THIS CONTRACT.

(f) No Reliance on Documents. Except for and subject to the representations, warranties, covenants and agreements of Seller expressly stated in this Contract and/or expressly set forth in the documents executed by Seller at a Closing (collectively, the "**Seller's Express Representations**"), Seller makes no representation or warranty as to the truth, accuracy or completeness of any materials, data or information (including, without limitation, the Seller Documents) delivered by Seller or its brokers or agents to Purchaser in connection with the transaction contemplated hereby. Except for and subject to Seller's Express Representations, all materials, data and information delivered by Seller to Purchaser in connection with the transaction contemplated hereby are provided to Purchaser as a convenience only and any reliance on or use of such materials, data or information by Purchaser shall be at the sole risk of Purchaser, except as otherwise expressly stated herein. Except for and subject to Seller's Express Representations, the Seller Parties (as hereinafter defined) shall not be liable to Purchaser for any inaccuracy in or omission from any such reports. Purchaser hereby represents to Seller that, to the extent Purchaser deems the same to be necessary or advisable for its purposes, and without waiving the right to rely upon the Seller's Express Representations: (i) Purchaser has performed or will perform an independent inspection and investigation of the Lots and has also investigated or will investigate the operative or proposed governmental laws, ordinances and regulations to which the Lots may be subject, and (ii) Purchaser shall acquire the Lots solely upon the basis of its own or its experts' independent inspection and investigation, including, without limitation, (a) the quality, nature, habitability, merchantability, use, operation, value, fitness for a particular purpose, marketability, adequacy or physical condition of the Lots or any aspect or portion thereof, including, without limitation, appurtenances, access, landscaping, parking facilities, electrical, plumbing, sewage, and utility systems, facilities and appliances, soils, geology and groundwater, (b) the dimensions or sizes of the Lots, (c) the development or income potential, or rights of or relating to, the Lots, (d) the zoning or other legal status of the Lots or any other public or private restrictions on the use of the Lots, (e) the compliance of the Lots with any and all applicable codes, laws, regulations, statutes, ordinances, covenants, conditions and restrictions, (f) the ability of Purchaser to obtain any necessary governmental permits for Purchaser's intended use or development of the Lots, (g) the presence or absence of Hazardous Materials on, in, under, above or about the Lots or any adjoining or neighboring property, (h) the condition of title to the Lots, or (i) the economics of, or the income and expenses, revenue or expense projections or other financial matters, relating to the Lots, except as provided in any express representations/warranties and/or covenants contained in this Contract.

(g) As Is. Except for and subject to Seller's Express Representations and Seller's performance of its obligations under this Contract and the Lot Development Agreement, Purchaser acknowledges and agrees that it is purchasing the Property based on its own inspection and examination thereof, and Seller shall sell and convey to Purchaser and Purchaser shall accept the property on an "AS IS, WHERE IS, WITH ALL FAULTS, LIABILITIES, AND DEFECTS, LATENT OR OTHERWISE, KNOWN OR UNKNOWN" basis in an "AS IS" physical condition and in an "AS IS" state of repair (subject in all events to Seller's Express Representations including but not limited to the Finished Lot Improvements obligation set forth in Section 5(c)(ii) hereof). Except for and subject to Seller's Express Representations, to the extent not prohibited by law the Purchaser hereby waives, and Seller disclaims all warranties of any type or kind whatsoever with respect to the Property, whether express or implied, direct or indirect, oral or written, including, by way of description, but not limitation, those of habitability, fitness for a particular purpose, and use. Without limiting the generality of the foregoing, Purchaser expressly acknowledges that, except for and subject to Seller's Express Representations, Seller makes no other or additional representations or warranties concerning, and hereby expressly disclaims any representations or warranties concerning the following: (i) The value, nature, quality or condition of the Property; (ii) Any restrictions related to development of the Property; (iii) The applicability of any governmental requirements; (iv) The suitability of the Property for any purpose whatsoever; (v) The presence in, on, under or about the Property of any Hazardous Material or any other condition of the Property which is actionable under any Environmental Law (as such terms are defined in this Section 10; (vi) Compliance of the Property or any operation thereon with the laws, rules, regulations or ordinances of any applicable governmental body; or (vii) The presence or absence of, or the potential adverse health, economic or other effects arising from, any magnetic, electrical or electromagnetic fields or other conditions caused by or emanating from any power lines, telephone lines, cables or other facilities, or any related devices or appurtenances, upon or in the vicinity of the Property.

EXCEPT FOR REPRESENTATIONS, WARRANTIES AND COVENANTS OF SELLER AS ARE EXPRESSLY SET FORTH IN THIS CONTRACT OR OTHERWISE PROVIDED IN THIS CONTRACT AND/OR EXPRESSLY SET FORTH IN THE CLOSING DOCUMENTS, SELLER SHALL NOT BE LIABLE TO PURCHASER FOR ANY CONSTRUCTION DEFECT, ERRORS, OMISSIONS, OR ON ACCOUNT OF SOILS CONDITIONS OR ANY OTHER CONDITION AFFECTING THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, THOSE MATTERS DESCRIBED ABOVE AND PURCHASER AND ANYONE CLAIMING BY, THROUGH OR UNDER PURCHASER, HEREBY FULLY RELEASES SELLER, ITS PARTNERS, EMPLOYEES, OFFICERS, DIRECTORS, REPRESENTATIVES, ATTORNEYS AND AGENTS (BUT NOT INCLUDING ANY THIRD PARTY PROFESSIONAL SERVICE PROVIDERS [E.G., ENGINEERS, ETC.], CONTRACTORS OR SIMILAR FIRMS OR PERSONS) FROM ANY AND ALL CLAIMS AGAINST ANY OF THEM FOR ANY COST, LOSS, LIABILITY, DAMAGE, EXPENSE, DEMAND, ACTION OR CAUSE OF ACTION (INCLUDING, WITHOUT LIMITATION, ANY RIGHTS OF CONTRIBUTION) ARISING FROM OR RELATED TO ANY CONSTRUCTION DEFECTS, ERRORS, OMISSIONS, OR OTHER CONDITIONS AFFECTING THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, THOSE MATTERS DESCRIBED ABOVE. The foregoing release and waiver shall not apply to any cost, loss, liability, damage, expense, demand, action or cause of action arising from or related to (i) fraud or other intentional misconduct or the gross negligence of any Seller Party or (ii) any claims against contractors or subcontractors for construction defects in the Finished Lot Improvements; provided, however, that Purchaser shall look first to such contractors and/or subcontractors conducting such work.

As used herein, "**Hazardous Materials**" shall mean, collectively, any chemical, material, substance or waste which is or hereafter becomes defined or included in the definitions of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "pollutant" or "contaminant," or words of similar import, under any Environmental Law, and any other chemical, material, substance, or waste, exposure to, disposal of, or the release of which is now or hereafter prohibited, limited or regulated by any governmental or regulatory authority or otherwise poses an unacceptable risk to human health or the environment.

As used herein, "**Environmental Laws**" shall mean all applicable local, state and federal environmental rules, regulations, statutes, laws and orders, as amended from time to time, including, but not limited to, all such rules, regulations, statutes, laws and orders regarding the storage, use and disposal of Hazardous Materials and regarding releases or threatened releases of Hazardous Materials to the environment.

(h) Release. Purchaser agrees that, except for and subject to Seller's Express Representations, Seller shall not be responsible or liable to Purchaser for any defects, errors or omissions, or on account of geotechnical or soils conditions or on account of any other conditions affecting the Property, because Purchaser otherwise is purchasing the Property AS IS, WHERE-IS, and WITH ALL FAULTS as set forth above in subsection (g). Purchaser, or anyone claiming by, through or under Purchaser, hereby fully releases Seller, Seller's affiliates, divisions and subsidiaries and their respective managers, members, partners, officers, directors, shareholders, affiliates, representatives and employees (the "**Seller Parties**" and each as a "**Seller Party**") from, and irrevocably waives its right to maintain, any and all claims and causes of action that it or they may now have or hereafter acquire against the Seller Parties for any cost, loss, liability, damage, expense, demand, action or cause of action arising from or related to any defects, errors, omissions or other conditions affecting the Property, except to the extent that such loss or other liability derives or results from a breach or default of the Seller's Express Representations. Purchaser hereby waives any Environmental Claim (as defined in this Section) which it now has or in the future may have against Seller, provided however, such waiver shall not apply to activities to be performed by the Seller in accordance with the applicable Lot Development Agreement. The foregoing release and waiver shall be given full force and effect according to each of its express terms and provisions, including, but not limited to, those relating to unknown and suspected claims, damages and causes of action. The foregoing release and waiver shall not apply to any cost, loss, liability, damage, expense, demand, action or cause of action arising from or related to (i) fraud or other intentional misconduct or gross negligence of any Seller Party, or (ii) any claims against contractors or subcontractors for construction defects in the Finished Lot Improvements.

As used herein, "**Environmental Claim**" shall mean any and all administrative, regulatory or judicial actions, suits, demands, demand letters, directives, claims, liens, investigations, proceedings or notices of noncompliance or violation, whether written or oral, by any person, organization or agency alleging potential liability, including without limitation, potential liability for enforcement, investigatory costs, cleanup costs, governmental response costs, removal costs, remedial costs, natural resources damages, property damages, including diminution of the market value of the Property or any part thereof, personal injuries or penalties arising out of, based on or resulting from the presence or release into the environment of any Hazardous Materials at any location, or resulting from circumstances forming the basis of any violation or alleged violation of any Environmental Laws, and any and all claims by any person, organization or agency seeking damages, contribution, indemnification, costs, recovery, compensation or injunctive relief resulting from the presence or release of any Hazardous Materials.

(i) Indemnification. Purchaser shall indemnify, defend (with counsel reasonably selected by Purchaser with Seller approval) and hold harmless the Seller Parties of, from and against any and all claims, demands, liabilities, losses, expenses, damages, costs and reasonable attorneys' fees that any of the Seller Parties may at any time incur by reason of or arising out of: (i) any work performed in connection with or arising out of Purchaser's activities, or Purchaser's acts or omissions with respect to any Overex work, (ii) Purchaser's failure to perform its work on the Property in accordance with applicable laws, and (iii) either personal injuries or property damage occurring after the Closing by reason of or arising out of the geologic, soils or groundwater conditions on the Property acquired by Purchaser, (iv) Purchaser's or its successor's development, construction, use, ownership, management, marketing or sale activities associated with the Lots (including, without limitation, land development, grading, excavation, trenching, soils compaction and construction on the Lots performed by or on behalf of Purchaser (including, but not limited to, by all subcontractors and consultants engaged by Purchaser); (v) the soils, subsurface geologic, groundwater conditions or the movement of any home constructed on the Lots after a Closing; (vi) the design, engineering, structural integrity or construction of any homes constructed on the Lots after a Closing; or (vii) any claim asserted by Purchaser's homebuyers or their successors in interest alleging construction defects related to any Overex work performed by Purchaser, or any soils, subsurface geologic or groundwater conditions affecting the Lots. The foregoing indemnity obligation of Purchaser includes acts and omissions of Purchaser and all agents, consultants and other parties acting for or on behalf of Purchaser ("**Purchaser Parties**"). Notwithstanding the foregoing, Purchaser is not required by this indemnification provision to indemnify the Seller against (i) Seller's failure to perform its obligations under this Contract or under any of the Closing documents, (ii) Seller's breach of Seller's Express Representation, or (iii) claims arising directly from the decisions of Seller acting in its capacity as declarant under the Master Covenants; and further provided that Purchaser is not required to indemnify consultants, contractors and subcontractors who contract with Seller and who perform services or supply labor, materials, equipment, and other work relating to geotechnical or soils conditions on the Lots that is necessary for the Lots to satisfy the requirements set forth herein.

(j) The provisions of this Section 10 shall survive each Closing and the delivery of each respective deed to the Purchaser.

11. Seller's Representations. Seller hereby represents and warrants to Purchaser as follows (the following subsections collectively referred to herein as "**Seller's Representations**"):

(a) Organization. Seller is a limited liability company duly organized and validly existing under the laws of the State of Colorado.

(b) Litigation. To Seller's Actual Knowledge (as defined in this Section 11), there is no pending or threatened litigation materially adversely affecting or which could materially adversely affect the Property or the Development.

(c) Bankruptcy. There are no attachments, levies, executions, assignments for the benefit of creditors, receiverships, conservatorships, or voluntary or involuntary proceedings in bankruptcy, or any other debtor relief actions contemplated by Seller or filed by Seller, or to Seller's knowledge, pending in any current judicial or administrative proceeding against Seller.

(d) Non-Foreign Person. Seller is not a "foreign person" as that term is defined in Section 1445 of the Internal Revenue Code of 1986, as amended, and applicable regulations.

(e) Condemnation. Seller has received no written notice of any pending or threatened condemnation or eminent domain proceedings which may affect the Property or any part thereof.

(f) Execution and Delivery. The execution, delivery and performance of this Contract by Seller does not and will not result in a breach of, or constitute a default under, any indenture, loan or credit agreement, mortgage, deed of trust or other agreement to which Seller is a party. The individual(s) executing this Agreement and the instruments referenced herein on behalf of Seller have the legal power, right and actual authority to bind Seller to the terms hereof and thereof.

(g) Default. To Seller's Actual Knowledge, Seller has not defaulted under any covenant, restriction or contract affecting the Property or the Development, nor has Seller caused by its act or omission an event to occur which would with the passage of time constitute a breach or default under such covenant, restriction or contract.

(h) Violation of Law. Seller has not received any written notice of non-compliance, and to Seller's Actual Knowledge there is no non-compliance, of the Property or the Development with respect to any federal, state or local laws, codes, ordinances or regulations relating to the Property or the Development.

(i) Rights. Seller has not granted to any party, other than Purchaser hereunder, any option, contract, right of refusal or other agreement with respect to a purchase or sale of the Property. To Seller's Actual Knowledge, there are no leases, occupancy agreements, easements, licenses or other agreements which grant third-parties any possessory or usage rights to all or any part of the Property, except as disclosed in the Master Commitment, and Takedown Commitment or the Seller Documents.

(j) Environmental. Neither Seller nor, to Seller's Actual Knowledge, any third party, has used, generated, transported, discharged, released, manufactured, stored or disposed of any Hazardous Materials from, into, at, on, under or about the Property in any manner which violates federal, state, or local laws, ordinances, rules, regulations, or policies governing the use, storage, treatment, transportation, manufacture, refinement, handling, production, or disposal of Hazardous Material. To Seller's Actual Knowledge: (a) the Property is not now, nor was it previously, in violation, and is not currently under investigation for violation of any Environmental Law; (b) there has been no migration of any Hazardous Materials from, into, at, on, under or about the Property; and (c) there is not now, nor was there previously, on or in the Property underground storage tanks or surface below-grade impoundments used to store, treat or handle Hazardous Materials or debris or refuse buried in, on or under the Property.

(k) Debt. As of the Effective Date, Seller owns the Property free and clear of any mortgages or deeds of trust. If Seller encumbers the Property, or any portion thereof, with a mortgage or deed of trust before a Closing, the Lots to be acquired at such Closing will be released from such encumbrance at such Closing. Seller will use commercially reasonably efforts to obtain a recognition agreement from the lender holding any such mortgage or deed of trust, but makes no representation or other covenant that such lender will agree to the terms of or execute a recognition agreement.

(l) Development Ownership. To Seller's Actual Knowledge, as of the Effective Date Seller owns, has or will acquire rights in all real property as necessary or as will be necessary to be able comply with the Entitlements.

(m) Seller Documents. To Seller's Actual Knowledge, the Seller Documents provided and to be provided by Seller to Purchaser are and will be true, correct and complete copies of same.

(n) FASB. The fair market value of the Property does not exceed fifty percent (50%) of the fair market value of the total assets of Seller.

For purposes of the foregoing, the phrase "**Seller's Actual Knowledge**" shall mean the current, actual, personal knowledge of Mark Harding as President of Seller, without any duty of investigation or inquiry and without imputation of any other person's knowledge. The fact that reference is made to the personal knowledge of the above identified individual shall not render such individual personally liable for any breach of any of the foregoing representations and warranties; rather, Purchaser's sole recourse in the event of any such breach shall be against Seller, and Purchaser hereby waives any claim or cause of action against the above identified individual arising from Seller's Representations. Seller and Purchaser shall notify the other in writing immediately if any Seller's Representation becomes untrue or misleading in light of information obtained by Seller or Purchaser after the Effective Date. In the event that Purchaser elects to close and Purchaser has actual knowledge (meaning the current, actual, personal knowledge of Douglas Shelton, without any duty of investigation or inquiry and without imputation of any other person's knowledge) that any of Seller's Representations are untrue or misleading, or of a breach of any of Seller' Representations prior to a Closing, without the duty of further inquiry, Purchaser shall be deemed to have waived any right of recovery with respect to the matter actually known by Purchaser, and Seller shall not have any liability in connection therewith.

Seller's Representations shall be deemed to be made again, as and at the date of each Closing, and shall survive each respective Closing (with respect only to the Lots acquired at such Closing) for a period of twelve (12) months, except that any claim for which legal action is filed within such time period shall survive until resolution of such action, and except to the extent of any matter that is waived by Purchaser pursuant to the previous paragraph (and any such matter waived pursuant to the previous paragraph shall not survive Closing).

Seller makes no promises, representations or warranties regarding the construction, installation or operation of any amenities within the Development, including without limitation, clubhouses, swimming pools and/or sports courts. To the extent that any development plans, site plans, rendering, drawings, marketing information or other materials related to the Development include, depict or imply the inclusion of any amenities in the Development, they are included only to illustrate possible amenities for the Development that may or may not be built and Purchaser shall not rely upon any such materials regarding the construction, installation or operation of any amenities within the Development. Nothing herein shall relieve Seller of the obligation to the County or other applicable Authority to construct such amenities that are ultimately required by the Entitlements, or the obligation to Purchaser to construct the same if required by the Entitlements for Purchaser to be able to secure building permits or certificates of occupancy; provided, however, that such obligation shall not confer upon Purchaser any right to object to Seller's decision to change or modify the amenities pursuant to in the Entitlements and subject to approval by the applicable Authorities.

12. Purchaser's Obligations. Purchaser shall have the following obligations, each of which shall survive each respective Closing and, where noted, termination of this Contract. Notwithstanding any contrary provision set forth in this Contract, Seller shall have the right to enforce said obligations by means of any legal or equitable proceedings including, but not limited to, suit for actual damages and equitable relief:

(a) Master Covenants; PID Service Plan. Purchaser shall comply with all obligations applicable to Purchaser under the Master Covenants and under the PID Service Plan (subject to the Maximum Mills Limitation).

(b) Compliance with Laws. With respect to Purchaser's entry onto the Property and following each Closing, Purchaser shall comply with and abide by all laws, ordinances, statutes, covenants, rules and regulations, building codes, permits, association documents and other recorded instruments (as they are from time to time amended, supplemented or changed) which regulate any activities relating to Purchaser's use, ownership, construction, sale or investigation of any Lot or any improvements thereon.

(c) Entry Prior to Closing. From and after the Effective Date of this Contract until applicable Closing Date or earlier termination of this Contract, and so long as no default by Purchaser exists under this Contract, Purchaser and its agents, employees and representatives shall be entitled to enter upon the Property for purposes of conducting soil and other engineering tests and to inspect and survey any of the Property. If the Property is altered or disturbed in any manner in connection with any of Purchaser's activities, Purchaser shall immediately return the Property to substantially the condition existing prior to such activities. Purchaser shall promptly refill holes dug and otherwise to repair any damage to the Property as a result of its activities. Purchaser and its agents shall not have the right to conduct any invasive testing (e.g., borings, drilling, soil/water sampling, etc.), except standard geotech preliminary investigation, on the Lots (which may include borings, drilling, and sampling), including, without limitation, any so-called "Phase II" environmental testing, without first obtaining Seller's written consent (and providing Seller at least seventy-two (72) hours' prior written notice), which consent may be withheld by Seller in its reasonable discretion and shall be subject to any terms and conditions imposed by Seller in its reasonable discretion. In the event that Purchaser fails to obtain Seller's written consent prior to any invasive testing, in addition to and without limiting any other obligations Purchaser may have under this Section, Purchaser shall be fully responsible and liable for all costs of remediation with respect to any materials disturbed in any manner that requires remediation or that are removed in connection with such invasive testing and including, but not limited to, costs for disposal of materials removed during any invasive testing. Purchaser shall not permit any lien to attach to the Property or any portion of the Property as a result of the activities. Purchaser shall indemnify, defend and hold Seller, its officers, directors, shareholders, employees, agents and representatives harmless from and against any and all mechanics' and materialmen's liens, claims (including, without limitation, personal injury, death and property damage claims), damages, losses, obligations, liabilities, costs and expenses including, without limitation, reasonable attorneys' fees incurred by Seller, its officers, directors, shareholders, employees, agents and representatives or their property arising out of any breach of the provisions of this Section 12(c) by Purchaser, its agents, employees or representatives. The foregoing indemnity obligation of Purchaser includes acts and omissions of Purchaser and all agents, consultants and other parties acting for or on behalf of Purchaser. Purchaser shall maintain in effect during its inspection of the Property commercial general liability coverage for bodily injury and property damage in the amount of at least $2,000,000.00 combined single limit, and automobile liability coverage for bodily injury and property damage in the amount of at least $2,000,000.00 combined single limit, and the policy or policies of insurance shall be issued by a reputable insurance company or companies which are qualified to do business in the State of Colorado and shall name Seller as an additional insured. In addition, before entering upon the Property, Purchaser shall provide Seller with valid certificates indicating such insurance is in effect. The foregoing indemnity shall not apply to claims due to (i) Hazardous Materials or conditions that are not placed on the Property or caused by Purchaser or its agents, (ii) pre-existing matters, (iii) or Seller's actions or inactions. The indemnity and agreement set forth in this Section 12(c) shall survive the expiration or termination of this Contract for any reason.

(d) Architectural Approval. In order to assure that homes constructed by Purchaser are compatible with the other residential construction in the Development and the architectural, design, and landscaping criteria and guidelines included in the approved Administrative Site Plan applicable to the Property (the "**ASP Criteria**") and are otherwise acceptable to Seller, all construction and landscaping on the Lots shall be subject to the prior review and approval of Seller. The Master Covenants provide for the formation of an architectural review committee ("**Architectural Review Committee**") and for the promulgation and adoption of design guidelines ("**Design Guidelines**") to be applied by the Architectural Review Committee. The Master Covenants and the Design Guidelines provide for an exemption from obtaining Architectural Review Committee approval for the Seller and any other person whose House Plans (as hereinafter defined) has been reviewed and approved by the Seller.

(i) Purchaser shall submit to Seller the Purchaser's elevations, floor plans, typical landscape plans and exterior color palettes ("**House Plans**") for homes and other related buildings, structures and improvements to be located on the Lots (herein "**Homes**", "**Houses**" or "**Residences**") within twenty (20) business days following delivery of the ASP to Purchaser by Seller with notice from Seller reminding Purchaser of this submittal requirement. Seller will review the House Plans and Seller shall deliver notice to Purchaser of the Seller's approval or disapproval of the House Plans within ten (10) business days after receipt of the House Plans, with such approval not to be unreasonably withheld, conditioned or delayed, so long as such plans substantially comply and are generally consistent and compatible with the ASP Criteria. If Seller fails to so notify Purchaser of approval or disapproval within such 10-business day period, the Purchaser shall provide Seller with written notice of the same and Seller shall notify Purchaser within five (5) business days of its approval or disapproval. If Seller fails to approve or disapprove within such 5-business day period, the House Plans shall be deemed approved and/or an appropriate exemption shall be given to Purchaser. In the event of disapproval, Purchaser shall revise and resubmit the House Plans to the Seller for reconsideration, addressing the matters disapproved by the Seller, and the procedure set forth above shall be repeated until the House Plans are approved by the Seller. After Seller approves the Purchaser's House Plans, and before Purchaser commences construction of Homes on the Lots, Purchaser shall submit to Seller any material changes in the approved House Plans. Seller shall review the material changes for general consistency and compatibility with the standards and criteria set forth in the ASP Criteria and if Seller approves such changes, Seller shall notify Purchaser within ten (10) business days of its approval, not to be unreasonably withheld, conditioned or delayed.

(ii) Purchaser shall obtain Seller approval of House Plans before commencing construction activities on any Lot. Purchaser shall perform all construction, development and landscaping in accordance with the approved House Plans and in conformity with the ASP Criteria and all other requirements, rules, regulations of any local jurisdictional authority. Purchaser and Seller acknowledge that the County will not conduct architectural review nor issue approval of Purchaser's House Plans, but rather requires the building permit applicant to comply with the ASP Criteria. Seller's approval of Purchaser's House Plans is only intended as a review for compatibility with other residential construction in the Development and the ASP Criteria and does not constitute a representation or warranty that Purchaser's House Plans comply with ASP Criteria and Purchaser shall be responsible for confirming such compliance.

(e) Disclosures to Homebuyers. Purchaser shall include in each contract for the sale of any Home constructed by Purchaser in the Development all disclosures required by applicable laws, including, but not limited to the Special District Disclosure, Common Interest Community Disclosure, Mineral Disclosure and Source of Potable Water Disclosure, and any other disclosure that applicable laws require to be made to each homebuyer regarding expansive/low-density soils, radon, NORMs, and other matters ("**Homebuyer Disclosures**"). Purchaser shall furnish to Seller upon request a copy of Purchaser's disclosures to homebuyers which includes the Homebuyer Disclosures.

13. Force Majeure. Notwithstanding any contrary provision of this Contract, the time for performance of any obligation of Seller or Purchaser under this Contract (except for any monetary obligation of either party) shall be extended if such performance is delayed due to any act, or failure to act, of any Authority, strike, riot, act of war, act of terrorism, act of violence, weather, act of God, epidemic/pandemic, or any other act, occurrence or non-occurrence beyond such party's reasonable control (each, an "**Uncontrollable Event**"). Any extension under the preceding sentence shall continue for a length of time reasonably necessary to satisfy such delayed obligation; provided, however, that such extension shall not be for a period of time which is less than the duration of the Uncontrollable Event. If a party claims a delay due to an Uncontrollable Event, then such party shall provide written notice to the other party of the occurrence of a condition that constitutes an Uncontrollable Event, which notice shall reasonably detail the reason(s) giving rise to the Uncontrollable Event and a reasonable estimation of the duration (to the extent determinable at the time of such notice) of the delay that was caused by the Uncontrollable Event. Each party will make efforts to minimize the delay from any such Uncontrollable Event to the extent reasonably feasible; provided, however, that neither party shall be required to use extraordinary means and/or incur extraordinary costs in order to satisfy its obligations.

14. Cooperation. Purchaser shall reasonably cooperate with and require its agents, employees, subcontractors and other representatives to cooperate with all other parties involved in construction within the Development, including, where applicable, the granting of a nonexclusive license to enter upon the Property conveyed to Purchaser. Purchaser shall execute any and all documentation reasonably required by Seller or the Authorities to effectuate any desired modification or change in connection with Seller's activities in the Development including, without limitation, amendments or restatements of the Master Covenants, or any Final Plat; provided, however, Purchaser shall not be obligated to execute any such documentation if it will materially adversely affect the fair market value or use of the Property or Purchaser's ability to construct or to sell its proposed homes within the Property, or if it will materially increase the cost of ownership or construction or materially interfere with ownership or materially delay such construction.

15. Fees. Subject to the provisions of Sections 16 and 18 below:

(a) FHA/VA. Seller shall not be required to obtain any approvals pursuant to FHA, VA or other governmental programs relating to the Lots or the financing of improvements thereon.

(b) Utility Company Refunds. Any refunds from utility providers relating to construction deposits made by Seller for the Finished Lot Improvements relating to the Property shall be the exclusive property of Seller. Purchaser shall cooperate with Seller in turning over any such funds and directing those funds to Seller.

16. Water and Sewer Taps; Fees; and District Matters.

(a) Rangeview Metropolitan District. The water and sewer service provider for the Lots is the Rangeview Metropolitan District ("**Rangeview**") and Purchaser shall be required to purchase water and sewer taps for the Lots from Rangeview pursuant to the terms and provisions of a tap purchase agreement in a form substantially consistent with the one attached hereto and incorporated herein as **Exhibit F** (the "**Tap Purchase Agreement**"). Pursuant to the Tap Purchase Agreement, Rangeview will agree to sell to Purchaser, and Purchaser will agree to purchase from Rangeview, a water and sewer tap for each Lot in accordance with an agreed-upon purchase schedule but in no event later than the issuance of a building permit for a Lot. The Tap Purchase Agreement shall be executed by Rangeview and Purchaser on or before the date of the First Closing. If Rangeview and Purchaser are unable to agree on a Tap Purchase Agreement before the expiration of the Due Diligence Period, the Initial Deposit shall be promptly returned to Purchaser, Purchaser shall deliver to Seller all information and materials received by Purchaser from Seller pertaining to the Property and any non-confidential and non-proprietary information otherwise obtained by Purchaser pertaining to the Property, and thereafter the parties shall have no further rights or obligations under this Contract except as otherwise provided in Section 25 below. The combined cost to purchase a water tap and sewer will be dependent on Lot size, house square footage, number of floors, driveway lanes, outdoor irrigated square footage, and xeriscape square footage. For example, based on Rangeview's rates and charges as of the Effective Date as set forth in **Exhibit G**, a 5,500 square foot lot with a 2,400 square foot house 2 story 2 car garage with 1,500 square feet of grass would have a computed tap fee equating to a .9 SFE (1 SFE equal to .4 acre feet of water demand per year) or $24,488.10, and a sewer tap fee of $4,752.

(b) District Governance and Financial Matters. The Property is included within the boundaries of the District and with water and sewer service provided by Rangeview. Persons affiliated with Seller have been elected or appointed to the board of directors ("**Board**") of the District and Rangeview and serve in that capacity. Purchaser shall not qualify any persons affiliated with Purchaser as its representative to serve on the Board of the District or Rangeview and this prohibition shall survive all Closings and delivery of deeds hereunder until no person affiliated with Seller serves on the Board. The District has been formed for purposes that include, but are not limited to financing, owning, maintaining and/or managing certain tracts and infrastructure improvements ("**District Improvements**") to serve the Development, including the Lots. Purchaser acknowledges that: (i) the construction of District Improvements shall be without compensation or reimbursement to Purchaser; and (ii) any reimbursements, credits, payments, or other amounts payable by the District or Rangeview on account of the construction of District Improvements or any other matters related thereto ("**Metro District Payments**") shall remain the property of the Seller and shall not be conveyed to or otherwise be claimed by Purchaser. Upon request of Seller, the District, or Rangeview, Purchaser will execute any and all documents that may be reasonably required to confirm Purchaser's waiver of any right to Metro District Payments. The provisions of this Section are material in determining the Purchase Price, and the Purchase Price would have been higher but for the provisions of this Section. Seller shall provide to Purchaser as part of the Seller Documents information available relating to the District including the service plan and schedule of current fees and charges. This Section shall survive each Closing as set forth herein.

(c) Sky Ranch Community Authority Board. Pursuant to the Colorado Constitution, Article XIV, Sections 18(2)(a) and (b), and C.R.S. Sections 29-1-203 and -203.5, metropolitan districts may cooperate or contract with each other to provide any function, service or facility lawfully authorized to each, and any such contract may provide for the sharing of costs, the impositions of taxes, and the incurring of debt. Pursuant to the Modified Service Plans for Sky Ranch Metropolitan District Nos. 1, 3, 4 and 5 ("**Sky Ranch Districts**"), approved by Arapahoe County on September 14, 2004, as amended ("**Service Plans**"), and pursuant to statutory authority, the Sky Ranch Metropolitan District Nos. 1 and 5 have entered into a Sky Ranch Community Authority Board Establishment Agreement ("**CABEA**"), creating the CAB. It is anticipated that the Boards of Sky Ranch Metropolitan District Nos. 3 and 4 will elect to become parties to the CABEA in the future. The CABEA authorizes the CAB and the Sky Ranch Districts that are parties to the CABEA to cooperate and contract with each other regarding administrative and operational functions. One or more of the Sky Ranch Districts, the CAB or other governmental entity may enter into an intergovernmental agreement pursuant to C.R.S. §§ 29-1-203 and – 203.5 to create the Regional Improvements Authority to use revenue generated by the imposition of the Regional Improvements Mill Levy to plan, design, acquire, construct, installation, relocation and/or redevelopment, and the administration, overhead and operations and maintenance costs incurred with respect to the Regional Improvements serving the Development. The Regional Improvement Authority's authority may include, without limitation, (i) sharing or pledging revenue, including ad valorem taxes, to provide a source of funding to pay for specific regional improvements that serve the Development, (ii) the issuance of debt by the CAB or other governmental authority to pay for regional improvements, and (iii) the construction of regional improvements. If and to the extent that the District enters into such an IGA, Builder agrees that it will not object to the intergovernmental agreement creating the Regional Improvements Authority provided that the total mill levy on a Lot does not exceed Maximum Mills Limitation.

(d) Fees.

(i) Seller shall pay any and all of the following to the extent imposed by any Authority in connection with the Property conveyed to Purchaser: (i) any parks and recreation fees (including park dedication requirements and/or cash-in-lieu payments related to the Property as part of the platting thereof); (ii) drainage fees; (iii) fees for payment-in-lieu of school land dedications, and (iv) fees and charges that are due and payable at, before or as a condition precedent to the approval or recordation of the Entitlements.

(ii) Following Closing, Purchaser shall pay all costs and expenses for all costs or fees that may be imposed by any Authority relating to the construction, use or occupancy of the Homes to be constructed on the Lots and any ongoing or periodic maintenance and operations fees and charges levied or otherwise imposed on Lot owned by Purchaser by any Authority, including without limitation, those fees set forth on **Exhibit G**, attached hereto and incorporated herein by this reference; provided, however, that the fees set forth on Exhibit G are reflective only of the assessment as of the Effective Date hereof and are subject to periodic increases as determined by the assessing Authority (subject however to the Maximum Mills Limitation). In addition, even if not set forth in **Exhibit G**, and except for the fees to be paid by Seller pursuant to Section 16(d)(i) above, Purchaser shall pay any and all of the following to the extent imposed in connection with the Property conveyed to Purchaser: (a) system development fees (subject however to Seller's reimbursement obligation in the next subsection (iii) below); (b) any infrastructure (facility) fee, including, without limitation, any transportation/road fee, which may be imposed either by the County, the District or other Authority; (c) any impact fees and payment-in-lieu of land dedication fees imposed for roads or other facilities that are payable at issuance of a building permit for a home constructed on a Lot; and (v) any excise fees.

(iii) As of the Effective Date, no district, including the District, the PID and the other Sky Ranch Districts, levies a system development fee ("**SDF**") against the Property. If at any time before or after a Closing the board of the District, the PID, or any other Sky Ranch District adopts an SDF that is applicable to a Lot then owned by Purchaser (and Seller's representatives control such board), Seller shall pay the SDF applicable to such Lots and if Purchaser chooses to pay same Seller shall reimburse Purchaser for such payment.

(iv) The covenants set forth in this Section 16 shall survive each respective Closing and shall represent a continuing obligation until the complete satisfaction or payment thereof.

17. Homeowner's Association. Certain alleys, walkways, landscape tracts, and other private improvements will serve the Property and may also serve lots acquired by other builders within Phase B. In order to address the maintenance obligations related to such private improvements, Seller shall establish a homeowners' association that will own and/or maintain such private improvements (the "**Homeowners' Association**") and cause the Lots to be annexed into such Homeowners' Association at Closing hereunder. Within thirty (30) days after the Effective Date, Seller will deliver to Purchaser (and the other builders) for its review and reasonable approval, a declaration with respect to the maintenance of those private improvements (the "**Maintenance Declaration**"). Purchaser shall have until fifteen (15) days before the end of the Due Diligence Period, as the same may be extended, to notify Seller in writing of any objection that Purchaser may have to the draft Maintenance Declaration. On or before the fifth (5^{th}) business day following Seller's receipt of Buyer's objections to the draft Maintenance Declaration, Seller shall notify Buyer, in writing, whether Seller elects to make such modifications to the draft Maintenance Declaration, with Seller not to unreasonably withhold its consent to Purchaser's request; provided, however, that if Seller does not elect to modify, or elects to modify and does not thereafter modify the Maintenance Declaration within such 5-business day period and such decision is made on a reasonable basis, Purchaser shall have the right to either: (i) terminate this Agreement by delivery of a written termination notice to Seller on or before the end of the Due Diligence Period, in which event the entire Initial Deposit shall be promptly returned to Purchaser, Purchaser shall return to Seller all information and materials received by Purchaser from Seller pertaining to the Property, and thereafter the Parties shall have no further rights or obligations under this Agreement except for those which expressly survive the termination hereof; or (ii) waive any objections to the Maintenance Declaration and proceed with the transaction contemplated by this Agreement, in which event Purchaser shall be deemed to have approved the Maintenance Declaration as to which its objections have been waived. Upon approval of the form of the Maintenance Declaration by the Parties, the Parties will cause such form to be attached to this Agreement by a mutually executed amendment hereto. The Maintenance Declaration shall be recorded in the Records at or before the First Closing and shall constitute a Permitted Exception hereunder.

18. Reimbursements and Credits. Purchaser shall have no right to any reimbursements and/or cost-sharing agreements pursuant to any agreements entered into between Seller or any of Seller's affiliates and third parties which may or may not affect the Property. In addition, Purchaser acknowledges that Seller, its affiliates, the District, the PID, or other metropolitan district, has installed or may install certain infrastructure improvements ("**Infrastructure Improvements**"), the Interchange Upgrades, and/or donate, dedicate and/or convey certain rights, improvements and/or real property ("**Dedications**") to the County or other Authority which benefit all or any part of the Property, together with adjacent properties, and which entitle Seller or its affiliates and/or the Property or any part thereof to certain reimbursements by the County or other Authority or credits by the County or other Authority for park fees, open space fees, school impact fees, capital expansion fees and other governmental fees which would otherwise be required to be paid to the County or other governmental or quasi-governmental entity by the owner of the Property or any part thereof from time to time ("**Governmental Fees**"). In the event Purchaser is entitled to a credit or waiver of Governmental Fees by the County and/or any other Authority as a result of the Infrastructure Improvements, the Interchange Upgrades, and/or any Dedications, then, in such event, Purchaser shall pay to or reimburse Seller and/or its designated affiliates in an amount equal to such credited or waived Governmental Fees at the same time that the Governmental Fees would otherwise be payable by Purchaser or its assignees to the County or other Authority but for the construction of the Infrastructure Improvements, the Interchange Upgrades, and/or any Dedications by Seller, its affiliates, the District, or other Authority. In addition, Purchaser acknowledges that Seller or its affiliate(s) may have negotiated or may negotiate with the County or other Authority for reimbursements to Seller or its affiliates. Purchaser acknowledges that certain Governmental Fees which may be paid by Purchaser to the County or other Authority may be reimbursed to Seller and/or its affiliates pursuant to the terms of said agreement. With respect to any particular Governmental Fee actually paid by Purchaser to any Authority, Purchaser shall not be obligated to pay or reimburse Seller or its affiliates for such Governmental Fee. The obligations and covenants set forth in this Section 18 shall survive the Closing of the purchase and sale of the Property and shall represent a continuing obligation of Purchaser until complete satisfaction thereof. Purchaser shall be released from the obligations in this Section 18 to the extent such obligations are assumed in writing by a subsequent owner of all or a portion of the Property and a copy of such written assumption is furnished to Seller. Each special warranty deed conveying the applicable portion of the Property at each Closing shall contain the foregoing reimbursement covenant, which reimbursement covenant shall expressly state that it automatically terminates as to any Lot upon issuance of a certificate of occupancy for a home constructed on the Lot and conveyance of the Lot to a homebuyer.

19. Name and Logo. The name and logo of "Sky Ranch" are wholly owned by Seller. Purchaser agrees that it shall not use or allow the use of the name "Sky Ranch" or any logo, symbol or other words or phrases which are names or trademarks used or registered by Seller or any of its affiliates in any manner to name, designate, advertise, sell or develop the Property or in connection with the operation or business located or to be located upon the Property without the prior written consent of Seller, which consent may be withheld for any reason. Any consent to the use of such names or logos may be conditioned upon Purchaser entering into a license agreement with Seller, as applicable, at no additional cost to Purchaser. Notwithstanding the foregoing, however, Purchaser shall have a non-exclusive, royalty-free license for so long as Purchaser is building and selling homes in the Development, without the need for any further consent or approval by Seller, to use the name and logo of "Sky Ranch" in connection with the use, marketing, sales, development and operation of the Property, provided that Purchaser shall comply with any reasonable requirements uniformly applicable to all homebuilders in Sky Ranch that Seller promulgates with respect to such usage.

20. Renderings. All renderings, plans or drawings of the Property or the Development locating landscaping, trees and any improvements are artists' conceptions only and may not accurately reflect their actual location. Purchaser waives any claims based upon any inaccuracy in the location of such items as depicted on the renderings, plans or drawings (except no waiver is made for any such items required by the Entitlements).

21. Communications Improvements. Seller may, but is not obligated to, enter into an agreement with a service provider for the development and installation of Communication Improvements in all or any portion of the Development. "**Communications Improvements**" means any equipment, property and facilities, if used or useful in connection with the delivery, deployment, provision or modification of (a) broadband Internet access service; (b) monitoring service, for the benefit of governmental entities, quasi-governmental entities, or utilities, regarding the usage of electricity, gas, water and other resources; (c) video programming or content, including Internet protocol television (a/k/a "IPTV") service; (d) voice over Internet protocol (a/k/a "VoIP") service; (e) telecommunications services, including voice; (f) any other service or services delivered by means of the Internet or otherwise delivered by means of digital signals; and (g) any other service or services based on technology that is similar to or is a technological extension of any of the foregoing ("**Service**"). Communications Improvements do not include any equipment, facilities or property located or in the home of a person who receives services from the service provider, such as, but not limited to routers, wireless access points, in-house wiring, set-top boxes, game consoles, gateways and other equipment under the control of the owner or occupant of the home. Seller may grant to such service provider one or more permanent, non-exclusive, perpetual, assignable and recordable easements (collectively referred to as the "**Easement**") to access and use the Property and other property within the Development, as necessary, appropriate or desirable, to lay, install, construct, reconstruct, modify, operate, maintain, repair, enhance, upgrade, regulate, remove, replace and otherwise use the Communications Improvements, but Seller shall not create any covenant or requirement that Seller or a Lot owner use or market such Communications Improvements. Seller also shall not create any covenant or requirement that Seller or a Lot owner not use or market any competing Communications Improvements. Subject to the foregoing, and so long as any such Easement does not materially interfere with Purchaser's ability to construct its intended single family homes on the Lots or otherwise materially detract from the value, use or enjoyment of any Lots, Purchaser shall not object to and shall cooperate with Seller in connection with the installation and operation of the Communications Improvements.

22. Soil Hauling. Purchaser shall be responsible for either relocating from the Property all surplus soil generated during Purchaser's construction of structures on the Property or to import any necessary fill required to complete Purchaser's Overex activities or other construction activities. At the option of Seller, in its sole discretion, the surplus soil shall be transported at Purchaser's expense to a site designated by Seller within the Development; provided, that Seller has designated and made such a site available to Purchaser at the time Purchaser is ready to transport surplus soils, if any. If and to the extent that Seller establishes such stock pile site within the Development, Seller may modify any such stock pile locations from time to time in Seller's discretion (but Purchaser shall not have any obligation to relocate any soil Purchaser previously delivered to the prior designated stock pile site). At Seller's request, Purchaser shall supply copies of any reports or field assessments identifying the material characteristics of the excess soil prior to accepting such soil for fill purposes. Notwithstanding the foregoing, in the event that Seller does not establish a stock pile site or elects not to accept any surplus soils from Purchaser, then Purchaser shall, at its sole expense, find a purchaser or taker or otherwise transport and dispose of such surplus soil upon such terms as it shall desire, but such surplus soil must still be removed from the Property and may not be stockpiled on the Property or within the Development after construction has been completed. At the option of Seller, in its sole discretion, if Purchaser needs to import any necessary fill that is required to complete Purchaser's construction activities and Seller has fill dirt available on the Property, then Seller may make available to Purchaser, on terms and conditions determined by Seller, any such fill dirt for transport at Purchaser's expense. However, Purchaser is not required to use or import fill made available by Seller, same being at Purchaser's option.

23. Specially Designated Nationals and Blocked Persons List. Purchaser represents and warrants to Seller that Purchaser and all persons and entities owning (directly or indirectly) an ownership interest in Purchaser are currently in compliance with and shall at all times prior to the Closing of this transaction remain in compliance with the regulations of the Office of Foreign Assets Control ("**OFAC**") of the United States Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism), or other governmental action relating thereto. Seller represents and warrants to Purchaser that Seller and all persons and entities owning (directly or indirectly) an ownership interest in Seller are currently in compliance with and shall at all times prior to the Closing of this transaction remain in compliance with the regulations of the OFAC (including those named on OFAC's Specially Designated and Blocked Persons List) and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism), or other governmental action relating thereto.

24. Assignment.

(a) Seller's Assignment. Seller may assign its rights and obligations under this Contract with respect to the Lots not yet Closed without the consent of Purchaser: (i) to any entity that acquires all or substantially all of the Seller's interests in such Lots which Seller reasonably believes has the financial ability and experience to perform Seller's obligations under this Contract; or (ii) to an entity that controls, is controlled by, or under common control with, Seller.

(b) Purchaser's Assignment. The obligations of the Purchaser under this Contract are personal in nature, and neither this Contract nor any rights, interests, or obligations of Purchaser under this Contract may be transferred or assigned without the prior written consent of Seller, except that Purchaser may assign its rights or obligations under this Contract, without the prior written consent of Seller, to (i) any affiliate of Purchaser, or (ii) any third-party from which Purchaser has a contractual right to acquire the Lots pursuant to an option agreement or similar arrangement with such third-party, but Purchaser shall not be released from any obligations hereunder

25. Survival.

All covenants and agreements of either party which are intended to be performed in whole or in part after any Closing or termination of this Contract, and all representations, warranties and indemnities by either party to the other under this Contract shall survive such Closing or termination of this Contract and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns; provided, however, that Seller's Representations pursuant to this Contract shall survive each respective Closing for a period of twelve (12) months, and any action by Purchaser based on a breach of any of such Seller's Representations must be brought within such twelve (12) month period.

26. Condemnation. If a condemnation action is filed or either party receives written notice from any competent condemning authority of intent to condemn which directly affects any Lot or Lots which Purchaser has a right to purchase, either party may at its sole discretion by written notice to the other party within ten (10) days following receipt of such condemnation notice terminate this Contract as to the Lots subject to the condemnation action and receive a refund of a prorata portion of the Deposit with respect to those Lots only, and the parties shall have no further rights or obligations with respect to those Lots. If the right to terminate is not exercised by either party, this Contract shall remain in full force and effect with respect to the Lot in question and upon exercise of the right to purchase the Lot, the Closing shall proceed in accordance with the terms of this Contract, and any condemnation award relating to such Lot shall be paid to Purchaser at Closing (if received by Seller prior to Closing) and otherwise shall be assigned to Purchaser at Closing.

27. Brokers. Each Party does hereby represent that it has not engaged any broker, finder, or real estate agent in connection with the transactions contemplated by this Contract. Each party agrees to and does hereby indemnify and hold the other harmless from any and all fees, brokerage and other commissions or costs (including reasonable attorneys' fees), liabilities, losses, damages or claims which may result from any broker, agent or finder, licensed or otherwise, claiming through, under or by reason of the conduct of either of them respectively in connection with the purchase of the Lots by Purchaser.

28. Default and Remedies. Time is of the essence hereof. If any amount received as a Deposit hereunder or any other payment due hereunder is not paid by Purchaser, honored or tendered when due and payable, or if each Closing is not consummated as required in accordance with Section 8 above, or if any other covenant, agreement, obligation or condition hereunder is not performed or waived as herein provided within five (5) business days (or such longer period as required under this Contract) after the party failing to perform the same has received written notice of such failure, there shall be the following remedies:

(a) Purchaser's Default. If Purchaser is in default under this Contract, Seller may terminate this Contract, in which event the Deposit shall be forfeited and retained on behalf of Seller, and both parties shall, except as otherwise provided herein, thereafter be released from all obligations hereunder. It is agreed that, except as otherwise provided in this subpart (a) and in subparts (c) and (d) below and except with respect to the indemnification by Purchaser in Sections 10, 12 and 27 above, such payments and things of value are LIQUIDATED DAMAGES and are SELLER'S SOLE AND ONLY REMEDY for Purchaser's failure to perform the obligations of this Contract prior to the Closing. Except as otherwise provided in this Contract, Seller expressly waives the remedies of specific performance and additional damages with respect to a default by Purchaser. Notwithstanding the foregoing or any other contrary provision of this Contract, any and all provisions of this Contract pursuant to which Purchaser agrees to indemnify, hold harmless and defend Seller from and against any losses, costs, claims, causes of action or liabilities of any kind or nature, or pursuant to which Purchaser waives any rights or claims that it may have against Seller, shall survive any termination of this Contract, and shall be and remain fully enforceable against Purchaser in accordance with the terms of this Contract and applicable laws.

(b) Seller's Default. If Seller is in default under this Contract, Purchaser may elect AS ITS SOLE AND EXCLUSIVE REMEDY either: (i) to treat this Contract as canceled, in which case the Deposit shall be returned to Purchaser, and Purchaser shall have the right to recover, as damages, all out-of-pocket expenses incurred by it in negotiating this Contract and in inspecting, analyzing or otherwise performing its rights and obligations pursuant to this Contract, but in no event will the amount of such damages exceed Fifty Thousand Dollars ($50,000.00); or (ii) Purchaser may elect to treat this Contract as being in full force and effect and Purchaser shall have a right to specific performance, provided that any such action for specific performance must be commenced within sixty (60) days after the expiration of the applicable notice and cure period provided herein, and, in the event specific performance is not available, than Purchaser may pursue the remedy set forth in clause (i) above. Seller shall not be liable for and Purchaser shall not be entitled to recover exemplary, punitive, special, indirect, consequential, lost profits or any other damages (except for recovery of out-of-pocket expenses as set forth in clause (i) above). In addition to the foregoing and notwithstanding anything to the contrary herein, if the First Closing occurs but the Second Closing for at least 40 Lots does not occur for any reason other than a Purchaser default, Seller shall pay to Purchaser additional liquidated damages of One Hundred Thousand and 00/100 Dollars ($100,000.00) as an agreed-upon amount for loss to Purchaser of project scope and project economies of scale.

(c) Indemnity. Notwithstanding any contrary provision of this Contract, any and all provisions of this Contract pursuant to which a party agrees to indemnify, hold harmless and defend the other party from and against any losses, costs, claims, causes of action or liabilities of any kind or nature, or pursuant to which a party waives any rights or claims that it may have against the other party, shall survive any termination of this Contract, and shall be and remain fully enforceable against a party in accordance with the terms of this Contract and applicable laws.

(d) Award of Costs and Fees. Anything to the contrary herein notwithstanding, in the event of any litigation arising out of this Contract related to an action for specific performance brought by either party as permitted in accordance with the terms of this Contract, the court shall award the substantially prevailing party all reasonable costs and expenses, including attorneys' fees, incurred by the substantially prevailing party in the litigation or other proceedings.

(e) Post-Closing Defaults. With respect to post-closing defaults, the parties agree that the non-defaulting party shall be entitled to exercise all remedies available at law or in equity, except that damages shall be limited to actual out-of-pocket costs and expenses incurred (along with reasonable costs and expenses, including attorneys' fees, pursuant to Section 28(d)). The foregoing does not limit or control the remedies as are to be separately provided in the Lot Development Agreement.

29. General Provisions. The parties hereto further agree as follows:

(a) Time of the Essence. Time is of the essence under this Contract. In computing any period of time under this Contract, the date of the act or event from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included unless it is a Saturday, Sunday, or federal legal holiday, in which event the period shall run until the end of the next day which is not a Saturday, Sunday, or federal legal holiday.

(b) Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Colorado.

(c) Severability. Should any provisions of this Contract or the application thereof, to any extent, be held invalid or unenforceable, the remainder of this Contract and the application thereof, other than those provisions which shall have been held invalid or unenforceable, shall not be affected thereby and shall continue in full force and effect and shall be enforceable to the fullest extent permitted at law or in equity.

(d) Entire Contract. This Contract embodies the entire agreement between the parties hereto concerning the subject matter hereof and supersedes all prior conversations, proposals, negotiations, understandings and agreements, whether written or oral.

(e) Exhibits. All schedules, exhibits and addenda attached to this Contract and referred to herein shall for all purposes be deemed to be incorporated in this Contract by this reference and made a part hereof.

(f) Further Acts. Each of the parties hereto covenants and agrees with the other, upon reasonable request from the other, from time to time, to execute and deliver such additional documents and instruments and to take such other actions as may be reasonably necessary to give effect to the provisions of this Contract.

(g) Compliance. The performance by the parties of their respective obligations provided for in this Contract shall comply with all applicable laws and the rules and regulations of all governmental agencies, municipal, county, state and federal, having jurisdiction in the premises.

(h) Amendment. This Contract shall not be amended, altered, changed, modified, supplemented or rescinded in any manner except by a written agreement executed by both parties.

(i) Authority. Each of the parties hereto represents to the other that each such party has full power and authority to execute, deliver and perform this Contract, that the individuals executing this Contract on behalf of said party are fully empowered and authorized to do so, that this Contract constitutes a valid and legally binding obligation of such party enforceable against such party in accordance with its terms, that such execution, delivery and performance will not contravene any legal or contractual restriction binding upon such party or any of its assets and that there is no legal action, proceeding or investigation of any kind now pending or to the knowledge of each such party threatened against or affecting such party or affecting the execution, delivery or performance of this Contract. Each of the parties hereto represents to the other that each such party is a duly organized, legal entity and is validly existing in good standing under the laws of the jurisdiction of its formation.

(j) Notices. All notices, statements, demands, requirements, or other communications and documents (collectively, "**Communications**") required or permitted to be given, served, or delivered by or to either party or any intended recipient under this Contract shall be in writing and shall be deemed to have been duly given (i) on the date and at the time of delivery if delivered personally to the party to whom notice is given at the address specified below; or (ii) on the date and at the time of delivery or refusal of acceptance of delivery if delivered or attempted to be delivered by an overnight courier service to the party to whom notice is given at the address specified below; or (iii) on the date of delivery or attempted delivery shown on the return receipt if mailed to the party to whom notice is to be given by first-class mail, sent by registered or certified mail, return receipt requested, postage prepaid and properly addressed as specified below; or (iv) on the date and at the time shown on the facsimile or electronic mail message if telecopied or sent electronically to the number or address specified below:

To Seller: PCY Holdings, LLC
Attention: Mark Harding
34501 E. Quincy Ave.
Bldg. 34, Box 10
Watkins, Colorado 80137
Telephone: (303) 292-3456
Facsimile: (303) 292-3475
E-mail: mharding@purecyclewater.com

with a copy to:

Fox Rothschild LLP
1225 17th Street, Suite 2200
Denver, CO 80202
Attention: Rick Rubin, Esq.
Telephone: (303) 292-1200
Email: rrubin@foxrothschild.com

To Purchaser: KB Home Colorado, Inc.
7807 E. Peakview Avenue, Suite 100
Centennial, CO 80111
Attn: Douglas Shelton & Cory Hunsader
Telephone: (303) 323-1141; (303) 323-1142
Email: dshelton@kbhome.com; chunsader@kbhome.com

with a copy to:

KB Home
5795 Badura Ave., Suite 180
Las Vegas, NV 89118
Attn: Anthony (Tony) Gordon & Marie Vozikis
Telephone: (702) 266-8422; (702) 266-8412
Email: acgordon@kbhome.com; mvozikis@kbhome.com

If to Title Company:

Land Title Guarantee Company
Attn: Derek Greenhouse
3033 E. 1st Ave. #600
Denver, Colorado 80206
Direct: (303) 331-6239
Email: dgreenhouse@ltgc.com

(k) Place of Business. This Contract arises out of the transaction of business in the State of Colorado by the parties hereto.

(l) Counterparts; Facsimile Signature. This Contract may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one (1) and the same instrument, and either of the parties hereto may execute this Contract by signing any such counterpart. This Contract may be executed and delivered by facsimile or by electronic mail in portable document format (.pdf) or similar means and delivery of the signature page by such method will be deemed to have the same effect as if the original signature had been delivered to the other party.

(m) Captions; Interpretation. The section captions and headings used in this Contract are inserted herein for convenience of reference only and shall not be deemed to define, limit or construe the provisions hereof. Purchaser and Seller acknowledge that each is a sophisticated builder or developer, as applicable, and that each has had an opportunity to review, comment upon and negotiate the provisions of this Contract, and thus the provisions of this Contract shall not be construed more favorably or strictly for or against either party. Purchaser and Seller each acknowledges having been advised, and having had the opportunity, to consult legal counsel in connection with this Contract and the transactions contemplated by this Contract.

(n) Number and Gender. When necessary for proper construction hereof, the singular of any word used herein shall include the plural, the plural shall include the singular and the use of any gender shall be applicable to all genders.

(o) Waiver. Any one (1) or more waivers of any covenant or condition by a party hereto shall not be construed as a waiver of a subsequent breach of the same covenant or condition nor a consent to or approval of any act requiring consent to or approval of any subsequent similar act.

(p) Binding Effect. Subject to the restrictions on assignment contained herein, this Contract shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

(q) Recordation. Purchaser shall not cause or allow this Contract or any memorandum or other evidence thereof to be recorded in the County Records or become a public record without Seller's prior written consent, which consent may be withheld at Seller's sole discretion. If Purchaser records this Contract, then Purchaser shall be in default of its obligations under this Contract.

(r) No Beneficiaries. No third parties are intended to benefit by the covenants, agreements, representations, warranties or any other terms or conditions of this Contract.

(s) Relationship of Parties. Purchaser and Seller acknowledge and agree that the relationship established between the parties pursuant to this Contract is only that of a seller and a purchaser of single-family lots. Neither Purchaser nor Seller is, nor shall either hold itself out to be, the agent, employee, joint venturer or partner of the other party.

(t) Interstate Land Sales Full Disclosure Act and Colorado Subdivision Developers Act Exemptions. It is acknowledged and agreed by the parties that the sale of the Property will be exempt from the provisions of the federal Interstate Land Sales Full Disclosure Act under the exemption applicable to sale or lease of property to any person who acquires such property for the purpose of engaging in the business of constructing residential, commercial or industrial buildings or for the purpose of resale of such property to persons engaged in such business. Purchaser hereby represents and warrants to Seller that it is acquiring the Property for such purposes. It is further acknowledged by the parties that the sale of the Property will be exempt under the provisions of the Colorado Subdivision Developers Act under the exemption applicable to transfers between developers. Purchaser represents and warrants to Seller that Purchaser is acquiring the Property for the purpose of participating as the owner of the Property in the development, promotion and sale of the Property and portions thereof.

(u) Special Taxing District Disclosure. In accordance with the provisions of C.R.S. §38-35.7-101(1), Seller provides the following disclosure to Purchaser: **SPECIAL TAXING DISTRICTS MAY BE SUBJECT TO GENERAL OBLIGATION INDEBTEDNESS THAT IS PAID BY REVENUES PRODUCED FROM ANNUAL TAX LEVIES ON THE TAXABLE PROPERTY WITHIN SUCH DISTRICTS. PROPERTY OWNERS IN SUCH DISTRICTS MAY BE PLACED AT RISK FOR INCREASED MILL LEVIES AND TAX TO SUPPORT THE SERVICING OF SUCH DEBT WHERE CIRCUMSTANCES ARISE RESULTING IN THE INABILITY OF SUCH A DISTRICT TO DISCHARGE SUCH INDEBTEDNESS WITHOUT SUCH AN INCREASE IN MILL LEVIES. PURCHASERS SHOULD INVESTIGATE THE SPECIAL TAXING DISTRICTS IN WHICH THE PROPERTY IS LOCATED BY CONTACTING THE COUNTY TREASURER, BY REVIEWING THE CERTIFICATE OF TAXES DUE FOR THE PROPERTY, AND BY OBTAINING FURTHER INFORMATION FROM THE BOARD OF COUNTY COMMISSIONERS, THE COUNTY CLERK AND RECORDER, OR THE COUNTY ASSESSOR.**

(v) Common Interest Community Disclosure. In accordance with the provisions of C.R.S. §38-35.7-102(1), Seller provides the following disclosure to Purchaser: **IF SELLER ELECTS TO FORM A HOMEOWNERS ASSOCIATION UNDER THE MASTER COVENANTS FOR THE DEVELOPMENT, THEN THE PROPERTY IS, OR WILL BE PRIOR TO EACH RESPECTIVE CLOSING, LOCATED WITHIN A COMMON INTEREST COMMUNITY AND IS, OR WILL BE PRIOR TO SUCH CLOSING, SUBJECT TO THE DECLARATION FOR SUCH COMMUNITY. THE OWNER OF THE PROPERTY WILL BE REQUIRED TO BE A MEMBER OF THE OWNER'S ASSOCIATION FOR THE COMMUNITY AND WILL BE SUBJECT TO THE BYLAWS AND RULES AND REGULATIONS OF THE ASSOCIATION. THE DECLARATION, BYLAWS, AND RULES AND REGULATIONS WILL IMPOSE FINANCIAL OBLIGATIONS UPON THE OWNER OF THE PROPERTY, INCLUDING AN OBLIGATION TO PAY ASSESSMENTS OF THE ASSOCIATION. IF THE OWNER DOES NOT PAY THESE ASSESSMENTS, THE ASSOCIATION COULD PLACE A LIEN ON THE PROPERTY AND POSSIBLY SELL IT TO PAY THE DEBT. THE DECLARATION, BYLAWS, AND RULES AND REGULATIONS OF THE COMMUNITY MAY PROHIBIT THE OWNER FROM MAKING CHANGES TO THE PROPERTY WITHOUT AN ARCHITECTURAL REVIEW BY THE ASSOCIATION (OR A COMMITTEE OF THE ASSOCIATION) AND THE APPROVAL OF THE ASSOCIATION. PURCHASERS OF PROPERTY WITHIN THE COMMON INTEREST COMMUNITY SHOULD INVESTIGATE THE FINANCIAL OBLIGATIONS OF MEMBERS OF THE ASSOCIATION. PURCHASERS SHOULD CAREFULLY READ THE DECLARATION FOR THE COMMUNITY AND THE BYLAWS AND RULES AND REGULATIONS OF THE ASSOCIATION.**

(w) Source of Water Disclosure. In accordance with the provisions of C.R.S. §38-35.7-104, Seller provides the following disclosure to Purchaser:

THE SOURCE OF POTABLE WATER FOR THIS REAL ESTATE IS:

A WATER PROVIDER, WHICH CAN BE CONTACTED AS FOLLOWS:

NAME: **Rangeview Metropolitan District**
ADDRESS: **c/o Special District Management Services, Inc.**
141 Union Blvd., Suite 150
Lakewood, Colorado 80228
WEB SITE: **www.rangviewmetro.org**
TELEPHONE: **303-987-0835**

SOME WATER PROVIDERS RELY, TO VARYING DEGREES, ON NONRENEWABLE GROUND WATER. YOU MAY WISH TO CONTACT YOUR PROVIDER TO DETERMINE THE LONG-TERM SUFFICIENCY OF THE PROVIDER'S WATER SUPPLIES.

(x) STORM WATER POLLUTION PREVENTION PLAN. Seller has previously filed a Notice of Intent ("**NOI**") and/or prepared a Stormwater Pollution Prevention Plan ("**SWPPP**") to satisfy its stormwater obligations arising from Seller's work on the Property. Seller covenants that prior to each Closing Date and until Closing of the Lots, Seller and/or its contractor shall comply with the SWPPP with respect to Seller's work on the Property, and shall comply with all local, state, and federal environmental obligations (including stormwater) associated with Seller's development work on the Property. Seller shall indemnify and hold Purchaser harmless from all claims and causes of action arising from breach of the foregoing covenants of Seller to the extent there is an uncured notice of violation issued with respect to any Lot prior to conveyance of such Lot to Purchaser. From and after conveyance of Lots, and until such time as such Lots are subject to Purchaser's SWPPP (as hereafter defined), Purchaser shall be solely responsible for complying with the SWPPP, installing and maintaining all required best management practices (**"BMPs**"), and conducting and documenting all required inspections. Purchaser shall also comply with all local, state, and federal environmental obligations (including stormwater) associated with its ownership of, development of, and construction on the Lots conveyed to Purchaser by Seller. Such obligations include, without limitation, (i) complying with the SWPPP or the Purchaser's SWPPP, as applicable, (ii) installing and maintaining all required BMPs associated with Purchaser's ownership of, development of, and construction on, the Lots (including without limitation silt fences), and (iii) conducting and documenting all required inspections. Purchaser covenants and Seller acknowledges that, with respect to Lots acquired by Purchaser, Purchaser shall, within ten (10) days after conveyance of such Lots, at its sole cost and expense (subject to Seller's prior written approval) submit its own notice of intent for a new stormwater pollution prevention plan (the "**Purchaser's SWPPP**"). Subsequent to the applicable Closing Date, Purchaser shall comply with the Purchaser's SWPPP with respect to all of the Lots then owned by Purchaser, and shall comply with all local, state, and federal environmental obligations (including stormwater) associated with its ownership of, development of, or construction on, all such Lots. Purchaser shall indemnify and hold Seller harmless from all third party claims and causes of action solely arising from breach of the foregoing covenants of Purchaser. Notwithstanding anything to the contrary, Seller is only responsible for complying with the SWPPP to the extent required to complete Seller's development work on the Property and is otherwise not obligated to install any other stormwater management facilities on the Lots, as shown in the CDs, including without limitation, any SWPPP work to be conducted by Purchaser, its successors and assigns.

(y) Oil, Gas, Water and Mineral Disclosure. THE SURFACE ESTATE OF THE PROPERTY MAY BE OWNED SEPARATELY FROM THE UNDERLYING MINERAL ESTATE, AND TRANSFER OF THE SURFACE ESTATE MAY NOT NECESSARILY INCLUDE TRANSFER OF THE MINERAL ESTATE OR WATER RIGHTS.

THIRD PARTIES MAY OWN OR LEASE INTERESTS IN OIL, GAS, OTHER MINERALS, GEOTHERMAL ENERGY OR WATER ON OR UNDER THE SURFACE OF THE PROPERTY, WHICH INTERESTS MAY GIVE THEM RIGHTS TO ENTER AND USE THE SURFACE OF THE PROPERTY TO ACCESS THE MINERAL ESTATE, OIL, GAS OR WATER.

SURFACE USE AGREEMENT. THE USE OF THE SURFACE ESTATE OF THE PROPERTY TO ACCESS THE OIL, GAS OR MINERALS MAY BE GOVERNED BY A SURFACE USE AGREEMENT, A MEMORANDUM OR OTHER NOTICE OF WHICH MAY BE RECORDED WITH THE COUNTY CLERK AND RECORDER.

OIL AND GAS ACTIVITY. OIL AND GAS ACTIVITY THAT MAY OCCUR ON OR ADJACENT TO THE PROPERTY MAY INCLUDE, BUT IS NOT LIMITED TO, SURVEYING, DRILLING, WELL COMPLETION OPERATIONS, STORAGE, OIL AND GAS, OR PRODUCTION FACILITIES, PRODUCING WELLS, REWORKING OF CURRENT WELLS, AND GAS GATHERING AND PROCESSING FACILITIES.

ADDITIONAL INFORMATION. PURCHASER IS ENCOURAGED TO SEEK ADDITIONAL INFORMATION REGARDING OIL AND GAS ACTIVITY ON OR ADJACENT TO THE PROPERTY, INCLUDING DRILLING PERMIT APPLICATIONS. THIS INFORMATION MAY BE AVAILABLE FROM THE COLORADO OIL AND GAS CONSERVATION COMMISSION.

(z) Property Tax Disclosure Summary. PURCHASER SHOULD NOT RELY ON SELLER'S CURRENT PROPERTY TAXES AS THE AMOUNT OF PROPERTY TAXES THAT PURCHASER MAY BE OBLIGATED TO PAY IN THE YEAR SUBSEQUENT TO PURCHASE. A CHANGE IN OWNERSHIP OR PROPERTY IMPROVEMENTS TRIGGERS REASSESSMENTS OF THE PROPERTY THAT COULD RESULT IN HIGHER PROPERTY TAXES. IF PURCHASER HAS ANY QUESTIONS CONCERNING VALUATION, CONTACT THE COUNTY PROPERTY APPRAISER'S OFFICE FOR INFORMATION.

(a a) Waiver of Jury Trial. TO THE EXTENT PERMITTED BY LAW, THE PARTIES HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVE, RELINQUISH AND FOREVER FORGO THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THE PROVISIONS OF THIS CONTRACT.

(bb) Confidentiality. Purchaser and Seller agree that, prior to each respective Closing, and thereafter if such Closing does not occur, all information relating to the Property that is the subject of such Closing, any reports, studies, data and summaries developed by Purchaser, and any information relating to the business of either party (together, the "**Confidential Information**") shall be kept confidential as provided in this section. Without the prior written consent of the other party, prior to the applicable Closing, the Confidential Information shall not be disclosed by Purchaser, Seller or their Representatives (as hereinafter defined) in any manner whatsoever, in whole or in part, except (1) to their Representatives who need to know the Confidential Information for the purpose of evaluating the Property and who are informed by Seller or Purchaser as applicable of the confidential nature thereof; (2) as may be necessary for Seller, Purchaser or their Representatives to comply with applicable laws, including, without limitation, governmental regulatory, disclosure, tax and reporting requirements (including, without limitation, any applicable reporting requirements for publicly traded companies); to comply with other requirements and requests of regulatory and supervisory authorities and self-regulatory organizations having jurisdiction over Seller, Purchaser or their Representatives; to comply with regulatory or judicial processes; or to satisfy reporting procedures and inquiries of credit rating agencies in accordance with customary practices of Seller, Purchaser or their affiliates; and (3) to lenders and investors for the transaction. As used herein, "**Representatives**" shall mean: Seller's and Purchaser's managers, members, directors, officers, employees, affiliates, investors, brokers, agents or other representatives, including, without limitation, attorneys, accountants, contractors, consultants, engineers, lenders, investors and financial advisors. Seller, at its election, may issue an oral or written press release or public disclosure of the existence or the terms of this Contract without the consent of the Purchaser. "**Confidential Information**" shall not be deemed to include any information or document which (I) is or becomes generally available to the public other than as a result of a disclosure by Seller, Purchaser or their Representatives in violation of this Contract, (II) becomes available from a source other than Seller, Purchaser or any affiliates of Seller or Purchaser or their agents or Representatives, or (III) is developed by Seller or Purchaser or their Representatives without reliance upon and independently of otherwise Confidential Information. In addition to any other remedies available to a party for breach of this Section, the non-breaching party shall have the right to seek equitable relief, including, without limitation, injunctive relief or specific performance, against the breaching party or its Representatives, in order to enforce the provisions of this section. The provisions of this section shall survive the termination of this Contract, or the applicable Closing, for one (1) year.

(cc) Survival. Obligations to be performed subsequent to a Closing shall survive each Closing.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Seller and Purchaser have executed this Contract effective as of the day and year first above written.

SELLER:

PCY HOLDINGS, LLC
a Colorado limited liability company

By: /s/ Mark Harding
Name: Mark Harding
Title: President
Date: 10.30.2020

PURCHASER:

KB HOME COLORADO, INC.,
a Colorado corporation

By: /s/ Randel D. Carpenter
Name: Randel D. Carpenter
Title: President
Date: 10.6.2020

LIST OF EXHIBITS

EXHIBIT A:	CONCEPTUAL DEVELOPMENT PLAN AND LOTTING DIAGRAM
EXHIBIT B:	RESERVATIONS AND COVENANTS
EXHIBIT C:	FINISHED LOT IMPROVEMENTS
EXHIBIT D:	FORM OF GENERAL ASSIGNMENT
EXHIBIT E:	FORM OF LOT DEVELOPMENT AGREEMENT
EXHIBIT F:	FORM OF TAP PURCHASE AGREEMENT
EXHIBIT G:	LOT DEVELOPMENT FEE SCHEDULE (CURRENT AS OF EFFECTIVE DATE)
EXHIBIT H:	FORM OF BUILDER DESIGNATION

EXHIBIT A

CONCEPTUAL DEVELOPMENT PLAN AND LOTTING DIAGRAM

Lots applicable to KB HOME COLORADO, INC. as Purchaser are those referenced as D. Anticipated Takedown Schedule is as follows: Quad 1, Quad 2, Quad 4, then Quad 3.

EXHIBIT B

RESERVATIONS AND COVENANTS

Reservation of Easements. For a period of twenty-five (25) years following the date hereof, Grantor expressly reserves unto itself, its successors and assigns, easements for construction of utilities and other facilities to support the development of the properties commonly known as "Sky Ranch," including but not limited to sanitary sewer, water lines, electric, cable, broad-band and telephone transmission, storm drainage and construction access easements across the Property allowing Grantor or its assignees the right to install and maintain sanitary sewer, water lines, cable television, broad-band, electric, and telephone utilities on the Property and on its adjacent property, and further, to accommodate storm drainage from its adjacent property. Such easements shall not allow above-grade surface installation of facilities and shall require the restoration of any surface damage or disturbance caused by the exercise of such easements, shall not be located within the building envelope of any Lot or otherwise interfere with the use of a Lot for construction of Grantee's homes, shall not materially detract from the value, use or enjoyment of (i) the remaining portion of the Property on which such easements are to be located, or (ii) any adjoining property of Grantee, and shall not require any reduction in allowed density for the Property or reconfiguration of planned lots or the building envelope on a lot. If possible, such easements shall be located within the boundaries of existing easement areas. Grantor, at its sole expense, shall immediately restore the land and improvements thereon to their prior condition to the extent of any damage incurred due to Grantor's utilization of the easements herein reserved.

Reservation of Minerals and Mineral Rights. To the extent owned by Grantor, Grantor herein expressly excepts and reserves unto itself, its successors and assigns, all right, title and interest in and to all minerals and mineral rights, including bonuses, rents, royalties, royalty interests and other benefits that may be payable as a result of any oil, gas, gravel, minerals or mineral rights on, in, under or that may be produced from the Property, including, but not limited to, all gravel, sand, oil, gas and other liquid hydrocarbon substances, casinghead gas, coal, carbon dioxide, helium, geothermal resources, and all other naturally occurring elements, compounds and substances, whether similar or dissimilar, organic or inorganic, metallic or non-metallic, in whatever form and whether occurring, found, extracted or removed in solid, liquid or gaseous state, or in combination, association or solution with other mineral or non-mineral substances, provided that Grantor expressly waives all rights to use or damage the surface of the Property to exercise the rights reserved in this paragraph and, without limiting such waiver, Grantor's activities in extracting or otherwise dealing with the minerals and mineral rights shall not cause disturbance or subsidence of the surface of the Property or any improvements on the Property.

Reservation of Water and Water Rights. To the extent owned by Grantor, Grantor herein expressly excepts and reserves unto itself, its successors and assigns, all water and water rights, ditches and ditch rights, reservoirs and reservoir rights, streams and stream rights, water wells and well rights, whether tributary, non-tributary or not non-tributary, including, but not limited to, all right, title and interest under C.R.S. 37-90-137 on, underlying, appurtenant to or now or historically used on or in connection with the Property, whether appropriated, conditionally appropriated or unappropriated, and whether adjudicated or unadjudicated, including, without limitation, all State Engineer filings, well registration statements, well permits, decrees and pending water court applications, if any, and all water well equipment or other personalty or fixtures currently used for the supply, diversion, storage, treatment or distribution of water on or in connection with the Property, and all water and ditch stock relating thereto; provided that Grantor expressly waives all rights to use or damage the surface of the Property to exercise the rights reserved in this paragraph and, without limiting such waiver, Grantor's activities in dealing with the water and water rights herein reserved shall not cause disturbance or subsidence of the surface of the Property or any improvements on the Property.

Reimbursements and Credits. Grantee shall have no right to any reimbursements and/or cost-sharing agreements pursuant to any agreements entered into between Grantor or any of Grantor's affiliates and third parties which may or may not affect the Property. In addition, Grantee acknowledges that Grantor, its affiliates or one (1) or more metropolitan district(s) have installed or may install certain infrastructure improvements ("Infrastructure Improvements") and/or donate, dedicate and/or convey certain rights, improvements and/or real property ("Dedications") to Arapahoe County ("County") or other governmental authority ("Authority") which benefit all or any part of the Property, together with adjacent properties, and which entitle Grantor or its affiliates and/or the Property or any part thereof to certain reimbursements by the County or other Authority or credits by the County or other Authority for park fees, open space fees, school impact fees, capital expansion fees and other governmental fees which would otherwise be required to be paid to the County or other Authority by the owner of the Property or any part thereof from time to time ("Governmental Fees"). In the event Grantee is entitled to a credit or waiver of Governmental Fees by the County and/or other Authority as a result of the Infrastructure Improvements and/or Dedications, then, in such event, Grantee shall pay to or reimburse Grantor and/or its designated affiliates in an amount equal to such credited or waived Governmental Fees at the same time that the Governmental Fees would otherwise be payable by Grantee or its assignees to the County or other Authority but for the construction of the Infrastructure Improvements and/or the Dedications by Grantor, its affiliates and/or metropolitan district(s). In addition, Grantee acknowledges that Grantee or its affiliate(s) may have negotiated or may negotiate with the County or other Authority for reimbursements to Grantor or its affiliates. Grantee acknowledges that certain Governmental Fees which may be paid by Grantee to the County or other Authority may be reimbursed to Grantor and/or its affiliates pursuant to the terms of said agreement. With respect to any particular Governmental Fee actually paid by Grantee to any Authority, Grantee shall not be obligated to pay or reimburse Grantor or its affiliates for such Governmental Fee.

The obligations and covenants set forth herein shall be binding on Grantee, its successors and assigns, and any subsequent owners of the Property, except that owners of a lot with a residence constructed thereon shall have no obligation for any reimbursements provided herein. The obligation for reimbursements described herein shall automatically terminate (without the necessity of recording any document) with respect to any lot as of the date of conveyance of such lot, together with a residence constructed thereon. Any title insurance company may rely on the automatic termination language set forth above for the purpose of insuring title to a home.

EXHIBIT C

FINISHED LOT IMPROVEMENTS

1. "Finished Lot Improvements" means the following improvements on, to or with respect to the Lots or in public streets or tracts in the locations as required by all approving Authorities to obtain building permits for home improvements for the Lots and issuance of certificates of occupancy for homes, and substantially in accordance with the CDs:

(a) overlot grading together with corner pins for each Lot installed in place, graded to match the specified Lot drainage template within the CDs (but not any Overex);

(b) water and sanitary sewer mains and other required installations in connection therewith identified in the CDs, valve boxes and meter pits, substantially in accordance with the CDs approved by the approving Authorities, together with appropriate markers;

(c) storm sewer mains, inlets and other associated storm drainage improvements pertaining to the Lots in the public streets as shown on the CDs;

(d) curb, gutter, asphalt, sidewalks, street striping, street signage, traffic signs, traffic signals (if any are required by the approving Authorities), and other street improvements, in the private and/or public streets as shown on the CDs; Seller will either have applied a final lift of asphalt or in Seller's discretion posted sufficient financial guarantees as required by the County for the Lots to qualify for issuance of building permits in lieu of such final lift of asphalt;

(e) sanitary sewer service stubs if required by the Authorities, connected to the foregoing sanitary sewer mains, installed into each respective Lot (to a point beyond any utility easement), together with appropriate markers of the ends of such stubs, as shown on the CDs;

(f) water service stubs connected to the foregoing water mains installed into each Lot (to a point beyond any utility easement), together with appropriate markers of the ends of such stubs, as shown on the CDs;

(g) Lot fill in compliance with the geotechnical engineer's recommendation, and with respect to any filled area or compacted area, provide from a Colorado licensed professional soils engineer a HUD Data Sheet 79G Certification (or equivalent) and a certification that the compaction and moisture content recommendations of the soils engineer were followed and that the grading of the respective Lots complies with the approved grading plans, with overlot grading completed in conformance with the approving Authorities approved grading plans within a +/- 0.2' tolerance of the approved grading plans; however, the Finished Lot Improvements do not include any Overex as provided in Section 10(e) of the Contract;

(h) all storm water management facilities as shown in the CDs; and

2. Dry Utilities. Electricity, natural gas, and telephone service will be installed by local utility companies. The installations may not be completed at the time of a Closing, and are not part of the Finish Lot Improvements; provided, however, that: (i) with respect to electric distribution lines and street lights, Seller will have signed an agreement with the electric utility service provider and paid all costs and fees for the installation of electric distribution lines and facilities to serve the Lots, and all sleeves necessary for electric, gas, telephone and/or cable television service to the Lots will be installed; (ii) with respect to gas distribution lines, Seller will have signed an agreement with the gas utility service provider and paid all costs and fees for the installation of gas distribution lines and facilities to serve the Lots. Seller will take commercially reasonable efforts to assist Purchaser in coordinating with these utility companies to provide final electric, gas, telephone and cable television service to the residences on the Lots, however, Purchaser must activate such services through an end user contract. Purchaser acknowledges that in some cases the telephone and cable companies may not have pulled the main line through the conduit if no closings of residences have occurred. Notwithstanding the foregoing, if dry utilities have not been installed upon Substantial Completion of the Finished Lot Improvements, Seller shall be obligated to have contracted for same and paid all costs and fees payable for such installation. Unless Seller has contracted for such installation and paid such costs before the Effective Date, Seller will give Purchaser notice when such contracts have been entered and such costs paid. With respect to any Finished Lot Improvements that are required by the subdivision improvement agreement applicable to the Lots but which are not addressed as part of the Finished Lot Improvements, and any other improvements which are not required for the issuance of building permits but which are required by the Authorities so that Homes and other improvements constructed by Purchaser on the Lots are eligible for the issuance of certificates of occupancy, Seller shall complete such other improvements, to the extent required by the County or other Authority, so as not to delay the issuance of certificates of occupancy for residences constructed by Purchaser on the Lots.

3. Tree Lawns/Sidewalks. Notwithstanding anything in the Contract to the contrary, Seller shall have no obligation to construct, install, maintain or pay for the maintenance, construction and installation of (i) any landscaping or irrigation for such landscaping behind the curb on any Lot that is to be maintained by the owner of such lot (collectively, "**Tree Lawns**"), but Seller shall be responsible for constructing and installing the detached sidewalks and ramps (collectively, "**Sidewalks**") that are located immediately adjacent to any Lot or on a tract as required by the approved CDs, County, or any other Authority and/or applicable laws as provided in this Contract. Purchaser shall be responsible for installing any other lead walks, pathways, and driveways and any other flatwork on the Lots. Purchaser shall install all Tree Lawns on or adjacent to the Lots in accordance with all applicable CDs, requirements, regulations, laws, development codes and building codes of all Authorities.

4. Warranty.

(a) Government Warranty Period. The Authorities require warranties (each a "**Governmental Warranty**") for periods of time after the final completion (each a "**Government Warranty Period**") that is applicable to certain Finished Lots Improvements that are dedicated to or owned, and accepted for maintenance by the Authorities (the "**Public Improvements**"). In the event a claim is made under a Governmental Warranty or a defect in the Public Improvements is discovered or becomes apparent during the applicable Government Warranty Period, then Seller shall coordinate the repairs with the applicable Authorities and cause the service provider(s) who performed the work or supplied the materials in which the defect(s) appear to complete such repairs or, if such service providers fail to correct such defects, otherwise cause such defects to be repaired to the satisfaction of the Authorities. Any costs and expenses incurred pursuant to a Government Warranty in connection with any repairs or warranty work performed during the Government Warranty Period (including, but not limited to, any costs or expenses incurred to enforce any warranties against any service providers) shall be borne by Seller, unless such defect was caused by Purchaser or its contractors, subcontractors, employees, or agents, in which event Purchaser shall pay all such costs and expenses to the extent such defect was caused by Purchaser or its contractors, subcontractors, employees, or agents.

(b) Non-Government Warranty Period. Seller warrants ("**Non-Government Warranty**") to Purchaser that each Finished Lot Improvement, other than the Public Improvements, shall have been constructed in accordance with the CDs and other applicable Entitlements for one (1) year from the date of Substantial Completion of the Improvement (the "**Non-Government Warranty Period**"). If Purchaser delivers written notice to Seller of breach of the Non-Government Warranty during the Non-Government Warranty Period, then Seller shall coordinate the corrections with Purchaser and cause the service provider(s) who performed the work or supplied the materials in which the breach of Non-Government Warranty appears to complete such corrections or, if such service providers fail to make such corrections, otherwise cause such corrections to be made to the reasonable satisfaction of Purchaser. Any costs and expenses incurred in connection with a breach of the Non-Government Warranty shall be borne by Seller (including, but not limited to, any costs or expenses incurred to enforce any warranties against service providers), unless such breach was caused by Purchaser or its contractors, subcontractors, employees, or agents, in which event Purchaser shall pay all such costs and expenses to the extent the breach was caused by Purchaser or its contractors, subcontractors, employees, or agents.

(c) EXCEPT AS EXPRESSLY PROVIDED IN THIS SECTION 4 OF THIS EXHIBIT C AND ELSEWHERE IN THE CONTRACT OR OTHER CLOSING DOCUMENTS ENTERED BY SELLER AT OR PRIOR TO CLOSING, SELLER MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND TO PURCHASER IN RELATION TO THE FINISHED LOT IMPROVEMENTS, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF HABITABILITY, MERCHANTABILITY, OR FITNESS FOR ANY PARTICULAR PURPOSE, AND EXPRESSLY DISCLAIMS ALL OF THE SAME AND SHALL HAVE NO OBLIGATION TO REPAIR OR CORRECT AND SHALL HAVE NO LIABILITY OR RESPONSIBILITY WITH RESPECT TO ANY DEFECT IN IMPROVEMENTS FOR WHICH NO CLAIM IS ASSERTED DURING THE APPLICABLE WARRANTY PERIOD.

EXHIBIT D

FORM OF GENERAL ASSIGNMENT

GENERAL ASSIGNMENT

Reference is hereby made to that certain Purchase and Sale Agreement dated as of _____, 20__ (the "Agreement"), pursuant to which PCY HOLDINGS, LLC, a Colorado limited liability company ("Seller"), has agreed to sell to KB HOME COLORADO, INC., a Colorado corporation ("Purchaser"), certain property as described in the Agreement.

For good and valuable consideration, the receipt of which is hereby acknowledged, Seller hereby assigns and transfers to Purchaser on a non-exclusive basis, Seller's right, title and interest (but not any obligations, all of same remaining with Seller) in the following as the same relate solely to that certain property legally described on **Exhibit A** attached hereto and incorporated herein by this reference (the "Property"), and to the extent the same are assignable: (i) all subdivision agreements, development agreements, and entitlements; (ii) all construction plans and specifications; (iii) all construction and other warranties and indemnities including any and all warranties from all contractors and service provider(s) who performed work or supplied materials for the Property and the Development; and (iv) all development rights benefiting the Property.

IN WITNESS WHEREOF, Seller has executed this General Assignment as of _____, 20__.

SELLER:

PCY HOLDINGS, LLC,
a Colorado limited liability company

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT E

FORM OF LOT DEVELOPMENT AGREEMENT

[TO BE INSERTED BY AGREEMENT OF THE PARTIES IN ACCORDANCE WITH SECTION 5(c)(i) OF THE CONTRACT]

EXHIBIT F

FORM OF TAP PURCHASE AGREEMENT

TAP PURCHASE AGREEMENT
(Sky Ranch)

THIS TAP PURCHASE AGREEMENT ("**Agreement**"), dated as of the _____ day of _____, 20___ (the "**Effective Date**"), by and between Rangeview Metropolitan District, a quasi-municipal corporation and political subdivision organized and existing under the constitution and laws of the State of Colorado, acting by and through its water activity enterprise, with the address of 141 Union Boulevard, Suite 150, Lakewood, CO 80228 ("**Rangeview**"), and KB HOME COLORADO, INC., a Colorado corporation, with the address of 7807 E. Peakview Avenue, Suite 300, Centennial, CO 80111 (the "**Company**"). Rangeview and the Company are sometimes hereafter referred to collectively as the "Parties," and either of them may sometimes hereafter be referred to as a "Party".

RECITALS

A. Company is a party to a Contract for Purchase and Sale of Real Estate (the "**Contract**") for certain property located within the development commonly known as Sky Ranch, County of Arapahoe, State of Colorado, as generally depicted on **Exhibit A** attached hereto and made a part of this Agreement (the "**Property**") and as more particularly described in said Contract.

B. The Property is now undeveloped.

C. Rangeview is authorized to provide water and wastewater services to the Property and the Company desires to obtain such services from Rangeview to allow development of the Property to proceed.

D. Company desires to acquire and use the Property for the construction of approximately one hundred seventy-two (172) single family residential homes, which are to be developed in phases as generally outlined on **Exhibit A**, in compliance with applicable zoning, building, and other laws, rules, and regulations.

E. Rangeview has certain existing water and wastewater infrastructure, and plans to construct additional infrastructure, to provide water and wastewater services at the Property and to other customers.

F. Company desires to purchase from Rangeview water and wastewater taps to serve the Property with the revenue from said purchases to be available to Rangeview in consideration of Rangeview providing water and wastewater services to the Property.

G. The execution of this Agreement will serve a public purpose and promote the health, safety, prosperity, and general welfare of present and future residents and landowners by providing for the planned and orderly extension of water and wastewater services to the Property by Rangeview.

COVENANTS

In consideration of the recitals, the mutual promises and covenants contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Rangeview and Company agree as follows:

ARTICLE I
DEFINITIONS AND INTERPRETATIONS

Section 1.1. Definitions. As used in this Agreement, the words defined below and capitalized throughout the text of this Agreement shall have the respective meanings set forth below:

Agreement: This Tap Purchase Agreement and any amendment to it made in accordance with Section 6.9 below.

Board: The duly constituted Board of Directors of Rangeview.

Company: A Party to this Agreement as described above.

Event of Default: One of the events or the existence of one of the conditions set forth in Section 5.1 below.

Lot: Lot means a single family residential building lot as shown on a final subdivision plat of the Property which designates a unique block and lot number to the Lot.

Person: Any individual, corporation, limited liability company, joint venture, estate, trust, partnership, association, or other legal entity.

Plans: The plans, documents, drawings, and specifications for the engineering, design, surveying, construction, installation, or acquisition of any water and wastewater improvements; including any addendum, change order, revision, or modification affecting the same.

Property: The real property as described above.

Rangeview: A Party to this Agreement as described above.

Residential Unit: One single family residential dwelling unit.

Rules and Regulations: The duly adopted rules, regulations, bylaws, resolutions, policies and procedures of Rangeview governing water and wastewater service, fees and charges, and other matters; effective as of the Effective Date and as may be amended from time to time.

SFE: An SFE shall mean one single family equivalent unit of water or wastewater demand as defined in the Rules and Regulations. Absent unusual circumstances, one SFE is a single family detached residence with an assumed water demand of 0.4 acre feet of water per year, provided with a three-quarter inch water service line and meter, and with a typical balance of in-house and outside water usage. The average wastewater demand for one SFE is 180 gallons of domestic-strength wastewater per day.

Systems: The water and wastewater systems of Rangeview, consisting of the facilities, supplies, assets, and appurtenant property rights owned or directly controlled by Rangeview, which are used and useful to Rangeview to provide water and wastewater services to the Property and other customers but not including the service lines and any other facilities owned by individual customers as established in the Rules and Regulations. The water system may be referred to herein as the "Water System"; the wastewater system may be referred to herein as the "Wastewater System"; and together they may be referred to as the "Water and Wastewater Systems".

System Development Charges. Collectively, the Water System Development Charges and the Wastewater System Development Charges.

Tap: The physical connection to Rangeview's Water or Wastewater Systems which is authorized by sequentially numbered Water and/or Wastewater Tap Licenses issued by Rangeview for the same.

Tap License: The Tap License issued by Rangeview that acknowledges the receipt of payment of Water System Development Charges and/or Wastewater System Development Charges, along with applicable Administrative Fees, as provided for in the Rules and Regulations, for a specific Lot within the Property.

Wastewater System Development Charge: The Wastewater System Development Charges paid to Rangeview as provided in Section 3.1 below for the right to make a Tap and obtain domestic wastewater service from Rangeview

Water System Development Charge: The Water System Development Charges paid to Rangeview as provided in Section 3.1 below for the right to make a Tap and obtain potable and/or non-potable water service from Rangeview.

Section 1.2. Interpretation. In this Agreement, unless the context otherwise requires:

(a) All definitions, terms, and words shall include both the singular and plural.

(b) Words of the masculine gender include correlative words of the feminine and neuter genders.

(c) The captions or headings of this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provision, article, or section of this Agreement.

(d) The Recitals set forth above are incorporated herein by this reference.

ARTICLE II
WATER AND WASTEWATER SYSTEMS

Section 2.1. Construction of Certain On-Site and Off-Site Water and Wastewater Systems. Rangeview has or shall cause the construction and installation of the Water and Wastewater Systems as needed to serve customers when needed within the boundaries of the Property.

Section 2.2. Ownership, Operation and Use of Water and Wastewater Systems. The Water and Wastewater Systems, shall be owned, operated, and maintained by Rangeview. The Company's payment of System Development Charges shall not be deemed to give Company any ownership right in any of the Water and Wastewater Systems. The Water and Wastewater Systems shall be available for the use of all persons in accordance with the Rules and Regulations. The proceeds of System Development Charges may be used, in the discretion of the Board, for capital, debt service, operation, maintenance of Water and Wastewater Systems, payment of other costs, fees and charges payable by Rangeview, and other lawful purposes.

Section 2.3. Administration of Water and Wastewater Systems. Rangeview shall establish all rates, fees, tolls, penalties, and charges for the use of the Water and Wastewater Systems. Unless otherwise expressly specified in this Agreement, service to the Property shall be subject to all duly promulgated rates, rules, regulations, and policies of Rangeview adopted and applied (within its powers and limitations) on a nondiscriminatory basis for similarly situated customers.

ARTICLE III
SYSTEM DEVELOPMENT CHARGES

Section 3.1. Water and Wastewater System Development Charges.

(a) Subject to the terms hereof, Rangeview hereby agrees to sell to Company, and Company hereby agrees to purchase from Rangeview (if and when Company secures building permits for the applicable lots within the Property, Company not having any obligation to secure building permits by any date(s) specific), Tap Licenses for (___) [insert number – should be about 188] Residential Units to be located on the Property.

(b) The use of Tap Licenses and the connection of the Taps shall be subject to all applicable Rules and Regulations, including the requirement for construction by Company at its cost of the "Service Lines" as defined in the Rules and Regulations except as may otherwise be specifically provided for in this Agreement.

(c) System Development Charges per Lot shall be calculated in accordance with the Rules and Regulations The System Development Charges applicable to any particular Lot shall be paid in accordance with the schedule provided for below at Section 3.2. The System Development Charges may increase or decrease prior to issuance of any Tap License, and Company shall pay the amount of the System Development Charge in effect at the time of payment.

(d) Additional Charges. In addition to System Development Charges, Rangeview charges certain administrative fees as outlined in **Exhibit B** that includes a meter/meter set fee, inspection fee, and account set up fee (the "**Administrative Fees**") along with periodic service charges, usage fees, and other rates, fees, charges and assessments as provided for in the Rules and Regulations and consistent with the District's Service Plan, as may be amended from time to time. Such rates, fees, charges and assessments shall be imposed by Rangeview in such amounts as may be determined by its board of directors on a nondiscriminatory basis for similarly situated customers within their respective powers and limitations.

(e) Additional Lots. This Agreement does not obligate Rangeview to extend water and wastewater services to additional lots beyond those specified in Section 3.1(a). Nothing herein shall be deemed or construed to limit Company's ability to obtain water and wastewater services from Rangeview, consistent with the Rules and Regulations, for additional lots located off the Property and where Rangeview has the right to provide such services.

Section 3.2. Schedule for Payment, Changes in Fees.

(a) Payments. Company shall pay the total amount due for System Development Charges and Administrative Fees, as described in Section 3.1(d) above, applicable to a specific Lot not later than the time of issuance of a building permit for the construction of a Residential Unit on said Lot. Payments shall be made by check, to the address specified by Rangeview, or by wire transfer, with routing information as specified by Rangeview.

(b) Changes in Rates, Fees, and Charges. Changes to the System Development Charges, Administrative Fees, or other rates, fees, charges and assessments by Rangeview will become effective, including for Tap Licenses thereafter purchased by the Company under this Agreement, after the Board of Directors adopts and approves such new fees in a publicly noticed meeting of the Board.

Section 3.3. Allocation of Taps. Each Tap License purchased by Company shall be allocated to a Lot within the Property as required by the Rules and Regulations. The SFE allocation for each Lot shall be commensurate with the anticipated demands on the Water and Wastewater Systems as provided in the Rules and Regulations.

Section 3.4. Service Upon Payment. With respect to any Residential Unit, Rangeview will permit a Tap connection only upon payment by Company of the System Development Charge and the Administration Fee provided for in this Agreement.

Section 3.5. Expiration of SFE. If Company fails to use any Tap License purchased from Rangeview by connecting the Tap authorized by such Tap License within one (1) year after the date of purchase, Company's rights to use such Tap License shall expire pursuant to the Rules and Regulations. Although Company is not entitled to a refund of any System Development Charges previously paid, Company shall be entitled to a credit in the amount of those charges previously paid towards the amount of the then-current System Development Charges due and payable at the time any subsequent application is made to purchase a Tap License for service to said Lot.

Section 3.6. License's Non-Transferable, Exception. Company shall not reallocate any Tap License allocated to one Lot on the Property to another Lot without the consent of Rangeview.

Section 3.7. Liability for Service Fee. The then-current owner of the Lot for which the License was furnished shall be liable for payment of all service fees and system operation fees (including minimum service fees, if any) assessed by Rangeview (within its powers and limitations) on a nondiscriminatory basis for similarly situated customers with respect to the particular Tap License purchased.

ARTICLE IV
REPRESENTATIONS, WARRANTIES, AND COVENANTS

Section 4.1. Company Representations. In addition to the other representations, warranties, and covenants made by Company in this Agreement, Company makes the following representations, warranties, and covenants to Rangeview.

(a) Upon purchase of the Property, Company will have good and marketable title to the Property.

(b) Company has the full right, power, and authority to enter into, perform, and observe this Agreement.

(c) Neither the execution of this Agreement, the consummation of the transactions contemplated under it, nor the fulfillment of or the compliance with the terms and conditions of this Agreement by Company will conflict with or result in a breach of any terms, conditions, or provisions of, or constitute a default under, or result in the imposition of any prohibited lien, charge, or encumbrance of any nature under any agreement, instrument, indenture, or any judgment, order, or decree to which Company is a party or by which the Company or the Property are bound.

Section 4.2. Rangeview Representations. In addition to the other representations, warranties, and covenants made by the Rangeview in this Agreement, Rangeview makes the following representations, warranties, and covenants to Company:

(a) Rangeview is authorized under the Constitution and laws of the State of Colorado to execute this Agreement and perform its obligations under this Agreement, and all action on its part for the execution and delivery of this Agreement has been or will be duly and effectively taken.

(b) Rangeview has the right, power, and authority to enter into, perform, and observe this Agreement and to allocate Tap Licenses to Lots on the Property and no third-party consent or approval is required for the performance of the Rangeview's obligations hereunder.

(c) Neither the execution of this Agreement, the consummation of the transactions contemplated under it, nor the fulfillment of or the compliance with the terms and conditions of this Agreement by Rangeview will conflict with or result in a breach of any terms, conditions, or provisions of, or constitute a default under, or result in the imposition of any prohibited lien, charge, or encumbrance of any nature under any agreement, instruction, indenture, resolution, or any judgment, order, or decree of any court to which Rangeview is a Party or by which Rangeview is bound.

(d) To Rangeview's actual knowledge, based on the representations of the Company, as of the date hereof, the number of SFEs identified in Section 3.1(a) are sufficient under the Rules and Regulations of Rangeview for servicing the proposed Residential Units; however, Company is responsible for determining the sufficiency of said number of SFEs for Company's use on the Property and if additional SFEs are needed, Company shall acquire the same from Rangeview.

(e) Rangeview has or shall cause the construction and installation of the Water and Wastewater Systems as needed to serve customers when needed within the boundaries of the Property.

Section 4.3. Instruments of Further Assurance. To the extent allowed by applicable law, Rangeview and Company covenant that they will do, execute, acknowledge, and deliver or cause to be done, executed, acknowledged, and delivered, such acts, instruments, and transfers as may reasonably be required for the performance of their obligations under this Agreement.

ARTICLE V
DEFAULT, REMEDIES, AND ENFORCEMENT

Section 5.1. Events of Default. The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an Event of Default under this Agreement:

(a) Failure of the Company to pay any System Development Charges, and/or service fees when the same shall become due and payable as provided in this Agreement or, as applicable, under the applicable Rules and Regulations of Rangeview. The non-payment of any amount due hereunder when due, if such failure continues for a period of ten (10) business days after the delivery of written notice from Rangeview to Company, shall constitute a default.

(b) Failure to perform or observe any other of the material covenants, agreements, or conditions in this Agreement, if such failure continues for a period of ten (10) business days after the delivery of written notice from Rangeview to Company as provided in Section 5.4;

(c) The failure of any material representation or warranty made in this Agreement, if such representation or warranty is not remedied within a period of ten (10) business days after the delivery of written notice from Rangeview to Company as provided in Section 5.4;

Section 5.2. Occurrence of Event of Default by Company Results in Forfeiture. Upon the occurrence of an Event of Default by Company, after written notice by Rangeview to the Company and opportunity to cure as provided in Section 5.5, and at the election of Rangeview, in its sole discretion, Company's rights to purchase additional SFEs for which System Development Charges have not been received by Rangeview shall be suspended until the Event of Default is cured; provided, that such suspension shall not act to terminate the provision of water and wastewater service for which System Development Charges have been paid.

Section 5.3. Remedies on Occurrence of Events of Default.

(a) Upon the occurrence of an Event of Default by Company, after written notice by Rangeview to the Company and opportunity to cure as provided in Section 5.4, Rangeview shall have the following rights and remedies:

(i) To shut off or discontinue water and/or wastewater service, in accordance with law and the Rules and Regulations, to those Lots owned by Company for which service fees have not been paid or that otherwise are not compliant with the Rules and Regulations.

(ii) To protect and enforce its rights under this Agreement and any provision of law by such suit, action, or special proceedings as Rangeview shall deem appropriate, including, without limitation, any proceedings for the specific performance of any covenant or agreement contained in this Agreement or the enforcement of any other appropriate legal or equitable remedy, or for the recovery of damages caused by breach of this Agreement, including reasonable attorneys' fees and all other costs and expenses incurred in enforcing this Agreement;

(iii) To enforce collection of any amount due to Rangeview by collection upon its perpetual lien against the property served as provided in C.R.S. § 32-1-1001(1)(j) or (k) whether the amounts are due for property within or without the district boundary of Rangeview;

(iv) To suspend Company's rights to purchase additional SFEs under this Agreement as provided for in Section 5.2; and

(v) If an Event of Default is also a violation of the Rules and Regulations of Rangeview, then Rangeview shall have all remedies available to them to enforce the Rules and Regulations in addition to the remedies provided under this Agreement.

(b) Upon the occurrence of an Event of Default by Rangeview, after written notice by the Company and opportunity to cure as provided in Section 5.5, the Company is entitled to such remedies at law or in equity that are available to it; provided, that such default shall not act to terminate the provision of water and wastewater service to a Lot owner for which a valid Tap License has been obtained and water and wastewater service fees have been paid.

(c) Delay or Omission No Waiver. No delay or omission of Rangeview or Company to exercise any right or power accruing upon any Event of Default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such Event of Default, or acquiescence in the Event of Default.

Section 5.4. No Waiver of One Default to Affect Another; All Remedies Cumulative; Notice and Opportunity to Cure. No waiver of any Event of Default under this Agreement by Rangeview or Company shall extend to or affect any subsequent or any other then-existing Event of Default or shall impair any rights or remedies available for such other Event of Default. All rights and remedies of Rangeview and Company whether or not provided in this Agreement, may be exercised following notice and an opportunity to cure such default within ten (10) business days, shall be cumulative, may be exercised separately, concurrently, or repeatedly, and the exercise of any such right or remedy shall not affect or impair the exercise of any other right or remedy.

Section 5.5. No Effect on Rights. No recovery of any judgment by Rangeview shall in any manner or to any extent affect any rights, powers, or remedies of Rangeview or Company under this Agreement, but such rights, powers, and remedies of Rangeview or Company shall continue unimpaired as before. No moratorium shall impair the rights of Rangeview or Company hereunder.

Section 5.6. Discontinuance of Proceedings on Default; Position of Parties Restored. In case Rangeview or Company shall have proceeded to enforce any right under this Agreement and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to Rangeview or Company, then and in every such case Rangeview and Company shall be restored to their former positions and rights hereunder (unless Rangeview shall have exercised its right to terminate or rescind this Agreement), and, except as may be barred by res judicata, all rights, remedies, and powers of Rangeview and the Company shall continue as if no such proceedings had been taken.

Section 5.7. Unconditional Obligation. The obligations of Company to pay the System Development Charges as provided for herein shall be absolute and unconditional and shall be binding and enforceable in all circumstances and shall not be subject to setoff or counterclaim (unless Rangeview is in default hereunder).

ARTICLE VI
MISCELLANEOUS PROVISIONS

Section 6.1. Effective Date. Upon the execution by both Parties of this Agreement, this Agreement shall be in full force and effect and be legally binding upon each Party on the date first written above.

Section 6.2. Time of the Essence. Time is of the essence under this Agreement. If the last day permitted or the date otherwise determined for the performance of any act required or permitted under this Agreement falls on a Saturday, Sunday or legal holiday, the time for performance shall be the next succeeding weekday that is not a holiday, unless otherwise expressly stated.

Section 6.3. Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any Person other than Rangeview and the Company, any right, remedy, or claim under or by reason of this Agreement or any covenants, terms, conditions, or provisions hereof, and all the covenants, terms, conditions, and provisions in this Agreement by and on behalf of Rangeview and Company shall be for the sole and exclusive benefit of Rangeview and the Company. The covenants, terms, conditions, and provisions contained herein and all amendments of this Agreement shall inure to and be binding upon the heirs, personal representatives, successors and assigns of the Parties hereto, provided that any assignment that requires consent as provided in Section 6.4 hereof has been consented to by Rangeview.

Section 6.4. Assignment. Except as provided in Section 3.6, Company shall not assign its rights or obligations (in whole or in part) under this Agreement without the prior written consent of Rangeview. Any other assignment of this Agreement without written consent by Rangeview and resolution by the Board shall be void. Except for an assignment by Rangeview to another municipal, quasi-municipal, or political subdivision that is a water and/or wastewater service provider, Rangeview shall not assign its rights or obligations (in whole or in part) under this Agreement without the prior written consent of Company.

Section 6.5. Impairment of Credit. None of the obligations of Company hereunder shall impair the credit of Rangeview. Rangeview shall be able to rely upon the timely performance of the obligations by Company to pay for Taps as herein provided.

Section 6.6. Notices. Except as otherwise provided herein, any notice or other communication required to be given hereunder will be in writing and delivered personally, sent by United States certified mail, return receipt requested, by reputable overnight courier, or by facsimile, in each case addressed to the Party to receive such notice at the following addresses:

If to District:
Rangeview Metropolitan District
Attn: Manager
141 Union Boulevard Suite 150,
Lakewood, Colorado 80228
E-mail: ljohnson@SDMI.com

with a copy to:
Rangeview Metropolitan District
Attn: Mark Harding, President
34501 East Quincy Ave., Bldg. 34, Box 10
Watkins, Colorado 80137
Facsimile No: (303)292-3475
E-mail: mharding@purecyclewater.com

If to Company:
KB Home Colorado, Inc.
7807 E. Peakview Avenue, Suite 300
Centennial, CO 80111
Attn: Douglas Shelton & Cory Hunsader
Telephone: (303) 323-1141; (303) 323-1142
Email: dshelton@kbhome.com; chunsader@kbhome.com

With a copy to:
KB Home
5795 Badura Ave., Suite 180
Las Vegas, NV 89118
Attn: Anthony (Tony) Gordon & Marie Vozikis
Telephone: (702) 266-8422; (702) 266-8412
Email: acgordon@kbhome.com; mvozikis@kbhome.com

Any notice delivered personally will be deemed given on receipt; any notice delivered by mail will be deemed given three business days after the deposit thereof in the United States mail with adequate postage prepaid; any notice delivered by overnight courier will be deemed given one business day after the same has been deposited with the courier, with delivery charges prepaid; and any notice given by facsimile will be deemed given on receipt by the recipient's facsimile facilities.

Section 6.7. Severability. If any covenant, lkterm, condition, or provision under this Agreement shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such covenant, term, condition, or provision shall not affect any other provision contained in this Agreement, the intention being that such provisions are severable.

Section 6.8. Venue. Exclusive venue for all actions arising from this Agreement shall be in the District Court in and for Arapahoe County, Colorado.

Section 6.9. Amendment. This Agreement may be amended from time to time by agreement between Rangeview and Company; provided, however that no amendment, modification, or alteration of the terms or provisions of this Agreement shall be binding upon Rangeview or Company unless the same is in writing and duly executed by Rangeview and Company.

Section 6.10. Entirety. This Agreement, together with the recitals and exhibits attached hereto, constitutes the entire contract between Rangeview and Company concerning the subject matter herein, and all prior negotiations, representations, contracts, understandings, or agreements pertaining to such matters are merged into and superseded by this Agreement.

Section 6.11. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Colorado.

Section 6.12. Attorneys' Fees. Should any action be brought in connection with this Agreement, including, without limitation, actions based on contract, tort or statute, the prevailing party in such action shall be awarded all costs and expenses incurred in connection with such action, including reasonable attorneys' fees, plus interest at a rate of 18% per annum on all said costs from the date of expenditure. The provisions of this Paragraph 6.12 shall survive purchase of all Taps by Company, or the expiration or termination of this Agreement.

[Signature pages follow]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the date first written above:

COMPANY:

KB HOME COLORADO, INC.
a Colorado corporation

By: _____
Name: _____
Its: _____

RANGEVIEW:

RANGEVIEW METROPOLITAN DISTRICT,
a Colorado quasi-municipal corporation and political subdivision acting by and through its water enterprise

By: _____
President

ATTEST:

By: _____
Secretary

EXHIBIT A

To Tap Purchase Agreement

[Diagram of Property]

EXHIBIT B

to Tap Purchase Agreement

RANGEVIEW RATES AND CHARGES

Being Appendices C and E of the Rules and Regulations

(Current as of the Effective Date)

EXHIBIT G

SKY RANCH LOT DEVELOPMENT FEE SCHEDULE
(CURRENT AS OF __/__/20__)

Fee Description	Timing	Contact Information
System Development Fees (Tap Fees) (Issued to Rangeview Metropolitan District) Water Tap Fee per unit= $27,209 (for 1 SFE lot) Wastewater Tap Fee per unit= $4,752 Meter Set Fee (3/4") per unit or irrigated area = $408.23 Service Line Inspection Fee per meter= $75.00	Building Permit	Brent Brouillard 303-292-3456 bbrouillard@purecyclewater.com
Public Improvement Fee (Issued to Sky Ranch CAB) 2.75% of 50% of construction valuation per lot	Building Permit	Rick Dinkel 303-292-3475 rdinkel@purecyclewater.com
Fire Development Fee (Issued to Bennett-Watkins Fire) $1,500/lot	Building Permit	Life Safety Assistant/Fire Inspector Victoria Flamini 355 4th Street Bennett, CO 80102 303-644-3572
Operations & Maintenance Fee (Issued to Sky Ranch CAB) $50/month per lot (prorated to $25 for builder owned lots) $100 One-time turnover fee	Substantial Completion of Lot	Rick Dinkel 303-292-3475 rdinkel@purecyclewater.com
Stormwater Management Co-Op (Issued to Pure Cycle) $500/lot	Takedown Closing	Robert McNeill 303-292-3475 rmcneill@purecyclewater.com

Marketing Co-Op (Issued to Pure Cycle) $1,000/lot	Takedown Closing	Robert McNeill 303-292-3475 rmcneill@purecyclewater.com
Public Improvement District – TBD Additional mill levies for regional improvements such as I70 interchange, Schools, 1st Creek Bridges, Rec Center, etc. will be required Objective is for Phase 2 total mill levies not to exceed Phase 1 total mill levies	Building Permit	TBD

EXHIBIT H

FORM OF BUILDER DESIGNATION

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:
KB Home
5795 W. Badura Avenue, Suite 180
Las Vegas, Nevada 89118
Attn: Anthony Gordon, Esq.

DESIGNATION OF BUILDER

THIS DESIGNATION OF BUILDER (this "**Designation**") is made and entered into this ____ day of _____ 20__ (the "**Effective Date**"), by and between **PCY HOLDINGS, LLC**, a Colorado limited liability company ("**Developer**"), whose address is 34501 E. Quincy Ave, Bldg. 34, Box 10, Watkins, CO 80137, and **KB HOME COLORADO INC.**, a Colorado corporation ("**KB**"), whose legal address is 7807 East Peakview Avenue, Suite 300, Centennial, Colorado 80111.

RECITALS

A. Developer is a Developer under the Covenants, Conditions and Restrictions for Sky Ranch, recorded in the real property records of Arapahoe County, Colorado (the "**Records**") on August 10, 2018 at Reception No. D8079588 (the "**Covenants**").

B. On the Effective Date, KB has acquired from Developer a portion of the Property (as defined in the Covenants) that is subject to the Covenants, which portion is more particularly described on **Exhibit A** attached hereto and incorporated herein by this reference (the "**Builder Property**").

C. Developer desires to designate KB as a Builder under the Covenants in conjunction with KB's purchase of the Builder Property from Developer, as set forth herein.

DESIGNATION

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Developer and KB agree as follows:

1. Recitals. The foregoing Recitals are incorporated herein by this reference.

2. Defined Terms. Terms herein set in initial capital letters but not defined herein shall have the meanings given them in the Covenants.

3 . Designation of Builder. Developer hereby designates KB as a Builder under the Covenants with respect to, but only with respect to, the Builder Property. KB hereby accepts the foregoing Builder designation from Developer.

4 . Miscellaneous. This Designation embodies the entire agreement between the parties as to its subject matter and supersedes any prior agreements with respect thereto. The validity and effect of this Designation shall be determined in accordance with the laws of the State of Colorado, without reference to its conflicts of laws principles. This Designation may be modified only in writing signed by both parties. This Designation may be executed in any number of counterparts and each counterpart will, for all purposes, be deemed to be an original, and all counterparts will together constitute one instrument.

5 . Binding Effect. This Designation is binding upon and inures to the benefit of Developer and KB and their respective successors and assigns, and shall be recorded in the Records.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

DEVELOPER:

PCY HOLDINGS, LLC,
a Colorado limited liability company

By: Pure Cycle Corporation,
a Colorado corporation,
its sole member

By: _____
Name: Mark Harding
Its: President

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____ 20__, by Mark Harding as President of Pure Cycle Corporation, a Colorado corporation, sole member of PCY HOLDINGS, LLC, a Colorado limited liability company.

Witness my hand and official seal.
My commission expires:

_____
Notary Public

KB:

KB HOME COLORADO INC.,
a Colorado corporation

By: _____
Name: _____
Title: _____

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20__, by _____ as _____ of KB HOME COLORADO INC., a Colorado corporation.

Witness my hand and official seal.
My commission expires:

_____
Notary Public

Exhibit 10.24

PCY HOLDINGS, LLC

and

MERITAGE HOMES OF COLORADO, INC.

CONTRACT FOR PURCHASE AND SALE OF REAL ESTATE

(Sky Ranch – Phase B)

Table of Contents

DEFINITIONS

"Additional Deposit" shall have the meaning set forth in Section 3(a).
"APS Mill Levy" shall have the meaning set forth in Section 4(d)(iii).
"Architectural Review Committee" shall have the meaning set forth in Section 12(d).
"ASP" shall have the meaning set forth in Section 5(a).
"ASP Criteria" shall have the meaning set forth in Section 12(d).
"Authorities" and "Authority" shall have the meaning set forth in the Recitals.
"BMPs" shall have the meaning set forth in Section 29(x).
"Board" shall have the meaning set forth in Section 16(b).
"Builder Designation" shall have the meaning set forth in Section 8(d)(ii)(7).
"CAB" shall have the meaning set forth in Section 4(d)(i).
"CABEA" shall have the meaning set forth in Section 16(c).
"CDs" shall have the meaning set forth in Section 5(a).
"Closed" shall have the meaning set forth in Section 7.
"Closing Date" shall have the meaning set forth in Section 8(b).
"Closing" shall have the meaning set forth in Section 7.
"Communication Improvements" shall have the meaning set forth in Section 21.
"Communications" shall have the meaning set forth in Section 29(j).
"Confidential Information" shall have the meaning set forth in Section 29(bb).
"Continuation Notice" shall have the meaning set forth in Section 10(a).
"Contract" shall have the meaning set forth in the Preamble.
"County" shall have the meaning set forth in the Recitals.
"County Records" shall have the meaning set forth in Section 5(a).
"Dedications" shall have the meaning set forth in Section 18.
"Deferred Purchase Price" shall have the meaning set forth in Section 2(a).
"Deferred Purchase Price Deposit" shall have the meaning set forth in Section 5(c)(iv).
"Deposit" shall have the meaning set forth in Section 3(a).
"Design Guidelines" shall have the meaning set forth in Section 12(d).
"Development" shall have the meaning set forth in the Recitals.
"District" shall have the meaning set forth in Section 9(d).
"District Documentation" shall have the meaning set forth in Section 4(d)(iii).

"District Improvements" shall have the meaning set forth in Section 16(b).
"DOT Release" shall have the meaning set forth in Section 5(c)(iv).
"DP Deed of Trust" shall have the meaning set forth in Section 2(a).
"DP Escrow Agreement" shall have the meaning set forth in Section 5(c)(iv).
"DP Note" shall have the meaning set forth in Section 2(a).
"Due Diligence Period" shall have the meaning set forth in Section 10(a).
"Easement" shall have the meaning set forth in Section 21.
"Effective Date" shall have the meaning set forth in the Preamble.
"Entitlements" shall have the meaning set forth in Section 5(a).
"Environmental Claim" shall have the meaning set forth in Section 10(h).
"Environmental Laws" shall have the meaning set forth in Section 10(g).
"EPA" shall have the meaning set forth in Section 10(c).
"Escalator" shall have the meaning set forth in Section 2(b).
"Express Representations" shall have the meaning set forth in Section 10(f).
"Feasibility Review" shall have the meaning set forth in Section 10(a).
"Filing" and "Filings" shall have the meaning set forth in the Recitals.
"Final Approval" shall have the meaning set forth in Section 5(a).
"Final Lotting Diagram" shall have the meaning set forth in Section 1.
"Final Plat" shall have the meaning set forth in Section 5(a).
"Finished Lot Improvements" shall have the meaning set forth in the Recitals.
"First Closing" shall have the meaning set forth in Section 1.
"Fourth Closing" shall have the meaning set forth in Section 1.
"Gallagher Adjustments" shall have the meaning set forth in Section 4(d)(iii).
"GDP" shall have the meaning set forth in Section 5(a).
"General Assignment" shall have the meaning set forth in Section 8(d)(ii)(9).
"Good Funds" shall have the meaning set forth in Section 2(a).
"Government Warranty Period" shall have the meaning set forth in Exhibit C.
"Governmental Fees" shall have the meaning set forth in Section 18.
"Governmental Warranty" shall have the meaning set forth in Exhibit C.
"Hazardous Materials" shall have the meaning set forth in Section 10(g).
"Homebuyer Disclosures" shall have the meaning set forth in Section 12(e).

"Homeowners' Association" shall have the meaning set forth in Section 17.
"Homes", "Houses", and "Residences" (in the singular or plural) shall have the meaning set forth in Section 12(d)(i).
"House Plans" shall have the meaning set forth in Section 12(d)(i).
"Infrastructure Improvements" shall have the meaning set forth in Section 18.
"Initial Deposit" shall have the meaning set forth in Section 3(a).
"Initial Purchase Condition" shall have the meaning set forth in Section 6(a)(i).
"Initial Purchase Price" shall have the meaning set forth in Section 2(a).
"Interchange Condition" shall have the meaning set forth in Section 6(a)(ii).
"Interchange Upgrades" shall have the meaning set forth in Section (ii).
"Joint Improvements" shall have the meaning set forth in Section 5(c)(ii).
"Joint Improvements Memorandum" shall have the meaning set forth in Section 5(c)(ii).
"Letter of Credit" shall have the meaning set forth in Section 5(c)(iv).
"Lien Affidavit" shall have the meaning set forth in Section 4(a).
"Lot" and "Lots" shall have the meaning set forth in the Recitals.
"Lot Development Agreement" shall have the meaning set forth in the Recitals.
"Lot Development Fee Schedule" shall have the meaning set forth in the 16(a).
"Lotting Diagram" shall have the meaning set forth in the Recitals.
"Maintenance Declaration" shall have the meaning set forth in Section 17.
"Master Commitment" shall have the meaning set forth in Section 4(a).
"Master Covenants" shall have the meaning set forth in Section 4(d)(i).
"Master Declaration" shall have the meaning set forth in Section 4(d)(i).
"Maximum Mills Limitation" shall have the meaning set forth in Section 4(d)(iii).
"Metro District Payments" shall have the meaning set forth in Section 16(b).
"New Exception Objection" shall have the meaning set forth in Section 4(b).
"New Exception Review Period" shall have the meaning set forth in Section 4(b).
"New Exceptions" shall have the meaning set forth in Section 4(b).
"NOI" shall have the meaning set forth in Section 29(x).
"Non-Government Warranty Period" shall have the meaning set forth in Exhibit C.
"Non-Government Warranty" shall have the meaning set forth in Exhibit C.
"Non-Seller Caused Exception" shall have the meaning set forth in Section 4(b).

"NORM" shall have the meaning set forth in Section 10(c).
"OFAC" shall have the meaning set forth in Section 23.
"Other New Exceptions" shall have the meaning set forth in Section 4(b).
"Overex" shall have the meaning set forth in Section 10(e).
"Owner's Affidavit" shall have the meaning set forth in Section 4(a).
"Permissible New Exceptions" shall have the meaning set forth in Section 4(b).
"Permitted Exceptions" and "Permitted Exception" shall have the meaning set forth in Section 9.
"PIF Covenant" shall have the meaning set forth in Section 9(e).
"Plat Certificate" shall have the meaning set forth in Section 4(a).
"Property" shall have the meaning set forth in the Recitals.
"Public Improvement District" or "PID" shall have the meaning set forth in Section 4(d)(ii).
"Public Improvements" shall have the meaning set forth in Exhibit C.
"Purchase Price" shall have the meaning set forth in Section 2.
"Purchaser" shall have the meaning set forth in the Preamble.
"Purchaser Parties" shall have the meaning set forth in Section 10(i).
"Purchaser's Conditions Precedent" shall have the meaning set forth in Section 6(b).
"Purchaser's Geotechnical Reports" shall have the meaning set forth in Section 10(e).
"Purchaser's SWPPP" shall have the meaning set forth in Section 29(x).
"Rangeview" shall have the meaning set forth in Section 16(a).
"Regional Improvements" shall have the meaning set forth in Section 4(d)(ii).
"Regional Improvements Authority" shall have the meaning set forth in Section 4(d)(ii).
"Regional Improvements Mill Levy" shall have the meaning set forth in Section 4(d)(iii).
"Representatives" shall have the meaning set forth in Section 29(bb).
"Reservations and Covenants" shall have the meaning set forth in Section 8(d)(ii)(1).
"SDF" shall have the meaning set forth in Section 16(d)(iii).
"SDP" shall have the meaning set forth in Section 5(a).
"Second Closing" shall have the meaning set forth in Section 1.
"Seller" shall have the meaning set forth in the Preamble.
"Seller Caused Exception" shall have the meaning set forth in Section 4(b).
"Seller Cure Period" shall have the meaning set forth in Section 4(b).
"Seller Documents" shall have the meaning set forth in Section 10(a).

"Seller Party" or "Seller Parties" shall have the meaning set forth in Section 10(h).
"Seller's Actual Knowledge" shall have the meaning set forth in Section 11.
"Seller's Condition Precedent" shall have the meaning set forth in Section 6(a).
"Seller's Representations" shall have the meaning set forth in Section 11.
"Service" shall have the meaning set forth in Section 21.
"Service Plans" shall have the meaning set forth in Section 16(c).
"SFD 45' Lots" shall have the meaning set forth in the Recitals.
"Sidewalks" shall have the meaning set forth in Exhibit C.
"Sky Ranch" shall have the meaning set forth in the Recitals.
"Sky Ranch Districts" shall have the meaning set forth in Section 16(c).
"Substantially Complete" or "Substantial Completion" shall have the meaning set forth in Section 5(c)(iv).
"Survey" shall have the meaning set forth in Section 4(a).
"SWPPP" shall have the meaning set forth in Section 29(x).
"Takedown" shall have the meaning set forth in the Recitals.
"Takedown 1 Closing Date" shall have the meaning set forth in Section 8(b).
"Takedown 1 Lots" shall have the meaning set forth in the Recitals.
"Takedown 2 Closing Date" shall have the meaning set forth in Section 8(b).
"Takedown 2 Lots" shall have the meaning set forth in the Recitals.
"Takedown 3 Closing Date" shall have the meaning set forth in Section 8(b).
"Takedown 3 Lots" shall have the meaning set forth in the Recitals.
"Takedown 4 Closing Date" shall have the meaning set forth in Section 8(b).
"Takedown 4 Lots" shall have the meaning set forth in the Recitals.
"Takedown Commitment" shall have the meaning set forth in Section 4(b).
"Tap Purchase Agreement" shall have the meaning set forth in Section 16(a).
"Third Closing" shall have the meaning set forth in Section 1.
"Title Company" shall have the meaning set forth in Section 4(a).
"Title Company Indemnity" shall have the meaning set forth in Section 4(a).
"Title Objections" shall have the meaning set forth in Section 4(a).
"Title Policy" shall have the meaning set forth in Section 4(e).
"Townhome Lots" shall have the meaning set forth in the Recitals.
"Tree Lawns" shall have the meaning set forth in Exhibit C.
"Uncontrollable Event" shall have the meaning set forth in Section 13.

CONTRACT FOR PURCHASE
AND SALE OF REAL ESTATE

THIS CONTRACT FOR PURCHASE AND SALE OF REAL ESTATE (this "**Contract**") is entered into as of the last date of the signatures hereto (the "**Effective Date**"), by and between PCY HOLDINGS, LLC, a Colorado limited liability company ("**Seller**"), and MERITAGE HOMES OF COLORADO, INC., an Arizona corporation ("**Purchaser**").

RECITALS:

A. Seller is developing a master planned residential community known as "**Sky Ranch**" which is located in Arapahoe County, Colorado ("**County**"). The Sky Ranch master planned residential community may also be referred to herein as the "**Development**". The conceptual development plan and lotting diagram for Phase B of the Development (the "**Lotting Diagram**") are attached hereto as **Exhibit A** and incorporated herein by this reference. The Development is being platted in several subdivision filings and developed in phases. Each subdivision filing is hereinafter sometimes respectively referred to as a "**Filing**" and collectively as "**Filings**".

B. Seller desires to sell to Purchaser, and Purchaser desires to purchase and obtain from Seller, approximately 218 platted single family residential lots (individually referred to as a "**Lot**" and collectively as the "**Lots**") in the Development which will be finished in accordance with this Contract and which will be used for the construction of single family residential dwellings upon the terms and conditions set forth in this Contract.

C. Seller is selling platted residential lots within the Development to multiple homebuilders, including Purchaser. The Lots to be sold by Seller and acquired by Purchaser that are located within the Development shall be hereinafter collectively referred to as the "**Property**." The Lots will be conveyed at one or more Closings as more particularly provided herein and each such Closing may be referred to herein as a "**Takedown.**" The Lots which are to be conveyed at the first Closing shall be sometimes hereinafter collectively referred to as the "**Takedown 1 Lots**"; the Lots which are to be conveyed at the second Closing shall be sometimes hereinafter collectively referred to as the "**Takedown 2 Lots**"; the Lots which are to be conveyed at the third Closing shall be sometimes hereinafter collectively referred to as the "**Takedown 3 Lots**"; and the Lots which are to be conveyed at the fourth Closing shall be sometimes hereinafter collectively referred to as the "**Takedown 4 Lots**".

D. As of the Effective Date, the Lots have not been subdivided pursuant to a recorded final subdivision plat. The number and location of the Lots to be acquired by Purchaser are generally depicted on the Lotting Diagram. The precise number, dimension and location of the Lots will be established at the time the subdivision plat for such Lots is approved by the County and/or any other relevant governmental authority (the County any other governmental entity or authority may be referred to herein collectively as the "**Authorities**", and each an "**Authority**"). As of the Effective Date, the parties anticipate that Purchaser will acquire approximately:

- 102 Lots that are a minimum of 22 feet wide by a minimum of 90 feet deep for the construction of alley loaded townhomes ("**Townhome Lots**"); and

- 116 Lots that are a minimum of 45 feet wide by a minimum of 110 feet deep for the construction of detached single family homes ("**SFD 45' Lots**").

E. Following Purchaser's acquisition of Lots, Seller will construct certain infrastructure improvements for the Lots as described on **Exhibit C** attached hereto (the "**Finished Lot Improvements**") pursuant to a lot development agreement executed by Seller and Purchaser in the form set forth on **Exhibit E** ("**Lot Development Agreement**").

AGREEMENT:

1. Purchase and Sale.

The Property shall be purchased at four (4) Closings. Subject to the terms and conditions of this Contract, Seller agrees to sell to Purchaser, and Purchaser agrees to purchase from Seller, on or before the dates set forth in Section 6(b) below, the Lots in each Takedown, as generally depicted on the Lotting Diagram and as follows:

At the Takedown 1 Closing ("**First Closing**"), twenty-four (24) Townhome Lots and thirty (30) SFD 45' Lots;

At the Takedown 2 Closing ("**Second Closing**"), eighteen (18) Townhome Lots and forty-six (46) SFD 45' Lots;

At the Takedown 3 Closing ("**Third Closing**"), twenty-eight (28) Townhome Lots and twenty-four (24) SFD 45' Lots; and

At the Takedown 4 Closing ("**Fourth Closing**"), thirty-two (32) Townhome Lots and sixteen (16) SFD 45' Lots.

Notwithstanding the foregoing, however, the parties acknowledge and agree that the Parties shall negotiate during the Due Diligence Period to reach agreement on a mutually acceptable site plan for the Lots ("**Final Lotting Diagram**") and that the exact number and location of the Lots within each Takedown are subject to adjustment based upon the approval by the Authorities of the Final Plat (as hereinafter defined) that includes the Lots to be acquired by Purchaser at each Takedown. The precise number, dimension (subject to the provisions of this Contract), location and legal description of the Lots will be established at the time the Final Plat for such Lots is approved by the County and/or any other Authority, and upon approval of each such Final Plat the parties shall execute an amendment to this Contract setting forth the legal description of those Lots included in the approved Final Plat. Notwithstanding anything in this Contract to the contrary, if, for any Takedown anticipated hereunder the Final Approval of the Final Plat therefor establishes a total number of Lots to be acquired at such Takedown which is five percent (5%) less than the total Lot count identified for such Takedown in the Final Lotting Diagram approved by Purchaser prior to the expiration of the Due Diligence Period, then Purchaser may terminate this Contract by delivery of written notice to Seller, in which event that portion of the Deposit not previously applied at a Closing shall be returned to Purchaser, and neither party shall have any further rights or obligations under this Contract, except those that expressly survive such termination.

2. Purchase Price. The purchase price to be paid by Purchaser to Seller for each Lot (the "**Purchase Price**") shall consist of the Initial Purchase Price (as hereinafter defined) and the Deferred Purchase Price (as hereinafter defined). The Purchase Price for each Lot shall be calculated as provided in the following Section 2(a) and shall be subject to adjustment as provided in Section 2(b) below:

(a) Purchase Price Payments. For each Lot the Purchase Price shall be the sum of the "**Initial Purchase Price**" of (i) Twenty-Seven Thousand Five Hundred and 00/100 Dollars ($27,500.00) per Townhome Lot, and (ii) Forty-Two Thousand Five and 00/100 Dollars ($42,500.00) per SFD 45' Lot, paid by Purchaser to Seller by wire transfer or other immediately available and collectible funds ("**Good Funds**"), and the "**Deferred Purchase Price**" of (A) Twenty-Seven Thousand Five Hundred and 00/100 Dollars ($27,500.00) per Townhome Lot, and (B) Forty-Two Thousand Five Hundred and 00/100 Dollars ($42,500.00) per SFD 45' Lot, paid by Purchaser to Seller in Good Funds, for a total of (1) Fifty-Five Thousand and 00/100 Dollars ($55,000.00) per Townhome Lot, and (2) Eighty-Five Thousand and 00/100 Dollars ($85,000.00) per SFD 45' Lot (subject to adjustment as hereinafter provided in Section 2(b) of this Contract). The Deferred Purchase Price for the Lots acquired by Purchaser at each Closing shall be paid in accordance with the provisions set forth in Section 5(c) hereof and the Lot Development Agreement, and Purchaser's obligation to pay the Deferred Purchase Price shall be evidenced by a promissory note in the amount of the Deferred Purchase Price due at such Closing ("**DP Note**") which shall be secured by a deed of trust ("**DP Deed of Trust**") to be recorded in the Records at Closing against title to the Lots purchased at such Closing. The form of the DP Note and the DP Deed of Trust shall be agreed upon by the Parties not more than thirty (30) days after the Effective Date hereof.

(b) Purchase Price Escalator. Any and all portions of the Purchase Price to be paid for any Lot acquired after the occurrence of the First Closing will increase by an amount equal to the amount of simple interest that would accrue thereon for the period elapsing between the date that the First Closing occurs until the date such amount is paid, at a per annum rate equal to four percent (4%) per annum (the "**Escalator**"); provided, however, that the Escalator shall cease to accrue against the Deferred Purchase Price due for any Lot upon the Closing Date therefor. By way of example and for clarification purposes only, if the Purchase Price for a Lot at the First Closing is $85,000 then at the Second Closing occurring 12 months (365 days) thereafter the Purchase Price for the same type of Lot will be $88,400.00 (calculated as follows: $85,000 + ($85,000 x .04) = $88,400.00), with the Initial Purchase Price due at the Second Closing being equal to one-half of such Purchase Price (i.e., $44,200.00, which is inclusive of the applicable Escalator calculated through the date of such Second Closing), and the Deferred Purchase Price for such Lot, due in accordance with Section 5(c) and the Lot Development Agreement, will be equal to one-half of such Purchase Price (i.e., $44,200.00, which is inclusive of the applicable Escalator calculated through the date of such Second Closing). The Escalator shall not accrue or be calculated during extension periods under Section 5(a)(i).

3. Payment of Purchase Price. The Purchase Price for each of the Lots, as determined pursuant toSection 2 above, shall be payable as follows:

(a) Earnest Money Deposit. Within three (3) business days following the Effective Date, Purchaser shall deliver to the Title Company (as defined in Section 4(a) hereof) an earnest money deposit in the amount of $232,050.00 (the "**Initial Deposit**"). At the end of the Due Diligence Period and within three (3) business days after delivery of the Continuation Notice (as hereinafter defined), Purchaser shall deliver to Title Company an additional deposit in the amount of $232,050.00 (the "**Additional Deposit**") The Initial Deposit and the Additional Deposit and all interest earned thereon shall be referred to herein as the "**Deposit**". The Title Company will act as escrow agent and invest the earnest money deposit in a federally insured institution at the highest money market rate available. The Deposit shall be paid in Good Funds. The Deposit shall be applied on a pro-rata basis to the Initial Purchase Price due at each Closing. If this Contract is terminated prior to the expiration of the Due Diligence Period for any reason, the Initial Deposit shall be refunded to Purchaser. If this Contract is terminated after the Due Diligence Period and prior to the Deposit being fully applied to the Purchase Price at the last Closing, the unapplied portion of the Deposit shall be paid to Seller, except in the case of a termination of this Contract pursuant to a provision that expressly entitles Purchaser to a refund of the Deposit as provided elsewhere herein.

(b) Initial Purchase Price. That portion of the Purchase Price for each Lot that is identified as the Initial Purchase Price and calculated as provided in Section 2 above shall be paid by Purchaser to Seller in Good Funds at the Closing that is applicable to the Lot.

(c) Deferred Purchase Price. That portion of the Purchase Price for each Lot that is identified as the Deferred Purchase Price in Section 2 above is due and payable by Purchaser to Seller, as provided in and pursuant to the terms of the Lot Development Agreement.

4. Seller's Title.

(a) Preliminary Title Commitment. Within ten (10) business days after the Effective Date, Seller shall furnish to Purchaser, at Seller's expense, a current commitment for a Title Policy (as defined below) for the Property (the "**Master Commitment**") issued by Land Title Guarantee Company ("**Title Company**") as agent for First American Title Insurance Company, together with copies of the instruments listed in the schedule of exceptions in the Master Commitment. If the Master Commitment or Survey discloses any matters which are unacceptable to Purchaser, then Purchaser shall object to the condition of the Master Commitment and/or the Survey, in writing, within sixty (60) days after the later of the Effective Date and the date of Purchaser's receipt of the Survey and Master Commitment together with copies of all documents constituting exceptions to title (the "**Title Objections**"). Upon receipt of the Title Objections, Seller may, at its option and at its sole cost and expense, clear the title to the Property of the Title Objections. In the event Seller fails, or elects not to clear the title to the Property of the Title Objections on or before the date that is one (1) day before the expiration of the Due Diligence Period, the Purchaser, as its sole remedy, may elect before the expiration of the Due Diligence Period either: (i) to terminate this Contract, in which event the Initial Deposit shall be promptly returned to Purchaser, Purchaser shall deliver to Seller all information and materials received by Purchaser from Seller pertaining to the Property and any non-confidential and non-proprietary information otherwise obtained by Purchaser pertaining to the Property, and thereafter the parties shall have no further rights or obligations under this Contract except as otherwise provided in Section 12(c) below; or (ii) to waive such objections and proceed with the transactions contemplated by this Contract, in which event Purchaser shall be deemed to have approved the title matters as to which its Title Objections have been waived. If Purchaser fails to provide the Title Objections prior to the expiration of the sixty (60) day period required by this Section 4(a), Purchaser shall be deemed to have elected to waive its objections as described in the preceding clause. If Purchaser fails to notify Seller of its election to terminate this Contract or waive it objections, Purchaser shall be deemed to have elected to waive the Title Objections that Seller has failed or elected not to cure. Seller shall release at or prior to the applicable Closing any monetary lien that Seller or any affiliate of Seller caused or created against the Property with respect to that portion of the Property to be acquired at a particular Closing other than non-delinquent real estate taxes and assessments and Permitted Exceptions, and such monetary liens shall not constitute Permitted Exceptions (as hereinafter defined). At each Closing, without the need for Purchaser to object to the same in Purchaser's Title Objections, Seller shall execute and deliver the Title Company's standard form mechanic's lien affidavit (the "**Lien Affidavit**") in connection with the standard printed exception for liens arising against the Lots purchased at the Closing for work or materials ordered or contracted for by Seller, and to the extent required by the Title Company a commercially reasonable indemnity agreement (the "**Title Company Indemnity**"), provided, however, if Purchaser determines during the Due Diligence Period that the Title Company refuses or is unwilling to delete the standard printed exception for liens as part of extended coverage despite Seller's offer to execute and deliver the Lien Affidavit and Title Company Indemnity, then Purchaser will have the right to terminate this Contract on or before the expiration of the Due Diligence Period whereupon the Initial Deposit will be returned to Purchaser, or Purchaser may proceed with the Closing in which event the Title Policy will contain, and the Lots will be conveyed subject to, the standard printed exception for liens unless the Title Company agrees thereafter to delete such lien exception, however, the Purchaser shall have no further termination rights if the Title Company does not agree to do so. If the Title Company agrees during the Due Diligence Period to delete the standard printed exception for liens as part of extended coverage and thereafter the Title Company refuses to delete the exception for liens based on Seller's commitment to execute and deliver the Lien Affidavit and Title Company Indemnity, then such exception shall be deemed a Non-Seller Caused Exception (as hereinafter defined) to which Purchaser shall have the right to object pursuant to Section 4(b). Seller shall request that the Takedown Commitment (as hereinafter defined) provide for the deletion of the other standard printed exceptions from the Title Policy (provided that Seller's only obligations with respect thereto shall be (i) to provide a copy of Seller's existing survey ("**Survey**"), if any, of the land that contains the Lots; (ii) to obtain and furnish, at Purchaser's sole cost and expense, a plat certification issued by a licensed surveyor in a form acceptable to the Title Company in order to delete the standard survey exceptions ("**Plat Certificate**") if and to the extent a Plat Certificate is required by the Title Company to delete such standard survey exceptions; (iii) to execute the Title Company's standard form seller-owner final affidavit and agreement as reasonably modified by Seller and as to Seller's acts only, if such affidavit is required by the Title Company for the purpose of deleting any exception for parties in possession or other standard exception ("**Owner's Affidavit**"); and (iv) to execute the Title Company's Lien Affidavit with respect to Seller's acts, in form and substance reasonably acceptable to Seller). Seller has no obligation to update the Survey or to provide a new survey.

(b) Subsequently Disclosed Exceptions. Not less than fifteen (15) days prior to the each Closing, Purchaser may request that the Title Company issue an updated title commitment for that portion of the Property to be acquired at such Closing (each a "**Takedown Commitment**"), together with copies of any additional instruments listed in the schedule of exceptions which are not reflected in the Master Commitment furnished pursuant to Section 4(a) above or in any prior Takedown Commitment. Additional items disclosed by a Takedown Commitment or by an amendment to the Master Commitment that affect title to the Property are referred to as "**New Exceptions**". New Exceptions affecting title to the Property that are expressly permitted or contemplated by the provisions of this Contract are referred to as "**Permissible New Exceptions**" and all other New Exceptions are referred to as "**Other New Exceptions**". Purchaser has no right to object to any Permissible New Exception. Other New Exceptions which do not materially adversely affect title, use, or construction of Homes on any of the Lots to be acquired at such Closing shall also be Permissible New Exceptions. Purchaser shall have a period of seven (7) business days from the date of its receipt of such Takedown Commitment or amendment to the Master Commitment and a copy of the New Exceptions (the "**New Exception Review Period**") to review and to approve or disapprove any Other New Exceptions. If any Other New Exception is unacceptable to Purchaser, Purchaser shall object to such Other New Exception(s) in writing within seven (7) business days after the date of Purchaser's receipt of the Takedown Commitment, together with a copy of the New Exceptions (the "**New Exception Objection**"). Upon receipt of the New Exception Objection, Seller shall cure the New Exception Objection (by deletion, insuring over or endorsement) to the extent that such Other New Exception was caused or created by Seller or affiliates of Seller and is not otherwise expressly permitted or contemplated by this Contract ("**Seller Caused Exception**"). If the New Exception Objection relates to an Other New Exception that was not caused by Seller ("**Non-Seller Caused Exception**"), Seller may, at its sole discretion, cure the New Exception Objection, within fifteen (15) days of receipt of the New Exception Objection ("**Seller Cure Period**") and the applicable Closing Date will be extended to accommodate the Seller Cure Period. In the event Seller fails, or elects not to cure a Non-Seller Caused Exception within such fifteen (15) day period, the Purchaser, as its sole remedy, may elect within five (5) business days after the end of the Seller Cure Period either: (i) to terminate this Contract as to the Lots affected by such New Exception, in which event the prorata portion of the Deposit for such Lots shall be refunded to Purchaser and the parties shall have no further rights or obligations under this Contract as to such Lots; or (ii) to waive such objection and proceed with the acquisition of the Lots in such Takedown, in which event Purchaser shall be deemed to have approved the New Exception. If Purchaser fails to notify Seller of its election to terminate this Contract as to the applicable Lots in accordance with the foregoing sentences within five (5) business days after the expiration of the Seller Cure Period (i) Purchaser shall be deemed to have elected to waive its objections as described in the preceding sentences and (ii) all such items shall be deemed to be Permitted Exceptions.

(c) Permitted Exceptions; Additional Easements. Seller shall convey title to the Lots included in each Takedown of the Property to Purchaser at the Closing for such Takedown subject to the Permitted Exceptions described in Section 9 hereof. Prior to each Closing, Seller shall have the right, subject to the limitations set forth below, and those Reservations and Covenants (as hereinafter defined) as set forth on **Exhibit B**, attached hereto, and provided Seller shall advise and provide copies of same to Purchaser promptly after Seller becomes aware of same, to convey additional easements as Permissible New Exceptions to utility and cable service providers, governmental or quasi-governmental Authorities, metropolitan, water and sanitation districts, homeowners associations or property owners associations or other entities that serve the Development or adjacent property for construction of utilities and other facilities to support the Development or such adjacent property, including but not limited to sanitary sewer, water lines, electric, cable, broad-band and telephone transmission, storm drainage and construction access easements across the Property not yet acquired by Purchaser, allowing Seller or its assignees the right to install and maintain sanitary sewer, water lines, cable television, broad-band, electric, telephone and other utilities on the Property and on the adjacent property owned by Seller and/or its affiliates, and further, to accommodate storm drainage from the adjacent property. Such easements shall require the restoration of any surface damage or disturbance caused by the exercise of such easements, shall not be located within the building envelope of any Lot, shall not materially detract from the building envelope, value, use, or enjoyment of (i) the Lots affected or the remaining portion of the Property on which such easements are to be located, or (ii) any adjoining property of Purchaser.

(d) Master Covenants; Regional Improvements Authority. The Lots to be acquired pursuant to this Contract shall be, prior to each Closing, made subject to the Covenants, Conditions and Restrictions for Sky Ranch recorded in the County Records on August 10, 2018, at Reception No. D8079588 (the "**Master Declaration**"). The Master Declaration, together with any supplemental declarations which have been, or may in the future be, recorded against the Property, shall be collectively referred to as the "**Master Covenants**". The Master Covenants are administered by the Sky Ranch Community Authority Board ("**CAB**") and shall be a Permitted Exception (as hereinafter defined). Seller shall provide to Purchaser for its review, a copy of the Master Covenants as part of the Seller Documents (as hereinafter defined). Seller shall be permitted to revise or supplement the Master Covenants at any time before the First Closing under this Contract without the consent of Purchaser but with prior notice and copies of same to Purchaser; provided, that any such revision has no material adverse effect on the Lots acquired or to be acquired by Purchaser. The Seller may petition the County for the organization of a public improvement district pursuant to C.R.S. Title 30, Article 20 (the "**Public Improvement District**" or "**PID**"), or one or more public entities, including without limitation, the Sky Ranch Districts, CAB, and County may enter into an intergovernmental agreement pursuant to C.R.S. §§ 29-1-203 and – 203.5 to create a public authority (the "**Regional Improvements Authority**") to provide a source of funding for the construction and operation of certain regional public improvements serving the Development and other properties, including without limitation, the freeway interchange at Interstate I-70/Airpark Frontage Road adjacent to the Development and other regional improvements (collectively, the "**Regional Improvements**"). The PID, if formed, may pledge revenues and/or issue general obligation indebtedness, revenue bonds or special assessment bonds and will have the power to levy and collect ad valorem taxes on and against all taxable property within the PID in accordance with the provisions of part 5 of C.R.S. Title 30, Article 20. If and to the extent that Seller petitions the County and the County organizes a PID that includes the Development, Purchaser agrees that it will not object to the County's organization of any such PID. The Regional Improvements Authority, if created, may use revenue generated by the Sky Ranch Districts' imposition of a mill levy that is a subset of the Sky Ranch Districts' operations and maintenance mill levy to plan, design, acquire, construct, install, relocate and/or redevelop, and the administration, overhead and operations and maintenance costs incurred with respect to the Regional Improvements (the "**Regional Improvements Mill Levy**"). The Regional Improvements Mill Levy shall be calculated as the difference between the overlapping mill levies of property subject to the Aurora Public Schools mill levy ("**APS Mill Levy**") and the overlapping mill levies of property not subject to the APS Mill Levy. Notwithstanding the foregoing, (i) Purchaser may object if any proposal may exceed the Maximum Mills Limitation (hereafter defined) and (ii) regardless of whether or not Purchaser objects, Purchaser shall not be deemed to consent to or approve, and all PID documentation, coupled and aggregated with any and all other documentation relating to the District (hereafter defined), the other Sky Ranch Districts (hereafter defined), and the Regional Improvements Authority (such documentation being collectively referred to as, the "**District Documentation**") shall only be permitted to levy and collect in the aggregate amounts that do not exceed the lesser of: (i) the total mill levy assessed against a residential lot that is subject to the APS Mill Levy; and (ii) up to 55.664 mills (subject to "**Gallagher Adjustments**") commencing with the residential assessment rate as of January 1, 2021 for debt service, and up to 11.133 mills for operation and maintenance (also subject to Gallagher Adjustments) (collectively, the "**Maximum Mills Limitation**"). Seller shall be solely liable for and shall pay (i) any ad valorem taxes levied by any district or other entity in excess of the Maximum Mills Limitation, and (ii) any other rates, tolls, fees or charges adopted by any such district or other entity and this obligation of Seller shall survive all Closings for the benefit of Purchaser and all successor Lot owners.

(e) Title Policy. Within a reasonable time after each Closing, Seller, at its expense, shall cause the Title Company to deliver a Form 2006 ALTA extended coverage owner's policy of title insurance ("**Title Policy**"), insuring Purchaser's title to the Property conveyed at such Closing, pursuant to the applicable Takedown Commitment and subject only to the Permitted Exceptions, together with such endorsements as Purchaser may request and which the Title Company agrees to issue during the Due Diligence Period, and shall pay the premium for the basic policy at such Closing. The Title Policy shall provide insurance in an amount equal to the Purchase Price for all Lots purchased at such Closing. At each Closing, Seller shall execute and deliver a Lien Affidavit and an Owner's Affidavit, and shall obtain and furnish a Plat Certificate, as necessary, at least one (1) business day prior to such Closing. Purchaser shall pay any fees charged by the Title Company to delete the standard pre-printed exceptions. Purchaser shall pay for the premiums for any endorsements requested by Purchaser, except that Seller shall pay for any endorsements that Seller agrees to provide in order to cure a Title Objection.

5. Seller Obligations. Seller shall have the following obligations:

(a) Entitlements.

(i) Platting and Entitlements. Seller shall be responsible, at Seller's sole cost and expense, for preparing and processing in a commercially reasonable manner and timeframe, and diligently pursuing and obtaining Final Approval (as defined below) from the County and any other appropriate Authority and recording in the records of the Clerk and Recorder of the County (the "**County Records**"), as may be required, the following: (A) a preliminary plat; (B) a general development plan ("**GDP**"); (C) a specific development plan that includes the Property ("**SDP**"); (D) an administrative site plan ("**ASP**") and final subdivision plat (or plats) for each Filing within the Property (each a "**Final Plat**"); (E) the public improvement construction plans for all improvements relating to each Final Plat ("**CDs**"); and (F) one or more development or subdivision improvement agreements associated with the Final Plats and other similar documentation required by the Authorities in connection with approval of the Final Plat(s) and CDs (collectively, the "**Entitlements**"). The Entitlements shall substantially comply with the Final Lotting Diagram, and shall provide that Phase B of the Development contains approximately 834 lots with the Lots being of the number, type, and dimension as set forth above in Recital D (after taking into consideration applicable setbacks), and the Entitlements shall not impose new or additional requirements upon Purchaser which increase (or could be expected to increase) the construction cost for a Home on any Lot by more than $3,000 or which materially adversely affect title, use, or construction of such Home or the Lot on which it is located. Seller shall use commercially reasonable efforts to have the Entitlements for each Takedown, respectively, approved by the Authorities and recorded as necessary in the County Records with all applicable governmental or third-party appeal and/or challenge periods applicable to an approval decision of the County Board of Commissioners or County Planning Commission having expired without any appeal then-pending prior to the respective Closing ("**Final Approval**"). Seller shall use commercially reasonably efforts to obtain Final Approval of the Entitlements applicable to the Takedown 1 Lots on or before that date which is nine (9) months after the expiration of the Due Diligence Period, as such period may be extended pursuant to this Section 5(a), or as a result of delays resulting from Uncontrollable Events. If Final Approval of the Entitlements applicable to the Takedown 1 Lots has not been achieved as aforesaid on or before nine (9) months after the expiration of the Due Diligence Period (subject to delays resulting from Uncontrollable Events), then either party, in its discretion, shall have the right to extend the date for obtaining such Final Approval for a period not to exceed an additional six (6) months by providing written notice to the other party prior to the expiration of such nine (9) month period (or such later date as the same may have been previously extended). If Seller has not secured such Final Approval of the Takedown 1 Lots by the expiration of the initial nine (9) month period (subject to delays resulting from Uncontrollable Events) and neither party exercises such extension, each party shall thereupon be relieved of all further obligations and liabilities under this Contract, except as otherwise provided herein, and the Deposit shall be returned to Purchaser. If either party extends the time period for obtaining Final Approval of the Takedown 1 Lots, then during such extended time period Seller shall use commercially reasonable efforts to obtain Final Approval of such Entitlements, and failing which, Seller shall not be in default of its obligations under this Contract (unless Seller failed to use commercially reasonable efforts to obtain Final Approval of such Entitlements), but this Contract shall terminate in which case each party shall thereupon be relieved of all further obligations and liabilities under this Contract, except as otherwise provided herein, and the Deposit shall be returned to Purchaser. During the Entitlement process, Seller shall keep Purchaser reasonably informed of the process and the anticipated results therefrom and Seller will provide Purchaser with copies of those Entitlement documents as submitted to the County and other reasonable documentation relating to the same. Purchaser, at no material cost to Purchaser (other than costs incurred to obtain services that could reasonably be performed or provided in-house), shall cooperate with Seller in Seller's efforts to obtain Final Approval of the Entitlements by the County.

(i) Lot Minimums for each Takedown. The Final Plat(s) for the Property and the Lots shall be in a form which is substantially consistent with the Final Lotting Diagram, subject to immaterial changes made necessary by the Authorities and/or final engineering decisions which are necessary to properly engineer, design, and install the improvements in accordance with the requirements of the County and other applicable Authorities.

(ii) Recordation of Final Plat. At or before each Closing, Seller shall cause to be recorded, in the County Records, the Final Plat that includes the Lots that are to be purchased at such Closing. Seller shall be responsible for providing to the County any bond or other financial assurance that is required by the County to record each Final Plat.

(b) Interchange Obligations. As of the Effective Date, the existing entitlements for the Development state that no more than 774 building permits may be issued for the Development until the Freeway Interchange is upgraded ("**BP Restriction**"). If not rescinded, the BP Restriction may affect the ability of Purchaser and the other builders within Phase B to obtain building permits on the Lots acquired after the First Closing under this Contract and after the initial closings under the other builder contracts. Seller is currently working with the County, CDOT, and other stakeholders to identify interim upgrades to the Freeway Interchange that, if implemented, would increase the number of building permits available within the Development to accommodate all Lots subject to this Contract and the other building contracts within Phase B (the "**Interchange Upgrades**").

(c) Finished Lot Improvements/Lot Development Agreement.

(i) At the First Closing, Purchaser and Seller shall enter into the Lot Development Agreement in the form attached hereto as **Exhibit E**, regarding Seller's obligations to construct and install the Finished Lot Improvements as described on **Exhibit C** attached hereto.

(ii) The Lot Development Agreement includes, without limitation, provisions that provide for the following: (A) the payment of the Deferred Purchase Price by Purchaser as follows: for each Takedown, one-half of the Deferred Purchase Price for the Lots in that Phase shall be paid to Seller upon Substantial Completion of that portion of the Finished Lot Improvements consisting of the water, sanitary sewer and storm sewer infrastructure that is necessary to serve the Lots in that Phase, and the remaining one-half of the Deferred Purchase Price for the Lots in that Phase shall be paid to Seller upon Substantial Completion of the balance of Finished Lot Improvements that serve that Phase to the extent necessary to obtain building permits; (B) Seller's and/or the District's obligation to post surety as required by the County in connection with such Phases; (C) provisions regarding Seller's and/or the District's agreements with the contractors who will construct the Finished Lot Improvements; (D) Seller's and/or the District's warranty obligations, as provided on **Exhibit C**; (E) Seller's obligation to obtain lien waivers and to discharge mechanics liens related to construction of the Finished Lot Improvements; (F) Purchaser's step-in rights following a Seller and/or District Event of Default (as such term is defined in the Lot Development Agreement) under the Lot Development Agreement; and (G) a license from Purchaser to permit construction of the Finished Lot Improvements and performance of other related activities on the Lots. The Seller, Purchaser, other builder(s) affected by any improvements to be constructed under the Lot Development Agreement that serve or benefit the Lots and other property that is to be acquired by such other builder(s) (the "**Joint Improvements**") and the Title Company will, at the Takedown 1 Closing execute a "**Joint Improvements Memorandum**" that describes the rights and obligations of Seller, Purchaser, such other builder(s) and Title Company and such document will supplement the Lot Development Agreement regarding the installation and construction of any Joint Improvements. The form of the Joint Improvements Memorandum is attached to the Lot Development Agreement as Exhibit F thereto.

(iii) After obtaining Final Approval of all necessary Entitlements for the applicable Lots, Seller acting as the Constructing Party (as defined in the Lot Development Agreement) under the Lot Development Agreement shall commence and diligently pursue Substantial Completion, or cause to be Substantially Completed, for the Lots being purchased and acquired by Purchaser at each Closing (subject to delays resulting from Uncontrollable Events) the Finished Lot Improvements in accordance with the phasing, provisions and schedules of the Lot Development Agreement and all applicable laws, codes, regulations and governmental requirements for the Lots. Seller will notify Purchaser when each phase of the Finished Lot Improvements (have been Substantially Completed. Seller's failure to comply with the foregoing covenant shall not constitute a default hereunder unless and until such failure shall constitute an Event of Default (as defined in the Lot Development Agreement) under the Lot Development Agreement.

(iv) In order to secure Purchaser's obligation (following each Closing) to pay the Deferred Purchase Price in accordance with the terms of this Contract and the Lot Development Agreement, as described in Section 5(c) of this Contract, at each Closing Purchaser shall execute and deliver to Title Company, the DP Note and DP Deed of Trust, and Seller shall deliver to Title Company a release of the applicable DP Deed of Trust ("**DOT Release**"). The DP Note shall be in an amount equal to the sum of the Deferred Purchase Price for all of the Lots acquired by Purchaser at such Closing. Title Company shall hold the original DP Note and DOT Release in accordance with an escrow agreement executed by Purchaser, Seller, and Title Company ("**DP Escrow Agreement**"), which shall provide, *inter alia*, the following: (A) if Purchaser fails to pay any portion of the Deferred Purchase Price, and such failure continues for a period of ten (10) days after the due date therefor, Title Company shall deliver the original DP Note to Seller; (B) upon payment of one-half of the Deferred Purchase Price (in accordance with Section 6 of the Lot Development Agreement, Seller shall cause the principal amount of the DP Note to be reduced accordingly; and (C) upon payment by Purchaser of the entire Deferred Purchase Price, Title Company shall record the DOT Release promptly upon written request from Purchaser and thereafter deliver the original DP Note marked "cancelled" to Purchaser. The form of the DOT Release and the DP Escrow Agreement shall be agreed upon by the parties hereto not more than thirty (30) days after the Effective Date hereof.

(d) Substantial Completion of Improvements. The term "**Substantially Complete**" or "**Substantial Completion**" means that the Finished Lot Improvements have been completed in accordance with the applicable CDs, this Contract, the Lot Development Agreement, and, if applicable, the Joint Improvements Memorandum, to such a degree that Purchaser will not be precluded from obtaining building permits for homes on the Lots. Following Substantial Completion Seller shall complete the remainder of the Finished Lot Improvements such that Purchaser will not be precluded from obtaining certificates of occupancy following completion of Homes as a result of the degree of completion of such Finished Lot Improvements .

6. Pre-Closing Conditions.

(a) Seller's Conditions. The following shall be conditions precedent to Seller's obligation to close certain Takedowns, as more specifically set forth below (each, a "**Seller's Condition Precedent**"):

(i) Purchaser and other homebuilders are under contract to purchase at least 250 of the Lots in Phase B, and close the initial purchase of lots under some or all of such purchase and sale agreements as determined by Seller simultaneously (the "**Initial Purchase Condition**"); provided, that once such Initial Purchase Condition has been satisfied, it shall be considered satisfied at each subsequent Closing.

(ii) Seller shall have satisfied, or is reasonably certain it will be able to satisfy, its obligations with respect to the Interchange Upgrades, on or before the Substantial Completion Deadline (as set forth in the Lot Development Agreement) for each Takedown after the initial Takedown, such that Purchaser shall not be prevented from obtaining building permits to construct Houses on Lots acquired at any such Takedown no later than the applicable Substantial Completion Deadline (the "**Interchange Condition**") and will not be prevented from obtaining certificates of occupancy for such Houses, solely as a result of Seller's failure to timely satisfy the Interchange Condition.

Seller agrees to use commercially reasonable, good faith efforts to timely satisfy the Seller's Condition Precedent. If for any reason other than Seller's fault or exercise of its discretion, either Seller's Condition Precedent is not satisfied on or before a Closing Date, Seller may elect to: (1) terminate this Contract by giving written notice to Purchaser at least ten (10) days prior to such Closing; (2) waive the unsatisfied Seller's Condition Precedent and proceed to the applicable Closing (provided, however, that such waiver shall not apply to any subsequent Closings); or (3) extend the applicable Closing Date for a period not to exceed ninety (90) days by giving written notice to Purchaser on or before the applicable Closing Date, during which time Seller shall use commercially reasonable efforts to cause such unsatisfied Seller's Condition Precedent to be satisfied. If Seller elects to extend any Closing Date and the unsatisfied Seller's Condition Precedent is not satisfied on or before the last day of the 90-day extension period for any reason other than Seller's fault or exercise of its discretion, then Seller shall elect within five (5) business days after the end of such extension period to either terminate this Contract or waive the unsatisfied Seller's Condition Precedent and proceed to the applicable Closing. In the event Seller terminates this Contract pursuant to this Section 6(a), that portion of the Deposit made by Purchaser that has not been applied to the Purchase Price for Lots already acquired by Purchaser shall be returned to Purchaser. Failure to give a termination notice as described above shall be an irrevocable waiver of Seller's right to terminate this Contract as to the affected Takedown pursuant to this Section 6(a).

(b) Purchaser's Conditions. It shall be a condition precedent to Purchaser's obligation to close each Takedown, that the following conditions ("**Purchaser's Conditions Precedent**") have been satisfied:

(i) Final Approval of the Entitlements for the applicable Takedown by the County and all other applicable Authorities and recordation in the County Records of the Final Plat for the Lots to be acquired at such Takedown and such other Entitlements, as may be required by the County, on or before the applicable Closing Date, as the same may be extended.

(ii) For each Takedown after the initial Takedown, Seller shall have satisfied, or reasonably determines it will be able to satisfy (and Purchaser reasonably concurs with such determination) the Interchange Condition with respect to the Lots to be acquired at such Takedown and will not be prevented from obtaining certificates of occupancy for Houses on such Lots solely as a result of Seller's failure to timely satisfy such Interchange Condition.

(iii) Seller's representations and warranties set forth herein shall be materially true and correct as of the applicable Closing, and Seller, on or prior to the applicable Closing Date, shall have complied with and/or performed all of Seller's material obligations, covenants, and agreements which are required by such date pursuant to the terms of this Agreement.

(iv) The Title Company shall be irrevocably and unconditionally committed (subject only to Purchaser's obligation to pay the portion of the Title Policy premium for which Purchaser is responsible under this Contract and satisfaction of any Title Company requirements applicable to Purchaser) to issue to Purchaser the applicable Title Policy with the endorsements as Purchaser may request and the Title Company agrees in writing to issue prior to the expiration of the Due Diligence Period, subject only to the Permitted Exceptions accepted by Purchaser in accordance with the provisions of this Contract.

(v) The Joint Improvements Memorandum shall have been fully executed by all required parties.

(vi) The physical condition of the land comprising the Lots to be acquired at such Closing shall be substantially the same on the Closing Date as on the Effective Date, except for any Finished Lot Improvements theretofore constructed on such Lots and except for reasonable wear and tear and any damages due to any act of Purchaser or Purchaser's representatives.

(vii) As of the applicable Closing Date, and with respect only to the Lots to be acquired at such Takedown, there shall be no moratorium, prohibition, or any other measure, rule, regulation, restriction or limitation imposed by any Authority restricting the availability of gas, sanitary sewer, water, telephone or electricity to the applicable Lots or restricting or precluding any inspections, or the issuance of any building or other permits, or other right or entitlement whose effect would be to preclude the construction of Purchaser's Homes.

(viii) No action or proceeding shall have been commenced by or against Seller under the federal bankruptcy code or any state law for the relief of debtors or for the enforcement of the rights of creditors, and no attachment, execution, lien, or levy shall have attached to or been issued with respect to Seller's interest in any of the Property or any portion thereof.

(ix) All lessees, tenants, and occupants of the Property, if any, must have vacated the applicable Lots so that sole and exclusive possession of the applicable Lots can be provided to Purchaser at the Closing.

If the Purchaser's Conditions Precedent are not satisfied on or before a respective Closing Date, Purchaser may: (1) waive the unfulfilled Purchaser's Condition Precedent and proceed to Closing, (2) extend the applicable Closing Date for up to thirty (30) days to allow more time for Seller to satisfy the unfulfilled Purchaser's Condition Precedent, or (3) as its sole remedy hereunder terminate this Contract as to such Takedown and any subsequent Takedowns by written notice to Seller, delivered within five (5) business days after the Closing Date for the applicable Takedown, in which case each party shall thereupon be relieved of all further obligations and liabilities under this Contract, except as otherwise provided herein, and the Deposit made by Purchaser that has not been applied to the Purchase Price for Lots already acquired by Purchaser shall be returned to Purchaser. If Purchaser elects to extend the Closing Date under (2), above, and the unsatisfied Purchaser's Condition Precedent is not satisfied as of the last day of the thirty (30) day extension period, then Purchaser shall, as its sole remedy, elect to waive or terminate under (1) or (3). Failure to give notice as described above shall be an irrevocable waiver of Purchaser's right to terminate this Contract as to the affected Takedown pursuant to this Section 6(b). If Purchaser terminates the Contract pursuant to this paragraph, Seller may negate such termination by giving notice to Purchaser that Seller has elected to extend the applicable Closing Date by sixty (60) days for the purpose of continuing its efforts to satisfy the unfulfilled Purchaser's Condition(s) Precedent, so long as such notice is given within five (5) business days after Seller's receipt of Purchaser's notice of termination, and Purchaser shall again have a termination right pursuant to this Section if such condition is not satisfied prior to the last day of such extended period.

7. Closing. "**Closing**" shall mean the delivery to the Title Company of all applicable documents and funds required to be delivered pursuant to Section 8 hereof and unconditional authorization of the Title Company to disburse, deliver and record the same. The purchase of Lots at the closing of a Takedown shall be deemed to be "**Closed**" when the documents and funds required to be delivered pursuant to Section 8 hereof have been delivered to the Title Company, and the Title Company agrees to unconditionally to disburse, deliver and record the same.

8. Closings; Closing Procedures.

(a) On each respective Closing Date, Purchaser shall purchase the number of Lots that Purchaser is obligated to acquire hereunder in the applicable Takedown.

(b) Closing Dates. The First Closing shall occur on that date which is ten (10) days after Final Approval of the Entitlements applicable to the Takedown 1 Lots is obtained (the "**Takedown 1 Closing Date**"). The Second Closing shall occur on that date which is ten (10) days after the later to occur of (i) Final Approval of the Entitlements applicable to the Takedown 2 Lots and (ii) that date which is twelve (12) months after the Takedown 1 Closing Date (the "**Takedown 2 Closing Date**"). The Third Closing shall occur on that date which is ten (10) days after the later to occur of (i) Final Approval of the Entitlements applicable to the Takedown 3 Lots and (ii) that date which is twelve (12) months after the Takedown 2 Closing Date (the "**Takedown 3 Closing Date**"). The Fourth Closing shall occur on that date which is ten (10) days after the later to occur of (i) Final Approval of the Entitlements applicable to the Takedown 4 Lots and (ii) that date which is twelve (12) months after the Takedown 3 Closing Date (the "**Takedown 4 Closing Date**"). The term "**Closing Date**" may be used to refer to each of the Takedown 1 Closing Date, the Takedown 2 Closing Date, the Takedown 3 Closing Date, and the Takedown 4 Closing Date. If Purchaser desires to accelerate any Closing Date, Purchaser may request that a Closing Date be accelerated, and if Seller is willing to do so, in its sole and absolute discretion, the parties will work together to prepare a mutually acceptable amendment to this Contract to accommodate such request. Seller shall have the right to extend the Takedown 1 Closing Date for up to 90 days in order to satisfy Seller's Condition Precedent as provided in Section 6(a) of this Contract.

(c) Closing Place and Time. Each Closing shall be held on the applicable Closing Date at the offices of the Title Company or at such other time and place as Seller and Purchaser may mutually agree.

(d) Closing Procedures. Each purchase and sale transaction shall be consummated in accordance with the following procedures:

(i) All documents to be recorded and funds to be delivered hereunder shall be delivered to the Title Company to hold, deliver, record and disburse in accordance with closing instructions approved by Purchaser and Seller;

(ii) At each Closing, Seller shall deliver or cause to be delivered in accordance with the closing instructions the following:

(1) A special warranty deed conveying the applicable portion of the Property to be acquired at such Closing to Purchaser. The special warranty deed shall contain a relinquishment of surface rights, reservation of easements, minerals, mineral rights and water and water rights, as well as other rights, as set forth on **Exhibit B** (the "**Reservations and Covenants**"). The special warranty deed shall also be subject to non-delinquent general real property taxes for the year of such Closing and subsequent years, District assessments and the Permitted Exceptions.

(2) Payment (from the proceeds of such Closing or otherwise) sufficient to satisfy any encumbrance relating to the portion of the Property being acquired at such Closing, required to be paid by Seller at or before the time of Closing.

(3) A tax certificate or other evidence sufficient to enable the Title Company to ensure the payment of all general real property taxes and installments of District assessments then due and payable for the portion of the Property being acquired at such Closing.

(4) An affidavit, in a form sufficient to comply with applicable laws, stating that Seller is not a foreign person or a foreign corporation subject to the Foreign Investment in Real Property Tax Act, and therefore not subject to its withholding requirements.

(5) A certification or affidavit to comply with the reporting and withholding requirements for sales of Colorado properties by non-residents (Colorado Department of Revenue Form DR-1083).

(6) A Lien Affidavit.

(7) A partial assignment of declarant rights or builder rights under the Master Covenants (a "**Builder Designation**"), assigning only the following declarant rights (to the extent such rights are not automatically granted to Purchaser as a "builder" by the terms of the Master Covenants) from Seller to Purchaser: to maintain sales offices, construction offices, management offices, model homes and signs advertising the Development and/or Lots, and such other rights to which the parties may mutually agree, the form of such Builder Designation being attached hereto and incorporated herein as **Exhibit H**.

(8) The Tap Purchase Agreement (as defined herein).

(9) A general assignment to Purchaser in the form attached hereto as **Exhibit D** ("**General Assignment**") with respect to the applicable Lots.

(10) An Owner's Affidavit.

(11) The Lot Development Agreement and the Joint Improvements Memorandum executed by Seller and all other parties thereto other than Purchaser.

(12) The DP Escrow Agreement and the DOT Release.

(13) Such other documents as may be required to be executed by Seller pursuant to this Contract or the closing instructions.

(iii) At each Closing, Purchaser shall deliver or cause to be delivered in accordance with the closing instructions the following:

(1) The Initial Purchase Price payable at such Closing, computed in accordance with Section 2 above, for the Lots being acquired at such Closing, such payment to be made in Good Funds.

(2) The DP Note and DP Deed of Trust

(3) The DP Escrow Agreement.

(4) The Tap Purchase Agreement.

(5) The Lot Development Agreement and the Joint Improvements Memorandum executed by Purchaser.

(6) All other documents required to be executed by Purchaser pursuant to the terms of this Contract or the closing instructions.

(7) Payment of any amounts due pursuant to Section 16 hereof.

(iv) At each Closing, Purchaser and Seller shall each deliver an executed settlement statement, which shall set forth all prorations, disbursements of the Purchase Price and expenses applicable to such Closing;

(v) The following adjustments and prorations shall be made between Purchaser and Seller as of each Closing:

(1) Real property taxes and installments of assessments, if any, for the applicable portion of the Property for the year in which the Closing occurs shall be prorated based upon the most recent known rates, mill levy and assessed valuations; and such proration shall be final.

(2) Seller shall pay real property taxes and assessments for years prior to the year in which the Closing occurs.

(3) Purchaser shall pay any and all recording costs and documentary fees required for the recording of the deed.

(4) Seller shall pay the base premium for the Title Policy and for any endorsement Seller agrees to provide to cure a Title Objection, and Purchaser shall pay the premium for any other endorsements requested by Purchaser in accordance with Section 4 above, including an extended coverage endorsement.

(5) Each party shall pay one-half (1/2) of any closing or escrow charges of the Title Company.

(6) All other costs and expenses not specifically provided for in this Contract shall be allocated between Purchaser and Seller in accordance with the customary practice of commercial real estate transactions in Arapahoe County, Colorado.

(vi) Possession of the applicable portion of the Property being acquired at each Closing shall be delivered to Purchaser at such Closing, subject to the Permitted Exceptions.

9 . Seller's Delivery of Title. At each Closing, Seller shall convey title to the applicable portion of the Property, together with the following items, to the extent that they have been approved, or are deemed to have been approved by Purchaser pursuant to the terms of this Contract (each, a "**Permitted Exception**" and collectively, the "**Permitted Exceptions**"):

(a) all easements, agreements, covenants, restrictions, rights-of-way and other matters of record that affect title to the Property as disclosed by the Master Commitment or any Takedown Commitment, or otherwise, to the extent that such matters are approved or deemed approved by Purchaser in accordance with Section 4 above or otherwise approved by Purchaser (unless otherwise identified herein as an obligation, fee or encumbrance to be assumed by Purchaser or which is otherwise identified herein as a Purchaser obligation which survives such Closing, the foregoing items, however, shall not include any mortgages, deeds of trust, mechanic's liens or judgment liens arising by, through or under Seller, which monetary liens Seller shall cause to be released or fully insured over by the Title Company, to the extent they affect any portion of the Property, on or prior to the date that such portion of the Property is conveyed to Purchaser);

(b) the Entitlements, including without limitation, the Final Plat applicable to the Property being acquired at such Closing and all easements and other terms, agreements, provisions, conditions and obligations as shown thereon;

(c) the Master Covenants;

(d) the inclusion of the Property into the Sky Ranch Metropolitan District No. 3 (the "**District**"), the PID, and such other special improvement districts or metropolitan districts as may be disclosed by the Master Commitment or any Takedown Commitment delivered to Purchaser pursuant to this Contract;

(e) the inclusion of the Property into that certain Declaration of Covenants Imposing and Implementing the Sky Ranch Public Improvement Fee recorded in the County Records on August 13, 2018, at Reception No. D8079674 (the "**PIF Covenant**").

(f) A reservation of water and mineral rights as set forth in the Reservations and Covenants attached hereto as **Exhibit B**;

(g) applicable zoning and governmental regulations and ordinances;

(h) title exceptions, encumbrances, or other matters arising by, through or under Purchaser;

(i) items apparent upon an inspection of the Property or shown or that would be shown on an accurate and current ALTA survey of the Property; and

(j) any Permissible New Exception and any other document expressly required or permitted to be recorded against the Property in the County Records pursuant to the terms of this Contract or the Entitlements.

10. Due Diligence Period; Acceptance of Property; Release and Disclaimer.

(a) Feasibility Review. Within five (5) business days following the Effective Date, and if the same are received by Seller after such deadline, then within five (5) business days after Seller's receipt of the same, Seller shall deliver or make available (via electronic file share if available in electronic form, otherwise via paper copies delivered to Purchaser) to Purchaser the following listed items to the extent in Seller's actual possession; if an item listed below is not in Seller's possession and not delivered or made available to Purchaser, but is otherwise readily available to Seller, then Purchaser may make written request to Seller to provide such item, and Seller will use its reasonable efforts to obtain and deliver or make such item available to Purchaser, but Seller will have no obligation otherwise to obtain any item not in Seller's possession: (i) any environmental reports, soil reports and certifications pertaining to the Lots, (ii) a copy of any subdivision plat for the Property, (iii) engineering and construction plans pertaining to the Lots, (iv) biological, grading, drainage, hydrology and other engineering reports and plans and engineering and constructions plans for offsite improvements that are required to obtain building permits/certificates of occupancies for single-family detached residences constructed on the Lots; (v) any PUD, Development Agreement, Site Development Plans and other approvals pertaining to the Lots particularly and the Development generally; (vi) the Master Covenants; (vii) any Special District Service Plans; (viii) any existing ALTA or other boundary Survey of the Property; and (ix) copies of any subdivision bonds or guarantees applicable to the Lots (collectively, the "**Seller Documents**"). Purchaser shall have a period expiring sixty (60) calendar days following the Effective Date of this Contract within which to review the same (the "**Due Diligence Period**"). During the Due Diligence Period, Purchaser shall have an opportunity to review and inspect the Property, all Seller Documents and any and all factors deemed relevant by Purchaser to its proposed development and the feasibility of Purchaser's intended uses of the Property in Purchaser's sole and absolute discretion (the "**Feasibility Review**"). The Feasibility Review shall be deemed to have been completed to Purchaser's satisfaction only if Purchaser gives written notice to Seller of its election to continue this Contract ("**Continuation Notice**") prior to the expiration of the Due Diligence Period. If Purchaser fails to timely give a Continuation Notice or if Purchaser gives a notice of its election to terminate, this Contract shall automatically terminate, the Initial Deposit shall be promptly returned to Purchaser, Purchaser shall deliver to Seller all information and materials received by Purchaser from Seller pertaining to the Property and any non-confidential and non-proprietary information otherwise obtained by Purchaser pertaining to the Property, and thereafter the parties shall have no further rights or obligations under this Contract except as otherwise provided in Section 25 below. Seller will reasonably cooperate with Purchaser, at Purchaser's cost and at no cost and with no liability to Seller to assist Purchaser in obtaining: (A) an updated or recertification of any of the Seller Documents, (B) reliance letters from any of the preparers of the Seller Documents, and (C) any consents that may be required so that Purchaser may receive the benefits after Closing of any agreements comprising the Seller Documents that confer a benefit and are reasonably necessary for the Purchaser's proper and efficient development of the Property for residential use, to the extent such are obtainable by Purchaser.

(b) Approval of Property. If Purchaser gives a Continuation Notice on or before the expiration of the Due Diligence Period, except as otherwise provided in this Section 10, Purchaser shall be deemed to have waived Feasibility Review and elected to continue this Contract and proceed as provided hereunder.

(c) Radon. Purchaser acknowledges that radon gas and naturally occurring radioactive materials ("**NORM**") each naturally occurs in many locations in Colorado. The Colorado Department of Public Health and Environment and the United States Environmental Protection Agency (the "**EPA**") have detected elevated levels of naturally occurring radon gas in residential structures in many areas of Colorado, including the County and all of the other counties along the front range of Colorado. The EPA has raised concerns with respect to adverse effects on human health from long-term exposure to high levels of radon and recommends that radon levels be tested in all Residences. Purchaser acknowledges that Seller neither claims nor possesses any special expertise in the measurement or reduction of radon or NORM. Purchaser further acknowledges that Seller has not undertaken any evaluation of the presence or risks of radon or NORM with respect to the Property nor has it made any representation or given any other advice to Purchaser as to acceptable levels or possible health hazards of radon and NORM. SELLER HAS MADE NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE PRESENCE OR ABSENCE OF RADON, NORM OR OTHER ENVIRONMENTAL POLLUTANTS WITHIN THE PROPERTY OR THE RESIDENCES TO BE CONSTRUCTED ON THE LOTS OR THE SOILS BENEATH OR ADJACENT TO THE PROPERTY OR THE RESIDENCES TO BE CONSTRUCTED ON THE LOTS PRIOR TO, ON OR AFTER THE APPLICABLE CLOSING DATE. Purchaser, on behalf of itself and its successors and assigns (not including Purchaser's homebuyers), hereby releases the Seller from any and all liability and claims with respect to any NORM, except claims arising from or as a result of fraud or other willful misconduct of any Seller Party. Every home sales contract entered in to by Purchaser with respect to subsequent sales of Lots shall include any disclosures with respect to radon (and other NORMs) as required by applicable Colorado law. The release by Seller set forth above with respect to any successor or assign shall not be applicable to the extent Seller obtains and provides to Purchaser in writing a direct release of Seller by such successor or assign.

(d) Soils. Purchaser acknowledges that soils within the State of Colorado consist of both expansive soils and low-density soils, and certain areas contain potential heaving bedrock associated with expansive, steeply dipping bedrock, which will adversely affect the integrity of a dwelling unit constructed on a Lot if the dwelling unit and the Lot on which it is constructed are not properly maintained. Expansive soils contain clay mineral, which have the characteristic of changing volume with the addition or subtraction of moisture, thereby resulting in swelling and/or shrinking soils. The addition of moisture to low-density soils causes a realignment of soil grains, thereby resulting in consolidation and/or collapse of the soils. Purchaser agrees that it shall obtain a current geotechnical report for the Property and an individual lot soils report for each Lot containing design recommendations from a licensed geotechnical engineer for all structures to be placed upon the Lot. Purchaser shall require all homes to have engineered footing and foundations consistent with results of the individual lot soils report for each Lot and shall take reasonable action as shall be necessary to ensure that the homes to be constructed upon the Lots shall be done in accordance with proper design and construction techniques. Purchaser shall also provide a copy of the geotechnical report for the Property and the individual lot soils report for each Lot to Seller within seven (7) days after Seller's request for the same. SELLER HAS MADE NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE PRESENCE OR ABSENCE OF EXPANSIVE SOILS, LOW-DENSITY SOILS OR DIPPING BEDROCK UPON THE PROPERTY AND PURCHASER SHALL UNDERTAKE SUCH INVESTIGATION AS SHALL BE REASONABLE AND PRUDENT TO DETERMINE THE EXISTENCE OF THE SAME. Purchaser shall provide all disclosures required by C.R.S. Section 6-6.5-101 in every home sales contract entered in to by Purchaser with respect to subsequent sales of a Lot to a homebuyer. Purchaser, on behalf of itself and its successors and assigns (not including Purchaser's homebuyers), hereby releases the Seller from any and all liability and claims with respect to expansive and low-density soils and dipping bedrock located within the Property, except claims arising from or as a result of fraud or other willful misconduct of any Seller Party. The release by Seller set forth above with respect to any successor or assign shall not be applicable to the extent Seller obtains and provides to Purchaser in writing a direct release of Seller by such successor or assign.

(e) Over Excavation. The Finished Lot Improvements required for each Lot do not include any "over excavation" or comparable preparation or mitigation of the soil (the "**Overex**") on the Property and Purchaser shall have sole responsibility at Purchaser's sole expense with respect to the Overex and shall have the right (pursuant to a license agreement to be provided by Seller) to enter such Lots for the purposes of performing the Overex; provided, however, that such entry shall be performed in a manner that does not materially interfere with or result in a material delay or an increase in the costs or any expenses in the construction of the Finish Lot Improvements, and provided further that Purchaser shall promptly repair any portion of the Lots and adjacent property that is materially damaged by Purchaser or its agents, designees, employees, contractors, or subcontractors in performing the Overex. Purchaser shall obtain, at its cost, a current geotechnical report for the Property and an individual lot soils report for each Lot containing design recommendations from a licensed geotechnical engineer for all structures to be placed upon the Lot ("**Purchaser's Geotechnical Reports**"). Purchaser shall not rely upon any geotechnical or soils report furnished by Seller, and Seller shall have no responsibility or liability with respect to the Overex, Purchaser's Geotechnical Reports or any matters related thereto. The parties shall reasonably cooperate in coordinating Purchaser's completion of the Overex so that the Overex can be properly sequenced with Seller's completion of the Finished Lot Improvements and the parties acknowledge and agree that any delay in Seller's completion of the Finished Lot Improvements resulting from Purchaser's Overex work shall extend the date for substantial completion of the Finished Lot Improvements in accordance with the provisions of the Lot Development Agreement. In no event shall the Seller be liable to Purchaser for any delay or costs or damages incurred by Purchaser with respect to such Overex, even if caused by any delay in installation of Finished Lot Improvements sequenced ahead of the Overex. THE PARTIES ACKNOWLEDGE AND AGREE THAT SELLER IS NOT PERFORMING ANY OVER-EXCAVATION OF THE LOTS AND THAT SELLER SHALL HAVE NO LIABILITY WHATSOEVER WITH RESPECT TO OR ARISING OUT OF ANY OVER-EXCAVATION OF THE LOTS OR EXPANSIVE SOILS PRESENT ON THE LOTS AND SELLER EXPRESSLY DISCLAIMS ANY LIABILITY WITH RESPECT TO ANY OVER-EXCAVATION OF THE LOTS AND EXPANSIVE SOILS PRESENT ON THE LOTS EXCEPT CLAIMS ARISING FROM OR AS A RESULT OF FRAUD OR OTHER WILLFUL MISCONDUCT OF ANY SELLER PARTY. PURCHASER SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS SELLER AND ITS SHAREHOLDERS, EMPLOYEES, DIRECTORS, OFFICERS, AGENTS, AFFILIATES, SUCCESSORS AND ASSIGNS FOR, FROM AND AGAINST ALL CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES (EXCLUSIVE OF SPECIAL, CONSEQUENTIAL, PUNITIVE, SPECULATIVE OR LOST PROFITS DAMAGES), COSTS AND EXPENSES, INCLUDING BUT NOT LIMITED TO COURT COSTS AND REASONABLE ATTORNEYS' FEES, ARISING OUT OF ANY EXPANSIVE SOILS, OVER-EXCAVATION OR OTHER SOIL MITIGATION OR PURCHASER'S ELECTION NOT TO PERFORM SOILS MITIGATION, ON OR PERTAINING TO PURCHASER'S LOTS. THE PROVISIONS OF THIS SECTION SHALL EXPRESSLY SURVIVE THE EXPIRATION OR TERMINATION OF THIS CONTRACT.

(f) No Reliance on Documents. Except as expressly stated in this Contract and/or expressly set forth in the documents executed by Seller at a Closing ("**Express Representations**"), Seller makes no representation or warranty as to the truth, accuracy or completeness of any materials, data or information (including, without limitation, the Seller Documents) delivered by Seller or its brokers or agents to Purchaser in connection with the transaction contemplated hereby. Except for and subject to the Express Representations, all materials, data and information delivered by Seller to Purchaser in connection with the transaction contemplated hereby are provided to Purchaser as a convenience only and any reliance on or use of such materials, data or information by Purchaser shall be at the sole risk of Purchaser. The Seller Parties (as hereinafter defined) shall not be liable to Purchaser for any inaccuracy in or omission from any such reports, except for the Express Representations provided by Seller. Purchaser hereby represents to Seller that, to the extent Purchaser deems the same to be necessary or advisable for its purposes, and without waiving the right to rely upon the Express Representations: (i) Purchaser has performed or will perform an independent inspection and investigation of the Lots and has also investigated or will investigate the operative or proposed governmental laws, ordinances and regulations to which the Lots may be subject, and (ii) Purchaser shall acquire the Lots solely upon the basis of its own or its experts' independent inspection and investigation, including, without limitation, (a) the quality, nature, habitability, merchantability, use, operation, value, fitness for a particular purpose, marketability, adequacy or physical condition of the Lots or any aspect or portion thereof, including, without limitation, appurtenances, access, landscaping, parking facilities, electrical, plumbing, sewage, and utility systems, facilities and appliances, soils, geology and groundwater, (b) the dimensions or sizes of the Lots, (c) the development or income potential, or rights of or relating to, the Lots, (d) the zoning or other legal status of the Lots or any other public or private restrictions on the use of the Lots, (e) the compliance of the Lots with any and all applicable codes, laws, regulations, statutes, ordinances, covenants, conditions and restrictions, (f) the ability of Purchaser to obtain any necessary governmental permits for Purchaser's intended use or development of the Lots, (g) the presence or absence of Hazardous Materials on, in, under, above or about the Lots or any adjoining or neighboring property, (h) the condition of title to the Lots, or (i) the economics of, or the income and expenses, revenue or expense projections or other financial matters, relating to the Lots, except as provided in the Express Representations.

(g) As Is. Except for the Express Representations and Seller's performance of its obligations under this Contract, Purchaser acknowledges and agrees that it is purchasing the Property based on its own inspection and examination thereof, and Seller shall sell and convey to Purchaser and Purchaser shall accept the property on an "AS IS, WHERE IS, WITH ALL FAULTS, LIABILITIES, AND DEFECTS, LATENT OR OTHERWISE, KNOWN OR UNKNOWN" basis in an "AS IS" physical condition and in an "AS IS" state of repair (subject to the Finished Lot Improvements obligation set forth in this Contract). Except for, and subject to, the Express Representations, to the extent not prohibited by law the Purchaser hereby waives, and Seller disclaims all warranties of any type or kind whatsoever with respect to the Property, whether express or implied, direct or indirect, oral or written, including, by way of description, but not limitation, those of habitability, fitness for a particular purpose, and use. Without limiting the generality of the foregoing, Purchaser expressly acknowledges that, except for the Express Representations, Seller makes no representations or warranties concerning, and hereby expressly disclaims any representations or warranties concerning the following: (i) The value, nature, quality or condition of the Property; (ii) Any restrictions related to development of the Property; (iii) The applicability of any governmental requirements; (iv) The suitability of the Property for any purpose whatsoever; (v) The presence in, on, under or about the Property of any Hazardous Material or any other condition of the Property which is actionable under any Environmental Law (as such terms are defined in this Section 10; (vi) Compliance of the Property or any operation thereon with the laws, rules, regulations or ordinances of any applicable governmental body; or (vii) The presence or absence of, or the potential adverse health, economic or other effects arising from, any magnetic, electrical or electromagnetic fields or other conditions caused by or emanating from any power lines, telephone lines, cables or other facilities, or any related devices or appurtenances, upon or in the vicinity of the Property. EXCEPT FOR CLAIMS ARISING FROM OR AS A RESULT OF FRAUD OR OTHER WILLFUL MISCONDUCT OF ANY SELLER PARTY AND EXCEPT FOR THE REPRESENTATIONS, WARRANTIES AND COVENANTS OF SELLER AS ARE EXPRESSLY SET FORTH IN THIS CONTRACT OR OTHERWISE PROVIDED IN THIS CONTRACT AND/OR EXPRESSLY SET FORTH IN THE CLOSING DOCUMENTS, SELLER SHALL NOT BE LIABLE TO PURCHASER FOR ANY CONSTRUCTION DEFECT, ERRORS, OMISSIONS, OR ON ACCOUNT OF SOILS CONDITIONS OR ANY OTHER CONDITION AFFECTING THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, THOSE MATTERS DESCRIBED ABOVE AND PURCHASER AND ANYONE CLAIMING BY, THROUGH OR UNDER PURCHASER, HEREBY FULLY RELEASES SELLER, ITS PARTNERS, EMPLOYEES, OFFICERS, DIRECTORS, REPRESENTATIVES, ATTORNEYS AND AGENTS (BUT NOT INCLUDING ANY THIRD PARTY PROFESSIONAL SERVICE PROVIDERS [E.G., ENGINEERS, ETC.], CONTRACTORS OR SIMILAR FIRMS OR PERSONS) FROM ANY AND ALL CLAIMS AGAINST ANY OF THEM FOR ANY COST, LOSS, LIABILITY, DAMAGE, EXPENSE, DEMAND, ACTION OR CAUSE OF ACTION (INCLUDING, WITHOUT LIMITATION, ANY RIGHTS OF CONTRIBUTION) ARISING FROM OR RELATED TO ANY CONSTRUCTION DEFECTS, ERRORS, OMISSIONS, OR OTHER CONDITIONS AFFECTING THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, THOSE MATTERS DESCRIBED ABOVE. The release and waiver set forth in this paragraph shall not apply to any cost, loss, liability, damage, expense, demand, action or cause of action arising from or related to (i) fraud or other willful misconduct of any Seller Party or (ii) any claims against contractors or subcontractors for construction defects in the Finished Lot Improvements; provided, however, that Purchaser shall first seek to enforce claims against such contractors and/or subcontractors conducting the work and only if Purchaser is unable to achieve full satisfaction of their claims after filing and pursuing through final judgment, any litigation, then Purchaser shall have the right to seek relief from the Seller Parties.

As used herein, "**Hazardous Materials**" shall mean, collectively, any chemical, material, substance or waste which is or hereafter becomes defined or included in the definitions of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "pollutant" or "contaminant," or words of similar import, under any Environmental Law, and any other chemical, material, substance, or waste, exposure to, disposal of, or the release of which is now or hereafter prohibited, limited or regulated by any governmental or regulatory authority or otherwise poses an unacceptable risk to human health or the environment.

As used herein, "**Environmental Laws**" shall mean all applicable local, state and federal environmental rules, regulations, statutes, laws and orders, as amended from time to time, including, but not limited to, all such rules, regulations, statutes, laws and orders regarding the storage, use and disposal of Hazardous Materials and regarding releases or threatened releases of Hazardous Materials to the environment.

As used herein, "**Environmental Claim**" shall mean any and all administrative, regulatory or judicial actions, suits, demands, demand letters, directives, claims, liens, investigations, proceedings or notices of noncompliance or violation, whether written or oral, by any person, organization or agency alleging potential liability, including without limitation, potential liability for enforcement, investigatory costs, cleanup costs, governmental response costs, removal costs, remedial costs, natural resources damages, property damages, including diminution of the market value of the Property or any part thereof, personal injuries or penalties arising out of, based on or resulting from the presence or release into the environment of any Hazardous Materials at any location, or resulting from circumstances forming the basis of any violation or alleged violation of any Environmental Laws, and any and all claims by any person, organization or agency seeking damages, contribution, indemnification, costs, recovery, compensation or injunctive relief resulting from the presence or release of any Hazardous Materials.

(h) Release. Purchaser agrees that, except for and subject to the Express Representations, Seller shall not be responsible or liable to Purchaser for any defects, errors or omissions, or on account of geotechnical or soils conditions or on account of any other conditions affecting the Property, because Purchaser is otherwise purchasing the Property AS IS, WHERE-IS, and WITH ALL FAULTS, as set forth above in subsection (g). Purchaser, or anyone claiming by, through or under Purchaser, hereby fully releases Seller, Seller's affiliates, divisions and subsidiaries and their respective managers, members, partners, officers, directors, shareholders, affiliates, representatives and employees (the "**Seller Parties**" and each as a "**Seller Party**") from, and irrevocably waives its right to maintain, any and all claims and causes of action that it or they may now have or hereafter acquire against the Seller Parties for any cost, loss, liability, damage, expense, demand, action or cause of action arising from or related to any defects, errors, omissions or other conditions affecting the Property, except to the extent that such loss or other liability derives or results from a breach of the Express Representations by Seller. Purchaser hereby waives any Environmental Claim (as defined in this Section) which it now has or in the future may have against Seller, provided however, such waiver shall not apply to activities to be performed by the Seller in accordance with the applicable Lot Development Agreement. The foregoing release and waiver shall be given full force and effect according to each of its express terms and provisions, including, but not limited to, those relating to unknown and suspected claims, damages and causes of action. The release and waiver set forth in this Section shall not apply to any cost, loss, liability, damage, expense, demand, action or cause of action arising from or related to (i) fraud or other willful misconduct of any Seller Party, or (ii) any claims against contractors or subcontractors for construction defects in the Finished Lot Improvements; provided, however, that Purchaser shall first seek to enforce claims against such contractors and/or subcontractors conducting the work and only if Purchaser is unable to achieve full satisfaction of their claims after filing and pursuing through final judgment, any litigation, then Purchaser shall have the right to seek relief from the Seller Parties.

(i) Indemnification. Purchaser shall indemnify, defend (with counsel reasonably selected by Purchaser with Seller approval) and hold harmless the Seller Parties of, from and against any and all claims, demands, liabilities, losses, expenses, damages, costs and reasonable attorneys' fees that any of the Seller Parties may at any time incur by reason of or arising out of: (i) any work performed in connection with or arising out of Purchaser's activities, or Purchaser's acts or omissions with respect to any Overex work; (ii) Purchaser's failure to perform its work on the Property in accordance with applicable laws; and (iii) either personal injuries or property damage occurring after the Closing by reason of or arising out of the geologic, soils or groundwater conditions on the Property acquired by Purchaser; (iv) Purchaser's or its successor's development, construction, use, ownership, management, marketing or sale activities associated with the Lots (including, without limitation, land development, grading, excavation, trenching, soils compaction and construction on the Lots performed by or on behalf of Purchaser (including, but not limited to, by all subcontractors and consultants engaged by Purchaser); (v) the soils, subsurface geologic, groundwater conditions or the movement of any home constructed on the Lots after a Closing; (vi) the design, engineering, structural integrity or construction of any homes constructed on the Lots after a Closing; or (vii) any claim asserted by Purchaser's homebuyers or their successors in interest, alleging construction defects related to any Overex work performed by, or on behalf of, Purchaser, or any soils, subsurface, geologic, or groundwater conditions affecting the Lots. The foregoing indemnity obligation of Purchaser includes acts and omissions of Purchaser and all agents, consultants and other parties acting for or on behalf of Purchaser ("**Purchaser Parties**"). Notwithstanding the foregoing, Purchaser is not required by this indemnification provision to indemnify, defend or hold harmless the Seller against (i) Seller's failure to perform its obligations under this Contract or under any of the Closing documents, (ii) Seller's breach of the Express Representations, or (iii) claims arising directly from the decisions of Seller acting in its capacity as declarant under the Master Covenants or arising from or related to the fraud or willful misconduct of any Seller Party; and further provided that Purchaser is not required to indemnify consultants, contractors and subcontractors who contract with Seller and who perform services or supply labor, materials, equipment, and other work relating to geotechnical or soils conditions on the Lots that is necessary for the Lots to satisfy the requirements set forth herein. The indemnification by Seller set forth above with respect to any successor shall not be applicable to the extent Seller obtains and provides to Purchaser in writing a direct indemnification of Seller by such successor.

(j) The provisions of this Section 10 shall survive each Closing and the delivery of each respective deed to the Purchaser.

11. Seller's Representations. Seller hereby represents and warrants to Purchaser as follows (the following Subsections (a) through (j) collectively referred to herein as "**Seller's Representations**"):

(a) Organization. Seller is a limited liability company duly organized and validly existing under the laws of the State of Colorado.

(b) Litigation. To Seller's Actual Knowledge (as defined in this Section 11), there is no pending or threatened litigation which could materially adversely affect the Property.

(c) Bankruptcy. There are no attachments, levies, executions, assignments for the benefit of creditors, receiverships, conservatorships, or voluntary or involuntary proceedings in bankruptcy, or any other debtor relief actions contemplated by Seller or filed by Seller, or to Seller's knowledge, pending in any current judicial or administrative proceeding against Seller.

(d) Non-Foreign Person. Seller is not a "foreign person" as that term is defined in Section 1445 of the Internal Revenue Code of 1986, as amended, and applicable regulations.

(e) Condemnation. Seller has received no written notice of any pending or threatened condemnation or eminent domain proceedings which may affect the Property or any part thereof.

(f) Execution and Delivery. The execution, delivery and performance of this Contract by Seller does not and will not result in a breach of, or constitute a default under, any indenture, loan or credit agreement, mortgage, deed of trust or other agreement to which Seller is a party. The individual(s) executing this Agreement and the instruments referenced herein on behalf of Seller have the legal power, right and actual authority to bind Seller to the terms hereof and thereof.

(g) Default. To Seller's Actual Knowledge, Seller has not defaulted under any covenant, restriction or contract affecting the Property, nor has Seller caused by its act or omission an event to occur which would with the passage of time constitute a breach or default under any such covenant, restriction or contract.

(h) Violation of Law. Seller has not received any written notice of non-compliance, and to Seller's Actual Knowledge there is no non-compliance, of the Property with respect to any federal, state or local laws, codes, ordinances or regulations relating to the Property.

(i) Rights. Seller has not granted to any party, other than Purchaser hereunder, any option, contract, right of refusal or other agreement with respect to a purchase or sale of the Property. To Seller's Actual Knowledge, there are no leases, occupancy agreements, easements, licenses or other agreements which grant third-parties any possessory or usage rights to all or any part of the Property, except as disclosed in the Master Commitment, and Takedown Commitment or the Seller Documents.

(j) Environmental. Neither Seller nor to Seller's Actual Knowledge, any third party has used Hazardous Materials on, from, or affecting the Property in any manner which violates federal, state, or local laws, ordinances, rules, regulations, or policies governing the use, storage, treatment, transportation, manufacture, refinement, handling, production, or disposal of Hazardous Material, except as may be disclosed in the Seller Documents.

(k) To Seller's Actual Knowledge, no portion of the Property is or has been used as a cemetery, grave site, or graveyard, or is a site of historical significance;

For purposes of the foregoing, the phrase "**Seller's Actual Knowledge**" shall mean the current, actual, personal knowledge of Mark Harding as President of Seller, without any duty of investigation or inquiry and without imputation of any other person's knowledge. The fact that reference is made to the personal knowledge of the above identified individual shall not render such individual personally liable for any breach of any of the foregoing representations and warranties; rather, Purchaser's sole recourse in the event of any such breach shall be against Seller, and Purchaser hereby waives any claim or cause of action against the above identified individual arising from Seller's Representations. Seller and Purchaser shall notify the other in writing immediately if any Seller's Representation becomes untrue or misleading in light of information obtained by Seller or Purchaser after the Effective Date. In the event that Purchaser elects to close and Purchaser has actual knowledge (meaning the current, actual, personal knowledge of Michael Salmina, without any duty of investigation or inquiry and without imputation of any other person's knowledge) that any of Seller's Representations are untrue or misleading, or of a breach of any of Seller' Representations prior to a Closing, without the duty of further inquiry, Purchaser shall be deemed to have waived any right of recovery with respect to the matter actually known by Purchaser, and Seller shall not have any liability in connection therewith.

Seller's Representations shall survive each respective Closing for a period of twelve (12) months, except that any claim for which legal action is filed within such time period shall survive until resolution of such action, and except to the extent of any matter that is waived by Purchaser pursuant to the previous paragraph (and any such matter waived pursuant to the previous paragraph shall not survive Closing).

Seller makes no promises, representations or warranties regarding the construction, installation or operation of any amenities within the Development, including without limitation, clubhouses, swimming pools and/or sports courts. To the extent that any development plans, site plans, rendering, drawings, marketing information or other materials related to the Development include, depict or imply the inclusion of any amenities in the Development, they are included only to illustrate possible amenities for the Development that may or may not be built and Purchaser shall not rely upon any such materials regarding the construction, installation or operation of any amenities within the Development.

12. Purchaser's Obligations. Purchaser shall have the following obligations, each of which shall survive each respective Closing and, where noted, termination of this Contract:

(a) Master Covenants; PID Service Plan. Purchaser shall comply with all obligations applicable to Purchaser under the Master Covenants and under the PID Service Plan.

(b) Compliance with Laws. With respect to Purchaser's entry onto the Property and following each Closing, Purchaser shall comply with and abide by all laws, ordinances, statutes, covenants, rules and regulations, building codes, permits, association documents and other recorded instruments (as they are from time to time amended, supplemented or changed) which regulate any activities relating to Purchaser's use, ownership, construction, sale or investigation of any Lot or any improvements thereon.

(c) Entry Prior to Closing. From and after the Effective Date of this Contract until applicable Closing Date or earlier termination of this Contract, and so long as no default by Purchaser exists under this Contract, Purchaser and its agents, employees and representatives shall be entitled to enter upon the Property for purposes of conducting soil and other tests and to inspect and survey any of the Property. If the Property is altered or disturbed in any material manner in connection with any of Purchaser's activities, Purchaser shall immediately return the Property to substantially the condition existing prior to such activities. Purchaser shall promptly refill holes dug and otherwise to repair any damage to the Property as a result of its activities. Purchaser and its agents shall not have the right to conduct any invasive testing (e.g., borings, drilling, soil/water sampling, etc.), except standard geotech and environmental investigation, on the Lots, including, without limitation, any so-called "Phase II" environmental testing, without first obtaining Seller's written consent (and providing Seller at least seventy-two (72) hours' prior written notice), which consent may be withheld by Seller in its reasonable discretion and shall be subject to any terms and conditions imposed by Seller in its reasonable discretion. In the event that Purchaser fails to obtain Seller's written consent as required pursuant to the preceding sentence prior to any invasive testing, except standard geotech and environmental investigation, then in addition to and without limiting any other obligations Purchaser may have under this Section, Purchaser shall be fully responsible and liable for all costs of remediation with respect to any materials disturbed in any manner that requires remediation or that are removed in connection with such invasive testing and including, but not limited to, costs for disposal of materials removed during any invasive testing. Purchaser shall not permit any lien to attach to the Property or any portion of the Property as a result of the activities. Purchaser shall indemnify, defend and hold Seller, its officers, directors, shareholders, employees, agents and representatives harmless from and against any and all mechanics' and materialmen's liens, claims (including, without limitation, personal injury, death and property damage claims), damages, losses, obligations, liabilities, costs and expenses including, without limitation, reasonable attorneys' fees incurred by Seller, its officers, directors, shareholders, employees, agents and representatives or their property arising out of any breach of the provisions of this Section 12(c) by Purchaser, its agents, employees or representatives. The foregoing indemnity obligation of Purchaser includes acts and omissions of Purchaser and all agents, consultants and other parties acting for or on behalf of Purchaser. Purchaser shall maintain in effect during its inspection of the Property commercial general liability coverage for bodily injury and property damage in the amount of at least $2,000,000.00 combined single limit, and automobile liability coverage for bodily injury and property damage in the amount of at least $2,000,000.00 combined single limit, and the policy or policies of insurance shall be issued by a reputable insurance company or companies which are qualified to do business in the State of Colorado and shall name Seller as an additional insured. In addition, before entering upon the Property, Purchaser shall provide Seller with valid certificates indicating such insurance is in effect. The foregoing indemnity shall not apply to claims due to (i) Hazardous Materials or conditions that are not placed on the Property or caused by Purchaser or its agents, (ii) pre-existing matters, (iii) or Seller's actions or inactions. The indemnity and agreement set forth in this Section 12(c) shall survive the expiration or termination of this Contract for any reason.

(d) Architectural Approval. In order to assure that homes constructed by Purchaser are compatible with the other residential construction in the Development and the architectural, design, and landscaping criteria and guidelines included in the approved Administrative Site Plan applicable to the Property (the "**ASP Criteria**") and are otherwise acceptable to Seller, all construction and landscaping on the Lots shall be subject to the prior review and approval of Seller in accordance with this Section 12(d). The Master Covenants provide for the formation of an architectural review committee ("**Architectural Review Committee**") and for the promulgation and adoption of design guidelines ("**Design Guidelines**") to be applied by the Architectural Review Committee. The Master Covenants and the Design Guidelines provide for an exemption from obtaining Architectural Review Committee approval for the Seller and any other person whose House Plans (as hereinafter defined) has been reviewed and approved by the Seller.

(i) Purchaser shall submit to Seller the Purchaser's elevations, floor plans, typical landscape plans, exterior color palettes ("**House Plans**") for homes and other buildings, structures and improvements to be located on the Lots (herein "**Homes**", "**Houses**", or "**Residences**") within forty five (45) days following delivery of the ASP to Purchaser. Seller will review the House Plans and Seller shall deliver notice to Purchaser of the Seller's approval or disapproval of the House Plans within ten (10) business days after receipt of the House Plans, with such approval not to be unreasonably withheld, conditioned or delayed, and shall not be withheld so long as such plans substantially comply and are generally consistent and compatible with the ASP Criteria. If Seller fails to so notify Purchaser of approval or disapproval within such 10-business day period, the House Plans shall be deemed approved and/or an appropriate exemption shall be given to Purchaser. In the event of disapproval, Purchaser shall revise and resubmit the House Plans to the Seller for reconsideration, addressing the matters reasonably disapproved by the Seller, and the procedure set forth above shall be repeated until the House Plans are approved by the Seller. After Seller approves the Purchaser's House Plans, and before Purchaser commences construction of Homes on the Lots, Purchaser shall submit to Seller any material changes in the approved House Plans. Seller shall review the material changes for general consistency and compatibility with the standards and criteria set forth in the ASP Criteria and if Seller approves such changes, Seller shall notify Purchaser within ten (10) business days of its approval, not to be unreasonably withheld, conditioned or delayed, and which shall not be withheld if such material changes comply with the ASP Criteria.

(ii) Purchaser shall obtain Seller approval of House Plans before commencing construction activities on any Lot. Purchaser shall perform all construction, development and landscaping in accordance with the approved House Plans and in conformity with the ASP Criteria and all other requirements, rules, regulations of any local jurisdictional authority. Purchaser and Seller acknowledge that the County will not conduct architectural review nor issue approval of Purchaser's House Plans, but rather requires the building permit applicant to comply with the ASP Criteria. Seller's approval of Purchaser's House Plans is only intended as a review for compatibility with other residential construction in the Development and the ASP Criteria and does not constitute a representation or warranty that Purchaser's House Plans comply with ASP Criteria and Purchaser shall be responsible for confirming such compliance.

(e) Disclosures to Homebuyers. Purchaser shall include in each contract for the sale of any Home constructed by Purchaser in the Development all disclosures required by applicable laws, including, but not limited to the Special District Disclosure, Common Interest Community Disclosure, Mineral Disclosure and Source of Potable Water Disclosure, and any other disclosure that applicable laws require to be made to each homebuyer regarding expansive/low-density soils, radon, NORMs, and other matters ("**Homebuyer Disclosures**"). Purchaser shall furnish to Seller upon request a copy of Purchaser's disclosures to homebuyers which includes the Homebuyer Disclosures.

13. Uncontrollable Events. Notwithstanding any contrary provision of this Contract, the time for performance of any obligation of Seller or Purchaser under this Contract (except for any monetary obligation of either party) shall be extended if such performance is delayed due to any act, or failure to act, of any Authority, strike, riot, act of war, act of terrorism, act of violence, weather, act of God, epidemic/pandemic, or any other act, occurrence or non-occurrence beyond such party's reasonable control (each, an "**Uncontrollable Event**"). Any extension under the preceding sentence shall continue for a length of time reasonably necessary to satisfy such delayed obligation; provided, that in no event shall such extension be less than the duration of such Uncontrollable Event. If a party claims a delay due to an Uncontrollable Event, then such party shall provide written notice to the other party not more than thirty (30) days after the occurrence of a condition that constitutes an Uncontrollable Event, which notice shall reasonably detail the reason(s) giving rise to the Uncontrollable Event and a reasonable estimation of the duration (to the extent determinable at the time of such notice) of the delay that was caused by the Uncontrollable Event. Each party will make efforts to minimize the delay from any such Uncontrollable Event to the extent reasonably feasible; provided, however, that neither party shall be required to use extraordinary means and/or incur extraordinary costs in order to satisfy its obligations.

14. Cooperation. Purchaser shall reasonably cooperate with and require its agents, employees, subcontractors and other representatives to cooperate with Seller in construction within the Development, including, where applicable, the granting of a nonexclusive license to enter upon the Property conveyed to Purchaser. Purchaser shall execute any and all documentation reasonably required by Seller to effectuate any desired modification or change in connection with Seller's activities in the Development including, without limitation, amendments or restatements of the Master Covenants, or any Final Plat; provided, however, Purchaser shall not be obligated to execute any such documentation if it will materially adversely affect the fair market value or use of the Property or Purchaser's ability to construct or to sell its proposed homes within the Property, or if it will materially increase the cost of ownership or construction or materially interfere with such ownership or construction.

15. Fees. Subject to the provisions of Sections 16 and 18 below:

(a) FHA/VA. Seller shall not be required to obtain any approvals pursuant to FHA, VA or other governmental programs relating to the Lots or the financing of improvements thereon.

(b) Utility Company Refunds. Any refunds from utility providers relating to construction deposits for the Property shall be the exclusive property of Seller. Purchaser shall cooperate, at no cost to Purchaser, with Seller in turning over any such funds and directing those funds to Seller.

16. Water and Sewer Taps; Fees; and District Matters.

(a) Rangeview Metropolitan District. The water and sewer service provider for the Lots is the Rangeview Metropolitan District ("**Rangeview**") and Purchaser shall be required to purchase water and sewer taps for the Lots from Rangeview pursuant to the terms and provisions of a tap purchase agreement in a form substantially consistent with the one attached hereto and incorporated herein as **Exhibit F** (the "**Tap Purchase Agreement**"). Pursuant to the Tap Purchase Agreement, Rangeview will agree to sell to Purchaser, and Purchaser will agree to purchase from Rangeview, a water and sewer tap for each Lot in accordance with an agreed-upon purchase schedule, but in no event later than the issuance of a building permit for a Lot. The Tap Purchase Agreement shall be executed by Rangeview and Purchaser on or before the date of the First Closing. If Rangeview and Purchaser are unable to agree on a Tap Purchase Agreement before the expiration of the Due Diligence Period, the Initial Deposit shall be promptly returned to Purchaser, Purchaser shall deliver to Seller all information and materials received by Purchaser from Seller pertaining to the Property and any non-confidential and non-proprietary information otherwise obtained by Purchaser pertaining to the Property, and thereafter the parties shall have no further rights or obligations under this Contract except as otherwise provided in Section 25 below. The combined cost to purchase a water tap and sewer will be dependent on Lot size, house square footage, number of floors, driveway lanes, outdoor irrigated square footage, and xeriscape square footage. For example, based on Rangeview's rates and charges as of the Effective Date as set forth in fee schedule attached hereto as **Exhibit G** (the "**Lot Development Fee Schedule**"), a 5,500 square foot lot with a 2,400 square foot house 2 story 2 car garage with 1,500 square feet of grass would have a computed tap fee equating to a .9 SFE (1 SFE equal to .4 acre feet of water demand per year) or $24,488.10, and a sewer tap fee of $4,752.

(b) District Governance and Financial Matters. The Property is included within the boundaries of the District and with water and sewer service provided by Rangeview. Persons affiliated with Seller have been elected or appointed to the board of directors ("**Board**") of the District and Rangeview and serve in that capacity. Purchaser shall not qualify any persons affiliated with Purchaser as its representative to serve on the Board of the District or Rangeview and this prohibition shall survive all Closings and delivery of deeds hereunder until no person affiliated with Seller serves on the Board. The District has been formed for purposes that include, but are not limited to financing, owning, maintaining and/or managing certain tracts and infrastructure improvements ("**District Improvements**") to serve the Development, including the Lots. Purchaser acknowledges that: (i) the construction of District Improvements shall be without compensation or reimbursement to Purchaser; and (ii) any reimbursements, credits, payments, or other amounts payable by the District or Rangeview on account of the construction of District Improvements or any other matters related thereto ("**Metro District Payments**") shall remain the property of the Seller and shall not be conveyed to or otherwise be claimed by Purchaser. Upon request of Seller, the District, or Rangeview, Purchaser will execute any and all documents that may be reasonably required to confirm Purchaser's waiver of any right to Metro District Payments. The provisions of this Section are material in determining the Purchase Price, and the Purchase Price would have been higher but for the provisions of this Section. Seller shall provide to Purchaser as part of the Seller Documents information available relating to the District including the service plan and schedule of current fees and charges. This Section shall survive each Closing as set forth herein.

(c) Sky Ranch Community Authority Board. Pursuant to the Colorado Constitution, Article XIV, Sections 18(2)(a) and (b), and C.R.S. Sections 29-1-203 and -203.5, metropolitan districts may cooperate or contract with each other to provide any function, service or facility lawfully authorized to each, and any such contract may provide for the sharing of costs, the impositions of taxes, and the incurring of debt. Pursuant to the Modified Service Plans for Sky Ranch Metropolitan District Nos. 1, 3, 4 and 5 ("**Sky Ranch Districts**"), approved by Arapahoe County on September 14, 2004, as amended ("**Service Plans**"), and pursuant to statutory authority, the Sky Ranch Metropolitan District Nos. 1 and 5 have entered into a Sky Ranch Community Authority Board Establishment Agreement ("**CABEA**"), creating the CAB. It is anticipated that the Boards of Sky Ranch Metropolitan District Nos. 3 and 4 will elect to become parties to the CABEA in the future. The CABEA authorizes the CAB and the Sky Ranch Districts that are parties to the CABEA to cooperate and contract with each other regarding administrative and operational functions. One or more of the Sky Ranch Districts, the CAB or other governmental entity may enter into an intergovernmental agreement pursuant to C.R.S. §§ 29-1-203 and – 203.5 to create the Regional Improvements Authority to use revenue generated by the imposition of the Regional Improvements Mill Levy to plan, design, acquire, construct, installation, relocation and/or redevelopment, and the administration, overhead and operations and maintenance costs incurred with respect to the Regional Improvements serving the Development. The Regional Improvement Authority's authority may include, without limitation, (i) sharing or pledging revenue, including ad valorem taxes, to provide a source of funding to pay for specific regional improvements that serve the Development, (ii) the issuance of debt by the CAB or other governmental authority to pay for regional improvements, and (iii) the construction of regional improvements. If and to the extent that the District enters into such an IGA, Builder agrees that it will not object to the intergovernmental agreement creating the Regional Improvements Authority provided that the total mill levy on a Lot does not exceed Maximum Mills Limitation and such intergovernmental agreement does not result in any additional fees imposed with respect to the Lots in excess of the fees that have been or will be imposed in the first phase of the Development, or any other material adverse effect on the title, use, or construction on any Home or any Lot.

(d) Fees.

(i) Seller shall pay any and all of the following to the extent imposed by any Authority in connection with the Property conveyed to Purchaser: (i) any parks and recreation fees (including park dedication requirements and/or cash-in-lieu payments related to the Property as part of the platting thereof); (ii) drainage fees; (iii) fees for payment-in-lieu of school land dedications.

(ii) Purchaser shall pay all costs and expenses for all costs or fees that may be imposed by any Authority relating to the construction, use or occupancy of the homes to be constructed on the Lots and any ongoing or periodic maintenance and operations fees and charges levied or otherwise imposed on Lot owned by Purchaser by any Authority, including without limitation, those fees set forth in the Lot Development Fee Schedule attached hereto as **Exhibit G**; provided, however, that the fees set forth on **Exhibit G** are reflective only of the assessment as of the Effective Date hereof and are subject to periodic increases as determined by the assessing Authority. Without limiting the foregoing, and except for the fees to be paid by Seller pursuant to Section 4(d) or Section 16(d)(i) above, Purchaser shall pay any and all of the following to the extent imposed in connection with the Property conveyed to Purchaser: (i) system development fees; (iii) any infrastructure (facility) fee, including, without limitation, any transportation/road fee, which may be imposed either by the County, the District or other Authority; (iv) any impact fees and payment-in-lieu of land dedication fees imposed for roads or other facilities that are payable at issuance of a building permit for a home constructed on a Lot; and (v) any excise fees.

(iii) As of the Effective Date, the District does not levy a system development fee ("**SDF**") against property within the District. If the District at any time before a Closing adopts a SDF, then at such Closing (and subsequent Closings) the Purchaser shall pay the District's SDF applicable to the Lots. In order to offset Purchaser's payment of the District's SDF for a Lot at a Closing, Purchaser shall receive a credit against the Purchase Price paid by Purchaser for such Lot at such Closing equal to the amount of the District's SDF paid by Purchaser for the Lot.

(iv) The covenants set forth in this Section 16 shall survive each respective Closing and shall represent a continuing obligation until the complete satisfaction or payment thereof.

17. Homeowners' Association. Certain alleys, walkways, landscape tracts, and other private improvements will serve the Property and may also serve lots acquired by other builders within Phase B. In order to address the maintenance obligations related to such private improvements, Seller shall establish a homeowners' association that will own and/or maintain such private improvements (the "**Homeowners' Association**") and cause the Lots to be annexed into such Homeowners' Association at Closing hereunder. Within thirty (30) days after the Effective Date, Seller will deliver to Purchaser (and the other builders) for its review and reasonable approval, a declaration with respect to the maintenance of those private improvements (the "**Maintenance Declaration**"). Purchaser shall have until fifteen (15) days before the end of the Due Diligence Period, as the same may be extended, to notify Seller in writing of any objection that Purchaser may have to the draft Maintenance Declaration. On or before the fifth (5^{th}) business day following Seller's receipt of Purchaser's objections to the draft Maintenance Declaration, Seller shall notify Purchaser, in writing, whether Seller elects to make such modifications to the draft Maintenance Declaration, with Seller not to unreasonably withhold its consent to Purchaser's request; provided, however, that if Seller does not elect to modify, or elects to modify and does not thereafter modify the Maintenance Declaration within such 5-business day period and such decision is made on a reasonable basis, Purchaser shall have the right to either: (i) terminate this Agreement by delivery of a written termination notice to Seller on or before the end of the Due Diligence Period, in which event the entire Initial Deposit shall be promptly returned to Purchaser, Purchaser shall return to Seller all information and materials received by Purchaser from Seller pertaining to the Property, and thereafter the Parties shall have no further rights or obligations under this Agreement except for those which expressly survive the termination hereof; or (ii) waive any objections to the Maintenance Declaration and proceed with the transaction contemplated by this Agreement, in which event Purchaser shall be deemed to have approved the Maintenance Declaration as to which its objections have been waived. Upon approval of the form of the Maintenance Declaration by the Parties, the Parties will cause such form to be attached to this Agreement by a mutually executed amendment hereto. The Maintenance Declaration shall be recorded in the Records at or before the First Closing and shall constitute a Permitted Exception hereunder.

18. Reimbursements and Credits. Purchaser shall have no right to any reimbursements and/or cost-sharing agreements pursuant to any agreements entered into between Seller or any of Seller's affiliates and third parties which may or may not affect the Property, except as may be expressly provided in the Joint Improvement Memorandum. In addition, Purchaser acknowledges that Seller, its affiliates, the District, the PID, or other metropolitan district, has installed or may install certain infrastructure improvements ("**Infrastructure Improvements**"), the Interchange Upgrades, and/or donate, dedicate and/or convey certain rights, improvements and/or real property ("**Dedications**") to the County or other Authority which benefit all or any part of the Property, together with adjacent properties, and which entitle Seller or its affiliates and/or the Property or any part thereof to certain reimbursements by the County or other Authority or credits by the County or other Authority for park fees, open space fees, school impact fees, capital expansion fees and other governmental fees which would otherwise be required to be paid to the County or other governmental or quasi-governmental entity by the owner of the Property or any part thereof from time to time ("**Governmental Fees**"). In the event Purchaser is entitled to a credit or waiver of Governmental Fees by the County and/or any other Authority as a result of the Infrastructure Improvements, the Interchange Upgrades, and/or any Dedications, then, in such event, Purchaser shall pay to or reimburse Seller and/or its designated affiliates in an amount equal to such credited or waived Governmental Fees at the same time that the Governmental Fees would otherwise be payable by Purchaser or its assignees to the County or other Authority but for the construction of the Infrastructure Improvements, the Interchange Upgrades, and/or any Dedications by Seller, its affiliates, the District, or other Authority. In addition, Purchaser acknowledges that Seller or its affiliate(s) may have negotiated or may negotiate with the County or other Authority for reimbursements to Seller or its affiliates. Purchaser acknowledges that certain Governmental Fees which may be paid by Purchaser to the County or other Authority may be reimbursed to Seller and/or its affiliates pursuant to the terms of said agreement. The obligations and covenants set forth in this Section 18 shall survive the Closing of the purchase and sale of the Property and shall represent a continuing obligation of Purchaser until complete satisfaction thereof. Purchaser shall be released from the obligations in this Section 18 to the extent such obligations are assumed in writing by a subsequent owner of all or a portion of the Property and a copy of such written assumption is furnished to Seller. Each special warranty deed conveying the applicable portion of the Property at each Closing shall contain the foregoing reimbursement covenant, which reimbursement covenant shall expressly state that it automatically terminates as to any Lot upon issuance of a certificate of occupancy for a home constructed on the Lot and conveyance of the Lot to a homebuyer.

19. Name and Logo. The name and logo of "Sky Ranch" are wholly owned by Seller. Purchaser agrees that it shall not use or allow the use of the name "Sky Ranch" or any logo, symbol or other words or phrases which are names or trademarks used or registered by Seller or any of its affiliates in any manner to name, designate, advertise, sell or develop the Property or in connection with the operation or business located or to be located upon the Property without the prior written consent of Seller, which consent may be withheld for any reason. Any consent to the use of such names or logos may be conditioned upon Purchaser entering into a license agreement with Seller, as applicable, at no additional cost to Purchaser. Notwithstanding the foregoing, however, Purchaser shall have a non-exclusive, royalty-free license for so long as Purchaser is building and selling homes in the Development, without the need for any further consent or approval by Seller, to use the name and logo of "Sky Ranch" in connection with the use, marketing, sales, development and operation of the Property, provided that Purchaser shall comply with any requirements uniformly applicable to all homebuilders in Sky Ranch that Seller promulgates with respect to such usage.

20. Renderings. All renderings, plans or drawings of the Property or the Development, except as set forth in the Entitlements, locating landscaping, trees and any improvements are artists' conceptions only and may not accurately reflect their actual location. Purchaser waives any claims based upon any inaccuracy in the location of such items as depicted on the renderings, plans or drawings, except as set forth in the Entitlements.

21. Communications Improvements. Seller may, but is not obligated to, enter into an agreement with a service provider for the development and installation of Communication Improvements in all or any portion of the Development. "**Communications Improvements**" means any equipment, property and facilities, if used or useful in connection with the delivery, deployment, provision or modification of (a) broadband Internet access service; (b) monitoring service, for the benefit of governmental entities, quasi-governmental entities, or utilities, regarding the usage of electricity, gas, water and other resources; (c) video programming or content, including Internet protocol television (a/k/a "IPTV") service; (d) voice over Internet protocol (a/k/a "VoIP") service; (e) telecommunications services, including voice; (f) any other service or services delivered by means of the Internet or otherwise delivered by means of digital signals; and (g) any other service or services based on technology that is similar to or is a technological extension of any of the foregoing ("**Service**"). Communications Improvements do not include any equipment, facilities or property located or in the home of a person who receives services from the service provider, such as, but not limited to routers, wireless access points, in-house wiring, set-top boxes, game consoles, gateways and other equipment under the control of the owner or occupant of the home. Seller may grant to such service provider one or more permanent, non-exclusive, perpetual, assignable and recordable easements (collectively referred to as the "**Easement**") to access and use the Property and other property within the Development, as necessary, appropriate or desirable, to lay, install, construct, reconstruct, modify, operate, maintain, repair, enhance, upgrade, regulate, remove, replace and otherwise use the Communications Improvements. So long as any such Easement does not materially adversely affect the title, use or construction of any Home on any Lot or the Lot on which it is located, Purchaser shall not object to and shall cooperate with Seller in connection with the installation and operation of the Communications Improvements.

22. Soil Hauling. Purchaser shall be responsible for either relocating from the Property all surplus soil generated during Purchaser's construction of structures on the Property or to import any necessary fill required to complete Purchaser's Overex activities or other construction activities. At the option of Seller, in its sole discretion, the surplus soil shall be transported at Purchaser's expense to a site designated by Seller within the Development; provided, that Seller has designated and made such a site available to Purchaser at the time Purchaser is ready to transport surplus soils, if any. If and to the extent that Seller establishes stock pile site within the Development, Seller may modify any such stock pile locations from time to time in Seller's discretion (but Purchaser shall not have any obligation to relocate any soil Purchaser previously delivered to the prior designated stock pile site). At Seller's request, Purchaser shall supply copies of any reports or field assessments identifying the material characteristics of the excess soil prior to accepting such soil for fill purposes. Notwithstanding the foregoing, in the event that Seller does not establish a stock pile site or elects not to accept any surplus soils from Purchaser, then Purchaser shall, at its sole expense, find a purchaser or taker or otherwise transport and dispose of such surplus soil upon such terms as it shall desire, but such surplus soil must still be removed from the Property and may not be stockpiled on the Property or within the Development after construction has been completed. At the option of Developer, in its sole discretion, if Builder needs to import any necessary fill that is required to complete Builder's construction activities and Developer has fill dirt available on the Property, then Developer may make available to Builder, on terms and conditions determined by Developer, any such fill dirt for transport at Builder's expense.

23. Specially Designated Nationals and Blocked Persons List Purchaser represents and warrants to Seller that Purchaser is currently in compliance with and shall at all times prior to the Closing of this transaction remain in compliance with the regulations of the Office of Foreign Assets Control ("**OFAC**") of the United States Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism), or other governmental action relating thereto. Seller represents and warrants to Purchaser that Seller and all persons and entities owning (directly or indirectly) an ownership interest in Seller are currently in compliance with and shall at all times prior to the Closing of this transaction remain in compliance with the regulations of the OFAC (including those named on OFAC's Specially Designated and Blocked Persons List) and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism), or other governmental action relating thereto.

24. Assignment.

(a) Seller's Assignment. Seller may assign its rights and obligations under this Contract with respect to the Lots not yet Closed without the consent of Purchaser to an entity that controls, is controlled by, or is under common control with Seller. Subject to Purchaser's reasonable consent, which shall not be unreasonably withheld, conditioned, or delayed, Seller may assign its rights and obligations under this Contract to any entity that acquires all or substantially all of the Seller's interests in such Lots which Seller reasonably believes has the financial ability and experience to perform Seller's obligations under this Contract.

(b) Purchaser's Assignment. The obligations of the Purchaser under this Contract are personal in nature, and neither this Contract nor any rights, interests, or obligations of Purchaser under this Contract may be transferred or assigned without the prior written consent of Seller, except that Purchaser may assign its rights or obligations under this Contract, without the prior written consent of Seller, to (i) any affiliate of Purchaser, or (ii) any third-party from which Purchaser has a contractual right to acquire the Lots pursuant to an option agreement or similar arrangement with such third-party, but Purchaser shall not be released from any obligations hereunder.

25. Survival. Except as expressly provided to the contrary in this Contract, all covenants and agreements of either party which are intended to be performed in whole or in part after any Closing or termination of this Contract, and all representations, warranties and indemnities by either party to the other under this Contract shall survive such Closing or termination of this Contract and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns; provided, however, that Seller's Representations pursuant to this Contract shall survive each respective Closing for a period of twelve (12) months, and any action by Purchaser based on a breach of any of such Seller's Representations must be brought within such twelve (12) month period.

2 6 . Condemnation. If a condemnation action is filed or either party receives written notice from any competent condemning authority of intent to condemn which directly affects any Lot or Lots which Purchaser has a right to purchase, either party may at its sole discretion by written notice to the other party within ten (10) days following receipt of such condemnation notice terminate this Contract as to the Lots subject to the condemnation action and receive a refund of a prorata portion of the Deposit with respect to those Lots only, and the parties shall have no further rights or obligations with respect to those Lots. If the right to terminate is not exercised by either party, this Contract shall remain in full force and effect with respect to the Lot in question and upon exercise of the right to purchase the Lot, the Closing shall proceed in accordance with the terms of this Contract. Any condemnation award shall be paid to the party who is the owner of the affected Lot at the time the award is determined by the condemning authority.

27. Brokers. Each party does hereby represent that it has not engaged any broker, finder, or real estate agent in connection with the transactions contemplated by this Contract. Each party agrees to and does hereby indemnify and hold the other harmless from any and all fees, brokerage and other commissions or costs (including reasonable attorneys' fees), liabilities, losses, damages or claims which may result from any broker, agent or finder, licensed or otherwise, claiming through, under or by reason of the conduct of either of them respectively in connection with the purchase of the Lots by Purchaser. This Section survives termination of this Contract and the Closings.

28. Default and Remedies. Time is of the essence hereof. If any amount received as a Deposit hereunder or any other payment due hereunder is not paid by Purchaser, honored or tendered when due and payable, or if each Closing is not consummated as required in accordance with Section 8 above, or if any other covenant, agreement, obligation or condition hereunder is not performed or waived as herein provided within five (5) days (or such longer period as expressly provided under this Contract) after the party failing to perform the same has received written notice of such failure, there shall be the following remedies:

(a) Purchaser's Default. If Purchaser is in default under this Contract, Seller may terminate this Contract, in which event the Deposit shall be forfeited and retained on behalf of Seller, and both parties shall, except as otherwise provided herein, thereafter be released from all obligations hereunder. It is agreed that, except as otherwise provided in this subpart (a) and in subparts (c) and (d) below and except with respect to indemnification by Purchaser as expressly set forth herein, such payments and things of value are LIQUIDATED DAMAGES and are SELLER'S SOLE AND ONLY REMEDY for Purchaser's failure to perform the obligations of this Contract prior to the Closing.

(b) Seller's Default. If Seller is in default under this Contract, Purchaser may elect AS ITS SOLE AND EXCLUSIVE REMEDY either: (i) to treat this Contract as canceled, in which case the Deposit shall be returned to Purchaser, and Purchaser shall have the right to recover, as damages, all out-of-pocket expenses incurred by it in negotiating this Contract and in inspecting, analyzing or otherwise performing its rights and obligations pursuant to this Contract, but in no event will the amount of such damages exceed Fifty Thousand Dollars ($50,000.00); or (ii) Purchaser may elect to treat this Contract as being in full force and effect and Purchaser shall have a right to specific performance, provided that any such action for specific performance must be commenced within sixty (60) days after the expiration of the applicable notice and cure period provided herein, and, in the event specific performance is not available due to the fraud or willful misconduct of Seller, then Purchaser shall have the right to recover actual damages, and in the event specific performance is not available for any other reason, then Purchaser may pursue the remedy set forth in clause (i) above. Seller shall not be liable for and Purchaser shall not be entitled to recover exemplary, punitive, special, indirect, consequential, lost profits or any other damages (except for recovery of actual damages or out-of-pocket expenses as set forth above).

(c) Indemnity. Notwithstanding any contrary provision of this Contract, any and all provisions of this Contract pursuant to which a party agrees to indemnify, hold harmless and defend the other party from and against any losses, costs, claims, causes of action or liabilities of any kind or nature, or pursuant to which a party waives any rights or claims that it may have against the other party, shall survive any termination of this Contract, and shall be and remain fully enforceable against a party in accordance with the terms of this Contract and applicable laws and is not limited by any other provisions set forth in this Section 28.

(d) Award of Costs and Fees. Anything to the contrary herein notwithstanding, in the event of any litigation arising out of this Contract related to an action for specific performance brought by either party as permitted in accordance with the terms of this Contract, the court shall award the substantially prevailing party all reasonable costs and expenses, including attorneys' fees, incurred by the substantially prevailing party in the litigation or other proceedings.

(e) Post-Closing Defaults. With respect to post-closing defaults, the parties agree that the non-defaulting party shall be entitled to exercise all remedies available at law or in equity, except that damages shall be limited to actual out-of-pocket costs and expenses incurred as a result of such default. The foregoing does not limit or control the remedies as are to be separately provided in the Lot Development Agreement. Neither party shall have the right to recover exemplary, punitive, special, indirect, consequential, lost profits or any other damages (except as set forth in subsection (b) above).

29. General Provisions. The parties hereto further agree as follows:

(a) Time of the Essence. Time is of the essence under this Contract. In computing any period of time under this Contract, the date of the act or event from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included unless it is a Saturday, Sunday, or federal legal holiday, in which event the period shall run until the end of the next day which is not a Saturday, Sunday, or federal legal holiday.

(b) Governing Law; Exclusive Venue. This Contract shall be governed by and construed in accordance with the laws of the State of Colorado. Exclusive venue for all actions arising from this Contract shall be in the District Court in and for Arapahoe County, Colorado.

(c) Severability. Should any provisions of this Contract or the application thereof, to any extent, be held invalid or unenforceable, the remainder of this Contract and the application thereof, other than those provisions which shall have been held invalid or unenforceable, shall not be affected thereby and shall continue in full force and effect and shall be enforceable to the fullest extent permitted at law or in equity.

(d) Entire Contract. This Contract embodies the entire agreement between the parties hereto concerning the subject matter hereof and supersedes all prior conversations, proposals, negotiations, understandings and agreements, whether written or oral.

(e) Exhibits. All schedules, exhibits and addenda attached to this Contract and referred to herein shall for all purposes be deemed to be incorporated in this Contract by this reference and made a part hereof.

(f) Further Acts. Each of the parties hereto covenants and agrees with the other, upon reasonable request from the other, from time to time, to execute and deliver such additional documents and instruments and to take such other actions as may be reasonably necessary to give effect to the provisions of this Contract.

(g) Compliance. The performance by the parties of their respective obligations provided for in this Contract shall comply with all applicable laws and the rules and regulations of all governmental agencies, municipal, county, state and federal, having jurisdiction in the premises.

(h) Amendment. This Contract shall not be amended, altered, changed, modified, supplemented or rescinded in any manner except by a written agreement executed by both parties.

(i) Authority. Each of the parties hereto represents to the other that each such party has full power and authority to execute, deliver and perform this Contract, that the individuals executing this Contract on behalf of said party are fully empowered and authorized to do so, that this Contract constitutes a valid and legally binding obligation of such party enforceable against such party in accordance with its terms, that such execution, delivery and performance will not contravene any legal or contractual restriction binding upon such party or any of its assets and that there is no legal action, proceeding or investigation of any kind now pending or to the knowledge of each such party threatened against or affecting such party or affecting the execution, delivery or performance of this Contract. Each of the parties hereto represents to the other that each such party is a duly organized, legal entity and is validly existing in good standing under the laws of the jurisdiction of its formation.

(j) Notices. All notices, statements, demands, requirements, or other communications and documents (collectively, "**Communications**") required or permitted to be given, served, or delivered by or to either party or any intended recipient under this Contract shall be in writing and shall be deemed to have been duly given (i) on the date and at the time of delivery if delivered personally to the party to whom notice is given at the address specified below; or (ii) on the date and at the time of delivery or refusal of acceptance of delivery if delivered or attempted to be delivered by an overnight courier service to the party to whom notice is given at the address specified below; or (iii) on the date of delivery or attempted delivery shown on the return receipt if mailed to the party to whom notice is to be given by first-class mail, sent by registered or certified mail, return receipt requested, postage prepaid and properly addressed as specified below; or (iv) on the date and at the time shown on the facsimile (if a facsimile number is provided below) or electronic mail message if telecopied or sent electronically to the number or address specified below:

To Seller: PCY Holdings, LLC
Attention: Mark Harding
34501 E. Quincy Ave.
Bldg. 34, Box 10
Watkins, Colorado 80137
Telephone: (303) 292-3456
Facsimile: (303) 292-3475
E-mail: mharding@purecyclewater.com

with a copy to:

Fox Rothschild LLP
1225 17th Street, Suite 2200
Denver, CO 80202
Attention: Rick Rubin, Esq.
Telephone: (303) 292-1200
Email: rrubin@foxrothschild.com

To Purchaser: Meritage Homes of Colorado, Inc.
8400 E. Crescent Parkway, Suite 200
Greenwood Village, CO 80111
Attn: Mike Salmina
Email: mike.salmina@meritagehomes.com

with a copy to: Meritage Homes
8800 East Raintree, Ste. 300
Scottsdale, AZ 85260
Attn: Tim Clements
Email: Tim.Clements@meritagehomes.com

with a copy to: Davis & Ceriani, P.C.
1600 Stout Street, Suite 1710
Denver, Colorado 80202
Attn: Edward R. Gorab
Email: egorab@davisandceriani.com

If to Title Company:

Land Title Guarantee Company
Attn: Derek Greenhouse
3033 E. 1st Ave. #600
Denver, Colorado 80206
Direct: (303) 331-6239
Email: dgreenhouse@ltgc.com

(k) Place of Business. This Contract arises out of the transaction of business in the State of Colorado by the parties hereto.

(l) Counterparts; Copies of Signatures. This Contract may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one (1) and the same instrument, and either of the parties hereto may execute this Contract by signing any such counterpart. Copies of signatures shall be accepted and binding as originals.

(m) Captions; Interpretation. The section captions and headings used in this Contract are inserted herein for convenience of reference only and shall not be deemed to define, limit or construe the provisions hereof. Purchaser and Seller acknowledge that each is a sophisticated builder or developer, as applicable, and that each has had an opportunity to review, comment upon and negotiate the provisions of this Contract, and thus the provisions of this Contract shall not be construed more favorably or strictly for or against either party. Purchaser and Seller each acknowledges having been advised, and having had the opportunity, to consult legal counsel in connection with this Contract and the transactions contemplated by this Contract.

(n) Number and Gender. When necessary for proper construction hereof, the singular of any word used herein shall include the plural, the plural shall include the singular and the use of any gender shall be applicable to all genders.

(o) Waiver. Any one (1) or more waivers of any covenant or condition by a party hereto shall not be construed as a waiver of a subsequent breach of the same covenant or condition nor a consent to or approval of any act requiring consent to or approval of any subsequent similar act.

(p) Binding Effect. Subject to the restrictions on assignment contained herein, this Contract shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

(q) Recordation. Neither party may cause or allow this Contract or any memorandum or other evidence thereof to be recorded in the County Records or become a public record without the other party's prior written consent, which consent may be withheld at said party's sole discretion.

(r) No Beneficiaries. No third parties are intended to benefit by the covenants, agreements, representations, warranties or any other terms or conditions of this Contract.

(s) Relationship of Parties. Purchaser and Seller acknowledge and agree that the relationship established between the parties pursuant to this Contract is only that of a seller and a purchaser of single-family lots. Neither Purchaser nor Seller is, nor shall either hold itself out to be, the agent, employee, joint venturer or partner of the other party.

(t) Interstate Land Sales Full Disclosure Act and Colorado Subdivision Developers Act Exemptions. It is acknowledged and agreed by the parties that the sale of the Property will be exempt from the provisions of the federal Interstate Land Sales Full Disclosure Act under the exemption applicable to sale or lease of property to any person who acquires such property for the purpose of engaging in the business of constructing residential, commercial or industrial buildings or for the purpose of resale of such property to persons engaged in such business. Purchaser hereby represents and warrants to Seller that it is acquiring the Property for such purposes. It is further acknowledged by the parties that the sale of the Property will be exempt under the provisions of the Colorado Subdivision Developers Act under the exemption applicable to transfers between developers. Purchaser represents and warrants to Seller that Purchaser is acquiring the Property for the purpose of participating as the owner of the Property in the development, promotion and sale of the Property and portions thereof.

(u) Special Taxing District Disclosure. In accordance with the provisions of C.R.S. §38-35.7-101(1), Seller provides the following disclosure to Purchaser: **SPECIAL TAXING DISTRICTS MAY BE SUBJECT TO GENERAL OBLIGATION INDEBTEDNESS THAT IS PAID BY REVENUES PRODUCED FROM ANNUAL TAX LEVIES ON THE TAXABLE PROPERTY WITHIN SUCH DISTRICTS. PROPERTY OWNERS IN SUCH DISTRICTS MAY BE PLACED AT RISK FOR INCREASED MILL LEVIES AND TAX TO SUPPORT THE SERVICING OF SUCH DEBT WHERE CIRCUMSTANCES ARISE RESULTING IN THE INABILITY OF SUCH A DISTRICT TO DISCHARGE SUCH INDEBTEDNESS WITHOUT SUCH AN INCREASE IN MILL LEVIES. PURCHASERS SHOULD INVESTIGATE THE SPECIAL TAXING DISTRICTS IN WHICH THE PROPERTY IS LOCATED BY CONTACTING THE COUNTY TREASURER, BY REVIEWING THE CERTIFICATE OF TAXES DUE FOR THE PROPERTY, AND BY OBTAINING FURTHER INFORMATION FROM THE BOARD OF COUNTY COMMISSIONERS, THE COUNTY CLERK AND RECORDER, OR THE COUNTY ASSESSOR.**

(v) Common Interest Community Disclosure. In accordance with the provisions of C.R.S. §38-35.7-102(1), Seller provides the following disclosure to Purchaser: **IF SELLER ELECTS TO FORM A HOMEOWNERS ASSOCIATION UNDER THE MASTER COVENANTS FOR THE DEVELOPMENT, THEN THE PROPERTY IS, OR WILL BE PRIOR TO EACH RESPECTIVE CLOSING, LOCATED WITHIN A COMMON INTEREST COMMUNITY AND IS, OR WILL BE PRIOR TO SUCH CLOSING, SUBJECT TO THE DECLARATION FOR SUCH COMMUNITY. THE OWNER OF THE PROPERTY WILL BE REQUIRED TO BE A MEMBER OF THE OWNER'S ASSOCIATION FOR THE COMMUNITY AND WILL BE SUBJECT TO THE BYLAWS AND RULES AND REGULATIONS OF THE ASSOCIATION. THE DECLARATION, BYLAWS, AND RULES AND REGULATIONS WILL IMPOSE FINANCIAL OBLIGATIONS UPON THE OWNER OF THE PROPERTY, INCLUDING AN OBLIGATION TO PAY ASSESSMENTS OF THE ASSOCIATION. IF THE OWNER DOES NOT PAY THESE ASSESSMENTS, THE ASSOCIATION COULD PLACE A LIEN ON THE PROPERTY AND POSSIBLY SELL IT TO PAY THE DEBT. THE DECLARATION, BYLAWS, AND RULES AND REGULATIONS OF THE COMMUNITY MAY PROHIBIT THE OWNER FROM MAKING CHANGES TO THE PROPERTY WITHOUT AN ARCHITECTURAL REVIEW BY THE ASSOCIATION (OR A COMMITTEE OF THE ASSOCIATION) AND THE APPROVAL OF THE ASSOCIATION. PURCHASERS OF PROPERTY WITHIN THE COMMON INTEREST COMMUNITY SHOULD INVESTIGATE THE FINANCIAL OBLIGATIONS OF MEMBERS OF THE ASSOCIATION. PURCHASERS SHOULD CAREFULLY READ THE DECLARATION FOR THE COMMUNITY AND THE BYLAWS AND RULES AND REGULATIONS OF THE ASSOCIATION.**

(w) Source of Water Disclosure. In accordance with the provisions of C.R.S. §38-35.7-104, Seller provides the following disclosure to Purchaser:

THE SOURCE OF POTABLE WATER FOR THIS REAL ESTATE IS:

A WATER PROVIDER, WHICH CAN BE CONTACTED AS FOLLOWS:

NAME:	**Rangeview Metropolitan District**
ADDRESS:	**c/o Special District Management Services, Inc.**
	141 Union Blvd., Suite 150
	Lakewood, Colorado 80228
WEB SITE:	**www.rangeviewmetro.org**
TELEPHONE:	**303-987-0835**

SOME WATER PROVIDERS RELY, TO VARYING DEGREES, ON NONRENEWABLE GROUND WATER. YOU MAY WISH TO CONTACT YOUR PROVIDER TO DETERMINE THE LONG-TERM SUFFICIENCY OF THE PROVIDER'S WATER SUPPLIES.

(x) STORM WATER POLLUTION PREVENTION PLAN. Seller has previously filed a Notice of Intent ("**NOI**") and/or prepared a Stormwater Pollution Prevention Plan ("**SWPPP**") to satisfy its stormwater obligations arising from Seller's work on the Property. Seller covenants that prior to each Closing Date and until Closing of the Lots, Seller and/or its contractor shall comply with the SWPPP with respect to all of the Lots subject to this Contract which are owned by Seller, and shall comply with all local, state, and federal environmental obligations (including stormwater) associated with Seller's development work on the Property. Seller shall indemnify and hold Purchaser harmless from all claims and causes of action arising from breach of the foregoing covenants of Seller to the extent there is an uncured notice of violation issued with respect to any Lot prior to conveyance of such Lot to Purchaser. From and after conveyance of Lots, and until such time as such Lots are subject to Purchaser's SWPPP (as hereafter defined), Purchaser shall be solely responsible for complying with the SWPPP, installing and maintaining all required best management practices (**"BMPs**"), and conducting and documenting all required inspections. Purchaser shall also comply with all local, state, and federal environmental obligations (including stormwater) associated with its ownership of, development of, and construction on the Lots conveyed to Purchaser by Seller. Such obligations include, without limitation, (i) complying with the SWPPP or the Purchaser's SWPPP, as applicable, (ii) installing and maintaining all required BMPs associated with Purchaser's ownership of, development of, and construction on, the Lots (including without limitation silt fences), and (iii) conducting and documenting all required inspections. Purchaser covenants and Seller acknowledges that, with respect to Lots acquired by Purchaser, Purchaser shall, within ten (10) days after conveyance of such Lots, at its sole cost and expense (subject to Seller's prior written approval) submit its own notice of intent for a new stormwater pollution prevention plan (the "**Purchaser's SWPPP**"). Subsequent to the applicable Closing Date, Purchaser shall comply with the Purchaser's SWPPP with respect to all of the Lots then owned by Purchaser, and shall comply with all local, state, and federal environmental obligations (including stormwater) associated with its ownership of, development of, or construction on, all such Lots. Purchaser shall indemnify and hold Seller harmless from all third party claims and causes of action solely arising from breach of the foregoing covenants of Purchaser. Notwithstanding anything to the contrary, Seller is only responsible for complying with the SWPPP to the extent required to complete Seller's development work on the Property and is otherwise not obligated to install any other storm water management facilities on the Lots, as shown in the CDs, including without limitation, any SWPPP work to be conducted by Purchaser, its successors and assigns.

(y) Oil, Gas, Water and Mineral Disclosure. THE SURFACE ESTATE OF THE PROPERTY MAY BE OWNED SEPARATELY FROM THE UNDERLYING MINERAL ESTATE, AND TRANSFER OF THE SURFACE ESTATE MAY NOT NECESSARILY INCLUDE TRANSFER OF THE MINERAL ESTATE OR WATER RIGHTS.

THIRD PARTIES MAY OWN OR LEASE INTERESTS IN OIL, GAS, OTHER MINERALS, GEOTHERMAL ENERGY OR WATER ON OR UNDER THE SURFACE OF THE PROPERTY, WHICH INTERESTS MAY GIVE THEM RIGHTS TO ENTER AND USE THE SURFACE OF THE PROPERTY TO ACCESS THE MINERAL ESTATE, OIL, GAS OR WATER.

SURFACE USE AGREEMENT. THE USE OF THE SURFACE ESTATE OF THE PROPERTY TO ACCESS THE OIL, GAS OR MINERALS MAY BE GOVERNED BY A SURFACE USE AGREEMENT, A MEMORANDUM OR OTHER NOTICE OF WHICH MAY BE RECORDED WITH THE COUNTY CLERK AND RECORDER.

OIL AND GAS ACTIVITY. OIL AND GAS ACTIVITY THAT MAY OCCUR ON OR ADJACENT TO THE PROPERTY MAY INCLUDE, BUT IS NOT LIMITED TO, SURVEYING, DRILLING, WELL COMPLETION OPERATIONS, STORAGE, OIL AND GAS, OR PRODUCTION FACILITIES, PRODUCING WELLS, REWORKING OF CURRENT WELLS, AND GAS GATHERING AND PROCESSING FACILITIES.

ADDITIONAL INFORMATION. PURCHASER IS ENCOURAGED TO SEEK ADDITIONAL INFORMATION REGARDING OIL AND GAS ACTIVITY ON OR ADJACENT TO THE PROPERTY, INCLUDING DRILLING PERMIT APPLICATIONS. THIS INFORMATION MAY BE AVAILABLE FROM THE COLORADO OIL AND GAS CONSERVATION COMMISSION.

(z) Property Tax Disclosure Summary. PURCHASER SHOULD NOT RELY ON SELLER'S CURRENT PROPERTY TAXES AS THE AMOUNT OF PROPERTY TAXES THAT PURCHASER MAY BE OBLIGATED TO PAY IN THE YEAR SUBSEQUENT TO PURCHASE. A CHANGE IN OWNERSHIP OR PROPERTY IMPROVEMENTS TRIGGERS REASSESSMENTS OF THE PROPERTY THAT COULD RESULT IN HIGHER PROPERTY TAXES. IF PURCHASER HAS ANY QUESTIONS CONCERNING VALUATION, CONTACT THE COUNTY PROPERTY APPRAISER'S OFFICE FOR INFORMATION.

(a a) Waiver of Jury Trial. TO THE EXTENT PERMITTED BY LAW, THE PARTIES HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVE, RELINQUISH AND FOREVER FORGO THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THE PROVISIONS OF THIS CONTRACT.

(bb) Confidentiality. Purchaser and Seller agree that, prior to the first Closing or upon earlier termination hereof, the financial terms of this Contract (together, the "**Confidential Information**") shall be kept confidential as provided in this section. Without the prior written consent of the other party, prior to the first Closing or earlier termination thereof, the Confidential Information shall not be disclosed by Purchaser, Seller or their Representatives (as hereinafter defined) in any manner whatsoever, in whole or in part, except (1) to their Representatives who need to know the Confidential Information for the purpose of evaluating the Property and who are informed by Seller or Purchaser as applicable of the confidential nature thereof; (2) as may be necessary for Seller, Purchaser or their Representatives to comply with applicable laws, including, without limitation, governmental regulatory, disclosure, tax and reporting requirements (including, without limitation, any applicable reporting requirements for publicly traded companies); to comply with other requirements and requests of regulatory and supervisory authorities and self-regulatory organizations having jurisdiction over Seller, Purchaser or their Representatives; to comply with regulatory or judicial processes; or to satisfy reporting procedures and inquiries of credit rating agencies in accordance with customary practices of Seller, Purchaser or their affiliates; (3) to lenders and investors for the transaction; and (4) to Purchaser's potential purchasers (excluding homebuyers), lenders, investors, or land bankers. As used herein, "**Representatives**" shall mean: Seller's and Purchaser's managers, members, directors, officers, employees, affiliates, investors, brokers, agents or other representatives, including, without limitation, attorneys, accountants, contractors, consultants, engineers, lenders, investors and financial advisors. Seller, at its election, may issue an oral or written press release or public disclosure of the existence or the terms of this Contract without the consent of the Purchaser. In addition to any other remedies available to a party for breach of this Section, the non-breaching party shall have the right to seek equitable relief, including, without limitation, injunctive relief or specific performance, against the breaching party or its Representatives, in order to enforce the provisions of this section. The provisions of this section shall survive the termination of this Contract for two (2) years.

(cc) Survival. Obligations to be performed subsequent to a Closing shall survive each Closing.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Seller and Purchaser have executed this Contract effective as of the day and year first above written.

SELLER:

PCY HOLDINGS, LLC,
a Colorado limited liability company

By: Pure Cycle Corporation,
a Colorado corporation,
its sole member

By: /s/ Mark Harding
Name: Mark Harding
Title: President
Date: 11-02-2020

PURCHASER:

MERITAGE HOMES OF COLORADO, INC.,
an Arizona corporation

By: /s/ Tim Clements
Name: Tim Clements
Title: VP, Regional Counsel
Date: 11-02-2020

LIST OF EXHIBITS

EXHIBIT A:	CONCEPTUAL DEVELOPMENT PLAN AND LOTTING DIAGRAM
EXHIBIT B:	RESERVATIONS AND COVENANTS
EXHIBIT C:	FINISHED LOT IMPROVEMENTS
EXHIBIT D:	FORM OF GENERAL ASSIGNMENT
EXHIBIT E:	LOT DEVELOPMENT AGREEMENT
EXHIBIT F:	FORM OF TAP PURCHASE AGREEMENT
EXHIBIT G:	LOT DEVELOPMENT FEE SCHEDULE (CURRENT AS OF EFFECTIVE DATE)
EXHIBIT H:	FORM OF BUILDER DESIGNATION

EXHIBIT A

CONCEPTUAL DEVELOPMENT PLAN AND LOTTING DIAGRAM

EXHIBIT B

RESERVATIONS AND COVENANTS

Reservation of Easements. For a period of twenty-five (25) years following the date hereof, Grantor expressly reserves unto itself, its successors and assigns, easements for construction of utilities and other facilities to support the development of the properties commonly known as "Sky Ranch," including but not limited to sanitary sewer, water lines, electric, cable, broad-band and telephone transmission, storm drainage and construction access easements across the Property allowing Grantor or its assignees the right to install and maintain sanitary sewer, water lines, cable television, broad-band, electric, and telephone utilities on the Property and on its adjacent property, and further, to accommodate storm drainage from its adjacent property. Such easements shall not allow above-grade surface installation of facilities and shall require the restoration of any surface damage or disturbance caused by the exercise of such easements, shall not be located within the building envelope of any Lot or otherwise interfere with the use of a Lot for construction of Grantee's homes, shall not materially detract from the value, use or enjoyment of (i) the remaining portion of the Property on which such easements are to be located, or (ii) any adjoining property of Grantee, and shall not require any reduction in allowed density for the Property or reconfiguration of planned lots or the building envelope on a lot. If possible, such easements shall be located within the boundaries of existing easement areas. Grantor, at its sole expense, shall immediately restore the land and improvements thereon to their prior condition to the extent of any damage incurred due to Grantor's utilization of the easements herein reserved.

Reservation of Minerals and Mineral Rights. To the extent owned by Grantor, Grantor herein expressly excepts and reserves unto itself, its successors and assigns, all right, title and interest in and to all minerals and mineral rights, including bonuses, rents, royalties, royalty interests and other benefits that may be payable as a result of any oil, gas, minerals or mineral rights on, in, under or that may be produced from the Property, including, but not limited to, all oil, gas and other liquid hydrocarbon substances, casinghead gas, coal, carbon dioxide, helium, geothermal resources, and all other naturally occurring elements, compounds and substances, whether similar or dissimilar, organic or inorganic, metallic or non-metallic, in whatever form and whether occurring, found, extracted or removed in solid, liquid or gaseous state, or in combination, association or solution with other mineral or non-mineral substances (excluding sand and gravel), provided that Grantor expressly waives all rights to use or damage the surface of the Property or any portion of the Property that is 500 feet below the surface of the Property to exercise the rights reserved in this paragraph and, without limiting such waiver, Grantor's activities in extracting or otherwise dealing with the minerals and mineral rights shall not cause disturbance or subsidence of the surface of the Property or any improvements on the Property.

Reservation of Water and Water Rights. To the extent owned by Grantor, Grantor herein expressly excepts and reserves unto itself, its successors and assigns, all water and water rights, ditches and ditch rights, reservoirs and reservoir rights, streams and stream rights, water wells and well rights, whether tributary, non-tributary or not non-tributary, including, but not limited to, all right, title and interest under C.R.S. 37-90-137 on, underlying, appurtenant to or now or historically used on or in connection with the Property, whether appropriated, conditionally appropriated or unappropriated, and whether adjudicated or unadjudicated, including, without limitation, all State Engineer filings, well registration statements, well permits, decrees and pending water court applications, if any, and all water well equipment or other personalty or fixtures currently used for the supply, diversion, storage, treatment or distribution of water on or in connection with the Property, and all water and ditch stock relating thereto; provided that Grantor expressly waives all rights to use or damage the surface of the Property to exercise the rights reserved in this paragraph and, without limiting such waiver, Grantor's activities in dealing with the water and water rights herein reserved shall not cause disturbance or subsidence of the surface of the Property or any improvements on the Property.

Reimbursements and Credits. Grantee shall have no right to any reimbursements and/or cost-sharing agreements pursuant to any agreements entered into between Grantor or any of Grantor's affiliates and third parties which may or may not affect the Property. In addition, Grantee acknowledges that Grantor, its affiliates or one (1) or more metropolitan district(s) have installed or may install certain infrastructure improvements ("Infrastructure Improvements") and/or donate, dedicate and/or convey certain rights, improvements and/or real property ("Dedications") to Arapahoe County ("County") or other governmental authority ("Authority") which benefit all or any part of the Property, together with adjacent properties, and which entitle Grantor or its affiliates and/or the Property or any part thereof to certain reimbursements by the County or other Authority or credits by the County or other Authority for park fees, open space fees, school impact fees, capital expansion fees and other governmental fees which would otherwise be required to be paid to the County or other Authority by the owner of the Property or any part thereof from time to time ("Governmental Fees"). In the event Grantee is entitled to a credit or waiver of Governmental Fees by the County and/or other Authority as a result of the Infrastructure Improvements and/or Dedications, then, in such event, Grantee shall pay to or reimburse Grantor and/or its designated affiliates in an amount equal to such credited or waived Governmental Fees at the same time that the Governmental Fees would otherwise be payable by Grantee or its assignees to the County or other Authority but for the construction of the Infrastructure Improvements and/or the Dedications by Grantor, its affiliates and/or metropolitan district(s). In addition, Grantee acknowledges that Grantee or its affiliate(s) may have negotiated or may negotiate with the County or other Authority for reimbursements to Grantor or its affiliates. Grantee acknowledges that certain Governmental Fees which may be paid by Grantee to the County or other Authority may be reimbursed to Grantor and/or its affiliates pursuant to the terms of said agreement.

The obligations and covenants set forth herein shall be binding on Grantee, its successors and assigns, and any subsequent owners of the Property, except that homeowners shall have no obligation for any reimbursements provided herein. The obligation for reimbursements described herein shall automatically terminate (without the necessity of recording any document) with respect to any residential lot as of the date of conveyance of such residential lot, together with a residence constructed thereon, to a homebuyer. Any title insurance company may rely on the automatic termination language set forth above for the purpose of insuring title to a home.

EXHIBIT C

FINISHED LOT IMPROVEMENTS

1. "Finished Lot Improvements" means the following improvements on, to or with respect to the Lots or in public streets or tracts in the locations as required by all approving Authorities to obtain building permits and certificates of occupancy for home improvements for the Lots, and substantially in accordance with the CDs:

(a) overlot grading together with corner pins for each Lot installed in place, graded to match the specified Lot drainage template within the CDs (but not any Overex);

(b) water and sanitary sewer mains and other required installations in connection therewith identified in the CDs, valve boxes and meter pits, substantially in accordance with the CDs approved by the approving Authorities, together with appropriate markers;

(c) storm sewer mains, inlets and other associated storm drainage improvements pertaining to the Lots in the public streets as shown on the CDs;

(d) curb, gutter, asphalt, sidewalks, street striping, street signage, traffic signs, traffic signals (if any are required by the approving Authorities), and other street improvements, in the private and/or public streets as shown on the CDs; Seller will either have applied a final lift of asphalt or in Seller's discretion posted sufficient financial guarantees as required by the County for the Lots to qualify for issuance of building permits in lieu of such final lift of asphalt;

(e) sanitary sewer service stubs (in accordance with Rangeview's rules and regulations) connected to the foregoing sanitary sewer mains, installed into each respective Lot (to a point beyond any utility easement), together with appropriate markers of the ends of such stubs, as shown on the CDs;

(f) water service stubs connected to the foregoing water mains installed into each Lot (to a point beyond any utility easement), together with appropriate markers of the ends of such stubs, as shown on the CDs;

(g) Lot fill in compliance with the geotechnical engineer's recommendation, and with respect to any filled area or compacted area, provide from a Colorado licensed professional soils engineer a HUD Data Sheet 79G Certification (or equivalent) and a certification that the compaction and moisture content recommendations of the soils engineer were followed and that the grading of the respective Lots complies with the approved grading plans, with overlot grading completed in conformance with the approving Authorities approved grading plans within a +/- 0.2' tolerance of the approved grading plans; however, the Finished Lot Improvements do not include any Overex as provided in Section 10(e) of the Contract;

(h) all storm water management facilities as shown in the CDs; and

2. Dry Utilities. Electricity, natural gas, and telephone service will be installed by local utility companies. The installations may not be completed at the time of a Closing, and are not part of the Finish Lot Improvements; provided, however, that: (i) with respect to electric distribution lines and street lights, Seller will have signed an agreement with the electric utility service provider and paid all costs and fees for the installation of electric distribution lines and facilities to serve the Lots, and all sleeves necessary for electric, gas, telephone and/or cable television service to the Lots will be installed; (ii) with respect to gas distribution lines, Seller will have signed an agreement with the gas utility service provider and paid all costs and fees for the installation of gas distribution lines and facilities to serve the Lots. Seller will take commercially reasonable efforts to assist Purchaser in coordinating with these utility companies to provide final electric, gas, telephone and cable television service to the residences on the Lots, however, Purchaser must activate such services through an end user contract. Purchaser acknowledges that in some cases the telephone and cable companies may not have pulled the main line through the conduit if no closings of residences have occurred. Notwithstanding the foregoing, if dry utilities have not been installed upon Substantial Completion of the Finished Lot Improvements, Seller shall be obligated to have contracted for same and paid all costs and fees payable for such installation. Unless Seller has contracted for such installation and paid such costs before the Effective Date, Seller will give Purchaser notice when such contracts have been entered and such costs paid. With respect to any Finished Lot Improvements that are required by the subdivision improvement agreement applicable to the Lots but which are not addressed as part of the Finished Lot Improvements, and any other improvements which are not required for the issuance of building permits but which are required by the Authorities so that dwellings and other improvements constructed by Purchaser on the Lots are eligible for the issuance of certificates of occupancy for homes, Seller shall complete such other improvements, to the extent required by the County, so as not to delay the issuance of certificates of occupancy for residences constructed by Purchaser on the Lots.

3. Tree Lawns/Sidewalks. Notwithstanding anything in the Contract to the contrary, Seller shall have no obligation to construct, install, maintain or pay for the maintenance, construction and installation of (i) any landscaping or irrigation for such landscaping behind the curb on any Lot that is to be maintained by the owner of such lot (collectively, "**Tree Lawns**"), but Seller shall be responsible for constructing and installing the detached sidewalks and ramps (collectively, "**Sidewalks**") that are located immediately adjacent to any Lot or on a tract as required by the approved CDs, County, or any other Authority and/or applicable laws as provided in this Contract. Purchaser shall be responsible for installing any other lead walks, pathways, and driveways and any other flatwork on the Lots. Purchaser shall install all Tree Lawns on or adjacent to the Lots in accordance with all applicable CDs, requirements, regulations, laws, development codes and building codes of all Authorities.

4. Warranty.

(a) Government Warranty Period**.** The Authorities require warranty periods (each a "**Government Warranty Period**") after the final completion that is applicable to those Finished Lots Improvements that are dedicated to or owned, and accepted for maintenance by the Authorities (the "**Public Improvements**"). In the event defects in the Public Improvements to which a governmental warranty (each a "**Governmental Warranty**") applies become apparent during the applicable Government Warranty Period, then Seller shall coordinate the repairs with the applicable Authorities and cause the service provider(s) who performed the work or supplied the materials in which the defect(s) appear to complete such repairs or, if such service providers fail to correct such defects, otherwise cause such defects to be repaired to the satisfaction of the Authorities. Any costs and expenses incurred pursuant to a Government Warranty in connection with any repairs or warranty work performed during the Government Warranty Period (including, but not limited to, any costs or expenses incurred to enforce any warranties against any service providers) shall be borne by Seller, unless such defect was caused by Purchaser or its contractors, subcontractors, employees, or agents, in which event Purchaser shall pay all such costs and expenses to the extent such defect was caused by Purchaser or its contractors, subcontractors, employees, or agents.

(b) Non-Government Warranty Period**.** Seller warrants ("**Non-Government Warranty**") to Purchaser that each Finished Lot Improvement, other than the Public Improvements, shall have been constructed in accordance with the CDs for one (1) year from the date of Substantial Completion of the Improvement (the "**Non-Government Warranty Period**"). If Purchaser delivers written notice to Seller of breach of the Non-Government Warranty during the Non-Government Warranty Period, then Seller shall coordinate the corrections with Purchaser and cause the service provider(s) who performed the work or supplied the materials in which the breach of Non-Government Warranty appears to complete such corrections or, if such service providers fail to make such corrections, otherwise cause such corrections to be made to the reasonable satisfaction of Purchaser. Any costs and expenses incurred in connection with a breach of the Non-Government Warranty shall be borne by Seller (including, but not limited to, any costs or expenses incurred to enforce any warranties against service providers), unless such breach was caused by Purchaser or its contractors, subcontractors, employees, or agents, in which event Purchaser shall pay all such costs and expenses to the extent the breach was caused by Purchaser or its contractors, subcontractors, employees, or agents.

(c) EXCEPT AS EXPRESSLY PROVIDED IN THIS SECTION 4, SELLER MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND TO PURCHASER IN RELATION TO THE FINISHED LOT IMPROVEMENTS, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF HABITABILITY, MERCHANTABILITY, OR FITNESS FOR ANY PARTICULAR PURPOSE, AND EXPRESSLY DISCLAIMS ALL OF THE SAME AND SHALL HAVE NO OBLIGATION TO REPAIR OR CORRECT AND SHALL HAVE NO LIABILITY OR RESPONSIBILITY WITH RESPECT TO ANY DEFECT IN IMPROVEMENTS FOR WHICH NO CLAIM IS ASSERTED DURING THE APPLICABLE WARRANTY PERIOD. If and to the extent C.R.S. 13.20-806(7) applies with respect to any claim arising out of residential property, nothing in this Agreement is intended to constitute a waiver of, or limitation on, the legal rights, remedies or damages provided by the Construction Defect Action Reform Act, C.R.S. 13-20-801 et seq., or provided by the Colorado Consumer Protection Act, Article 1 of Title 6, C.R.S., as described in the Construction Defect Action Reform Act, or on the ability to enforce such legal rights, remedies, or damages within the time provided by applicable statutes of limitation or repose.

EXHIBIT D

FORM OF GENERAL ASSIGNMENT

GENERAL ASSIGNMENT

Reference is hereby made to that certain Purchase and Sale Agreement dated as of _____, 20__ (the "Agreement"), pursuant to which PCY HOLDINGS, LLC, a Colorado limited liability company ("Seller"), has agreed to sell to MERITAGE HOMES OF COLORADO, INC., an Arizona corporation ("Purchaser"), the Property as described in the Agreement.

For good and valuable consideration, the receipt of which is hereby acknowledged, Seller hereby assigns and transfers to Purchaser on a non-exclusive basis, Seller's right, title and interest in the following as the same relate solely to the Property, and to the extent the same are assignable: (i) all subdivision agreements, development agreements, and entitlements; (ii) all plats, construction plans and specifications; (iii) all construction warranties; and (iv) all development rights benefiting the Property.

SELLER:

PCY HOLDINGS, LLC,
a Colorado limited liability company

By: Pure Cycle Corporation,
a Colorado corporation,
its sole member

By: _____
Name: Mark Harding
Title: President

EXHIBIT E

FORM OF LOT DEVELOPMENT AGREEMENT

To be inserted by agreement of the Parties prior to the expiration of the Due Diligence Period.

EXHIBIT F

FORM OF TAP PURCHASE AGREEMENT
TAP PURCHASE AGREEMENT
(Sky Ranch)

To be inserted by agreement of the Parties prior to the expiration of the Due Diligence Period.

EXHIBIT G

SKY RANCH LOT DEVELOPMENT FEE SCHEDULE
(CURRENT AS OF __/__/20__)

Fee Description	Timing	Contact Information
System Development Fees (Tap Fees) (Issued to Rangeview Metropolitan District) Water Tap Fee per unit= $27,209 (for 1 SFE lot) Wastewater Tap Fee per unit= $4,752 Meter Set Fee (3/4") per unit or irrigated area = $408.23 Service Line Inspection Fee per meter= $75.00	Building Permit	Brent Brouillard 303-292-3456 bbrouillard@purecyclewater.com
Public Improvement Fee (Issued to Sky Ranch CAB) 2.75% of 50% of construction valuation per lot	Building Permit	Rick Dinkel 303-292-3475 rdinkel@purecyclewater.com
Fire Development Fee (Issued to Bennett-Watkins Fire) $1,500/lot	Building Permit	Life Safety Assistant/Fire Inspector Victoria Flamini 355 4th Street Bennett, CO 80102 303-644-3572
Operations & Maintenance Fee (Issued to Sky Ranch CAB) $50/month per lot (prorated to $25 for builder owned lots) $100 One-time turnover fee	Substantial Completion of Lot	Rick Dinkel 303-292-3475 rdinkel@purecyclewater.com
Stormwater Management Co-Op (Issued to Pure Cycle) $500/lot	Takedown Closing	Robert McNeill 303-292-3475 rmcneill@purecyclewater.com

Marketing Co-Op (Issued to Pure Cycle) $1,000/lot	Takedown Closing	Robert McNeill 303-292-3475 rmcneill@purecyclewater.com
Public Improvement District – TBD Additional mill levies for regional improvements such as I70 interchange, Schools, 1st Creek Bridges, Rec Center, etc. will be required Objective is for Phase 2 total mill levies not to exceed Phase 1 total mill levies	Building Permit	TBD

EXHIBIT H

FORM OF BUILDER DESIGNATION

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:
Davis & Ceriani, P.C.
1600 Stout Street, Suite 1710
Denver, Colorado 80202
Attn: Edward R. Gorab

DESIGNATION OF BUILDER

THIS DESIGNATION OF BUILDER (this "**Designation**") is made and entered into this ____ day of _____ 20__ (the "**Effective Date**"), by and between **PCY HOLDINGS, LLC**, a Colorado limited liability company ("**Developer**"), whose address is 34501 E. Quincy Ave, Bldg. 34, Box 10, Watkins, CO 80137, and **MERITAGE HOMES OF COLORADO, INC.**, an Arizona corporation ("**Meritage**"), whose legal address is 8800 East Raintree, Suite 300, Scottsdale, Arizona 85260.

RECITALS

A. Developer is a Developer under the Covenants, Conditions and Restrictions for Sky Ranch, recorded in the real property records of Arapahoe County, Colorado (the "**Records**") on August 10, 2018 at Reception No. D8079588 (the "**Covenants**").

B. On the Effective Date, Meritage has acquired from Developer a portion of the Property (as defined in the Covenants) that is subject to the Covenants, which portion is more particularly described on **Exhibit A** attached hereto and incorporated herein by this reference (the "**Builder Property**").

C. Developer desires to designate Meritage as a Builder under the Covenants in conjunction with Meritage's purchase of the Builder Property from Developer, as set forth herein.

DESIGNATION

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Developer and Meritage agree as follows:

1. Recitals. The foregoing Recitals are incorporated herein by this reference.

2. Defined Terms. Terms herein set in initial capital letters but not defined herein shall have the meanings given them in the Covenants.

3 . Designation of Builder. Developer hereby designates Meritage as a Builder under the Covenants with respect to, but only with respect to, the Builder Property. Meritage hereby accepts the foregoing Builder designation from Developer.

4 . Miscellaneous. This Designation embodies the entire agreement between the parties as to its subject matter and supersedes any prior agreements with respect thereto. The validity and effect of this Designation shall be determined in accordance with the laws of the State of Colorado, without reference to its conflicts of laws principles. This Designation may be modified only in writing signed by both parties. This Designation may be executed in any number of counterparts and each counterpart will, for all purposes, be deemed to be an original, and all counterparts will together constitute one instrument.

5 . Binding Effect. This Designation is binding upon and inures to the benefit of Developer and Meritage and their respective successors and assigns, and shall be recorded in the Records.

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DEVELOPER:

PCY HOLDINGS, LLC,
a Colorado limited liability company

By: Pure Cycle Corporation,
a Colorado corporation,
its sole member

By: _____
Name: Mark Harding
Its: President

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____ 20__, by Mark Harding as President of Pure Cycle Corporation, a Colorado corporation, sole member of PCY HOLDINGS, LLC, a Colorado limited liability company.

Witness my hand and official seal.
My commission expires:

_____
Notary Public

MERITAGE:

MERITAGE HOMES OF COLORADO, INC.,
an Arizona corporation

By: _____
Name: _____
Title: _____

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20__, by _____ as _____ of MERITAGE HOMES OF COLORADO, INC., an Arizona corporation.

Witness my hand and official seal.
My commission expires:

_____
Notary Public

Exhibit 10.25

PCY HOLDINGS, LLC

and

CHALLENGER DENVER, LLC

CONTRACT FOR PURCHASE AND SALE OF REAL ESTATE

(Sky Ranch – Phase B)

Table of Contents

DEFINITIONS

"35' Alley Load Lots" shall have the meaning set forth in the Recitals.
"Additional Deposit" shall have the meaning set forth in Section 3(a).
"APS Mill Levy" shall have the meaning set forth in Section 4(d).
"Architectural Review Committee" shall have the meaning set forth in Section 12(d).
"ASP" shall have the meaning set forth in Section 5(a).
"ASP Criteria" shall have the meaning set forth in Section 12(d).
"Authorities" and "Authority" shall have the meaning set forth in the Recitals.
"BMPs" shall have the meaning set forth in Section 29(x).
"Board" shall have the meaning set forth in Section 16(a).
"Builder Designation" shall have the meaning set forth in Section 8(d)(ii)(7).
"CAB" shall have the meaning set forth in Section 4(d).
"CABEA" shall have the meaning set forth in Section 16(b).
"CDs" shall have the meaning set forth in Section 5(a).
"Closed" shall have the meaning set forth in Section 7.
"Closing Date" shall have the meaning set forth in Section 8(b).
"Closing" shall have the meaning set forth in Section 7.
"Communication Improvements" shall have the meaning set forth in Section 21.
"Communications" shall have the meaning set forth in Section 29(j).
"Confidential Information" shall have the meaning set forth in Section 29(bb).
"Continuation Notice" shall have the meaning set forth in Section 10(a).
"Contract" shall have the meaning set forth in the Preamble.
"County" shall have the meaning set forth in the Recitals.
"County Records" shall have the meaning set forth in Section 5(a).
"Dedications" shall have the meaning set forth in Section 17.
"Deferred Purchase Price" shall have the meaning set forth in Section 2(a).
"Deferred Purchase Price Deposit" shall have the meaning set forth in Section 5(c)(iv).
"Deposit" shall have the meaning set forth in Section 3(a).
"Design Guidelines" shall have the meaning set forth in Section 12(d).
"Development" shall have the meaning set forth in the Recitals.
"District" shall have the meaning set forth in Section 9(d).

"District Documentation" shall have the meaning set forth in Section 4(d).
"District Improvements" shall have the meaning set forth in Section 16(a).
"Due Diligence Period" shall have the meaning set forth in Section 10(a).
"Easement" shall have the meaning set forth in Section 21.
"Effective Date" shall have the meaning set forth in the Preamble.
"Entitlements" shall have the meaning set forth in Section 5(a).
"Environmental Claim" shall have the meaning set forth in Section 10(h).
"Environmental Laws" shall have the meaning set forth in Section 10(g).
"EPA" shall have the meaning set forth in Section 10(c).
"Escalator" shall have the meaning set forth in Section 2(b).
"Feasibility Review" shall have the meaning set forth in Section 10(a).
"Filing" and "Filings" shall have the meaning set forth in the Recitals.
"Final Approval" shall have the meaning set forth in Section 5(a).
"Final Lotting Diagram" shall have the meaning set forth in Section 1.
"Final Plat" shall have the meaning set forth in Section 5(a).
"Finished Lot Improvements" shall have the meaning set forth in the Recitals.
"First Closing" shall have the meaning set forth in Section 1.
"Fourth Closing" shall have the meaning set forth in Section 1.
"Gallagher Adjustments" shall have the meaning set forth in Section 4(d).
"GDP" shall have the meaning set forth in Section 5(a).
"General Assignment" shall have the meaning set forth in Section 8(d)(ii)(9).
"Good Funds" shall have the meaning set forth in Section 2(a).
"Government Warranty Period" shall have the meaning set forth in Exhibit C.
"Governmental Fees" shall have the meaning set forth in Section 17.
"Governmental Warranty" shall have the meaning set forth in Exhibit C.
"Hazardous Materials" shall have the meaning set forth in Section 10(g).
"Homebuyer Disclosures" shall have the meaning set forth in Section 12(e).
"Homeowners' Association" shall have the meaning set forth in Section 17.
"Homes", "Houses", and "Residences" (in the singular or plural)shall have the meaning set forth in Section 12(d)(i).
"House Plans" shall have the meaning set forth in Section 12(d)(i).

"IGA" shall have the meaning set forth in Section 16(c).
"Infrastructure Improvements" shall have the meaning set forth in Section 17.
"Initial Deposit" shall have the meaning set forth in Section 3(a).
"Initial Purchase Condition" shall have the meaning set forth in Section 6(a)(i).
"Initial Purchase Price" shall have the meaning set forth in Section 2(a).
"Interchange Condition" shall have the meaning set forth in Section 6(a)(ii).
"Interchange Upgrades" shall have the meaning set forth in Section 5(a)(iii).
"Joint Improvements" shall have the meaning set forth in Section 5(c)(ii).
"Joint Improvements Memorandum" shall have the meaning set forth in Section 5(c)(ii).
"Letter of Credit" shall have the meaning set forth in Section 5(c)(iv).
"Lien Affidavit" shall have the meaning set forth in Section 4(a).
"Lot" and "Lots" shall have the meaning set forth in the Recitals.
"Lot Development Agreement" shall have the meaning set forth in the Recitals.
"Lot Development Fee Schedule" shall have the meaning set forth in Section 16(a).
"Lotting Diagram" shall have the meaning set forth in the Recitals.
"Maintenance Declaration" shall have the meaning set forth in Section 17.
"Master Commitment" shall have the meaning set forth in Section 4(a).
"Master Covenants" shall have the meaning set forth in Section 4(d).
"Master Declaration" shall have the meaning set forth in Section 4(d).
"Maximum Mills Limitation" shall have the meaning set forth in Section 4(d).
"Metro District Payments" shall have the meaning set forth in Section 16(a).
"New Exception Objection" shall have the meaning set forth in Section 4(b).
"New Exception Review Period" shall have the meaning set forth in Section 4(b).
"New Exceptions" shall have the meaning set forth in Section 4(b).
"NOI" shall have the meaning set forth in Section 29(x).
"Non-Government Warranty Period" shall have the meaning set forth in Exhibit C.
"Non-Government Warranty" shall have the meaning set forth in Exhibit C.
"Non-Seller Caused Exceptions" shall have the meaning set forth in Section 4(b).
"NORM" shall have the meaning set forth in Section 10(c).
"OFAC" shall have the meaning set forth in Section 23.
"Other New Exceptions" shall have the meaning set forth in Section 4(b).

"Overex" shall have the meaning set forth in Section 10(e).
"Owner's Affidavit" shall have the meaning set forth in Section 4(a).
"Permissible New Exceptions" shall have the meaning set forth in Section 4(b).
"Permitted Exceptions" and "Permitted Exception" shall have the meaning set forth in Section 9.
"PIF Covenant" shall have the meaning set forth in Section 9(e).
"Plat Certificate" shall have the meaning set forth in Section 4(a).
"Property" shall have the meaning set forth in the Recitals.
"Public Improvement District" or "PID" shall have the meaning set forth in Section 4(d).
"Public Improvements" shall have the meaning set forth in Exhibit C.
"Purchase Price" shall have the meaning set forth in Section 2.
"Purchaser" shall have the meaning set forth in the Preamble.
"Purchaser Parties" shall have the meaning set forth in Section 10(i).
"Purchaser's Conditions Precedent" shall have the meaning set forth in Section 6(b).
"Purchaser's Geotechnical Reports" shall have the meaning set forth in Section 10(e).
"Purchaser's SWPPP" shall have the meaning set forth in Section 29(x).
"Rangeview" shall have the meaning set forth in Section 16(a).
"Regional Improvements" shall have the meaning set forth in Section 4(d).
"Regional Improvements Authority" shall have the meaning set forth in Section 4(d).
"Regional Improvements Mill Levy" shall have the meaning set forth in Section 4(d).
"Representatives" shall have the meaning set forth in Section 29(bb).
"Reservations and Covenants" shall have the meaning set forth in Section 8(c)(ii)(1).
"SDF" shall have the meaning set forth in Section 16(d)(iii).
"SDP" shall have the meaning set forth in Section 5(a).
"Second Closing" shall have the meaning set forth in Section 1.
"Seller" shall have the meaning set forth in the Preamble.
"Seller Caused Exception" shall have the meaning set forth in Section 4(b).
"Seller Cure Period" shall have the meaning set forth in Section 4(b).
"Seller Documents" shall have the meaning set forth in Section 10(a).
"Seller Party" or "Seller Parties" shall have the meaning set forth in Section 10(h).
"Seller's Actual Knowledge" shall have the meaning set forth in Section 11(h).
"Seller's Conditions Precedent" shall have the meaning set forth in Section 6(a).

"Seller's Representations" shall have the meaning set forth in Section 11.
"Service" shall have the meaning set forth in Section 21.
"Service Plans" shall have the meaning set forth in Section 16(b).
"SFD 45' Lots" shall have the meaning set forth in the Recitals.
"Sidewalks" shall have the meaning set forth in Exhibit C.
"Sky Ranch" shall have the meaning set forth in the Recitals.
"Sky Ranch Districts" shall have the meaning set forth in Section 16(b).
"Substantially Complete" or "Substantial Completion" shall have the meaning set forth in Section 5(c)(iv).
"Survey" shall have the meaning set forth in Section 4(a).
"SWPPP" shall have the meaning set forth in Section 29(x).
"Takedown" shall have the meaning set forth in the Recitals.
"Takedown 1 Closing Date" shall have the meaning set forth in Section 8(b).
"Takedown 1 Lots" shall have the meaning set forth in the Recitals.
"Takedown 2 Closing Date" shall have the meaning set forth in Section 8(b).
"Takedown 2 Lots" shall have the meaning set forth in the Recitals.
"Takedown 3 Closing Date" shall have the meaning set forth in Section 8(b).
"Takedown 3 Lots" shall have the meaning set forth in the Recitals.
"Takedown 4 Closing Date" shall have the meaning set forth in Section 8(b).
"Takedown 4 Lots" shall have the meaning set forth in the Recitals.
"Takedown Commitment" shall have the meaning set forth in Section 4(b).
"Tap Purchase Agreement" shall have the meaning set forth in Section 16(a).
"Third Closing" shall have the meaning set forth in Section 1.
"Title Company" shall have the meaning set forth in Section 4(a).
"Title Company Indemnity" shall have the meaning set forth in Section 4(a).
"Title Objections" shall have the meaning set forth in Section 4(a).
"Title Policy" shall have the meaning set forth in Section 4(e).
"Tree Lawns" shall have the meaning set forth in Exhibit C.
"Uncontrollable Event" shall have the meaning set forth in Section 13.

CONTRACT FOR PURCHASE AND SALE OF REAL ESTATE

THIS CONTRACT FOR PURCHASE AND SALE OF REAL ESTATE (this "**Contract**") is entered into as of the last date of the signatures hereto (the "**Effective Date**"), by and between PCY HOLDINGS, LLC, a Colorado limited liability company ("**Seller**"), and CHALLENGER DENVER, LLC, a Colorado limited liability company ("**Purchaser**").

RECITALS:

A. Seller is developing a master planned residential community known as "**Sky Ranch**" which is located in Arapahoe County, Colorado ("**County**"). The Sky Ranch master planned residential community may also be referred to herein as the "**Development**". The conceptual development plan and lotting diagram for Phase B of the Development (the "**Lotting Diagram**") are attached hereto as **Exhibit A** and incorporated herein by this reference. The Development is being platted in several subdivision filings and developed in phases. Each subdivision filing is hereinafter sometimes respectively referred to as a "**Filing**" and collectively as "**Filings**".

B. Seller desires to sell to Purchaser, and Purchaser desires to purchase and obtain from Seller, approximately 163 platted single family residential lots (individually referred to as a "**Lot**" and collectively as the "**Lots**") in the Development which will be finished in accordance with this Contract and which will be used for the construction of single family residential dwellings upon the terms and conditions set forth in this Contract.

C. Seller is selling platted residential lots within the Development to multiple homebuilders, including Purchaser. The Lots to be sold by Seller and acquired by Purchaser that are located within the Development shall be hereinafter collectively referred to as the "**Property**." The Lots will be conveyed at one or more Closings as more particularly provided herein and each such Closing may be referred to herein as a "**Takedown.**" The Lots which are to be conveyed at the first Closing shall be sometimes hereinafter collectively referred to as the "**Takedown 1 Lots**"; the Lots which are to be conveyed at the second Closing shall be sometimes hereinafter collectively referred to as the "**Takedown 2 Lots**"; the Lots which are to be conveyed at the third Closing shall be sometimes hereinafter collectively referred to as the "**Takedown 3 Lots**"; and the Lots which are to be conveyed at the fourth Closing shall be sometimes hereinafter collectively referred to as the "**Takedown 4 Lots**".

D. As of the Effective Date, the Lots have not been subdivided pursuant to a recorded final subdivision plat. The number and location of the Lots to be acquired by Purchaser are generally depicted on the Lotting Diagram. The precise number, dimension and location of the Lots will be established at the time the subdivision plat for such Lots is approved by the County and/or any other relevant governmental authority (the County any other governmental entity or authority may be referred to herein collectively as the "**Authorities**", and each an "**Authority**"). As of the Effective Date, the parties anticipate that Purchaser will acquire approximately:

- 97 Lots that are approximately 35 feet wide by approximately 90 feet deep for the construction of detached single family alley load homes (**35' Alley Load Lots**"); and
- 66 Lots that are approximately 45 feet wide by approximately 110 feet deep for the construction of detached single family homes (**SFD 45' Lots**").

E. Following Purchaser's acquisition of Lots, Seller will construct certain infrastructure improvements for the Lots as described on **Exhibit C** attached hereto (the "**Finished Lot Improvements**") pursuant to a lot development agreement executed by Seller and Purchaser in the form set forth on **Exhibit E** ("**Lot Development Agreement**").

AGREEMENT:

1. Purchase and Sale. The Property shall be purchased at four (4) Closings. Subject to the terms and conditions of this Contract, Seller agrees to sell to Purchaser, and Purchaser agrees to purchase from Seller, on or before the dates set forth in Section 8(b) below, the Lots in each Takedown, as generally depicted on the Lotting Diagram and as follows:

At the Takedown 1 Closing ("**First Closing**"), Thirty-Two (32) 35' Alley Load Lots, and Twenty (20) SFD 45' Lots;

At the Takedown 2 Closing ("**Second Closing**"), Twenty-Three (23) 35' Alley Load Lots, and Twenty (20) SFD 45' Lots;

At the Takedown 3 Closing ("**Third Closing**"), Twenty-Two (22) 35' Alley Load Lots, and Ten (10) SFD 45' Lots; and

At the Takedown 4 Closing ("**Fourth Closing**"), Twenty (20) 35' Alley Load Lots, and Sixteen (16) SFD 45' Lots.

Notwithstanding the foregoing, however, the parties acknowledge and agree that the Parties shall negotiate during the Due Diligence Period to reach agreement on a mutually acceptable site plan for the Lots ("**Final Lotting Diagram**") and that the exact number and location of the Lots within each Takedown are subject to adjustment based upon the approval by the Authorities of the Final Plat (as hereinafter defined) that includes the Lots to be acquired by Purchaser at each Takedown. The precise number, dimension (subject to the provisions of this Contract), location and legal description of the Lots will be established at the time the Final Plat for such Lots is approved by the County and/or any other Authority, and upon approval of each such Final Plat the parties shall execute an amendment to this Contract setting forth the legal description of those Lots included in the approved Final Plat.

2. Purchase Price. The purchase price to be paid by Purchaser to Seller for each Lot (the "**Purchase Price**") shall consist of the Initial Purchase Price (as hereinafter defined) and the Deferred Purchase Price (as hereinafter defined). The Purchase Price for each Lot shall be calculated as provided in the following Section 2(a) and shall be subject to adjustment as provided in Section 2(b) below:

(a) Purchase Price Payments. For each Lot the Purchase Price shall be the sum of the "Initial Purchase Price" of: (i) Twenty-Four Thousand and 00/100 Dollars ($24,000.00) per 35' Alley Load Lot, and (ii) Twenty-Nine Thousand and 00/100 Dollars ($29,000.00) per SFD 45' Lot, paid by Purchaser to Seller by wire transfer or other immediately available and collectible funds ("**Good Funds**"), and the "**Deferred Purchase Price**" of (A) Forty-Eight Thousand Three Hundred and 00/100 Dollars ($48,300.00) per 35' Alley Load Lot, and (B) Fifty-Eight Thousand and 00/100 Dollars ($58,000.00) per SFD 45' Lot, paid by Purchaser to Seller in Good Funds, for a total of (1) Seventy-Two Thousand Three Hundred and 00/100 Dollars ($72,300.00) per 35' Alley Load Lot and (2) Eighty-Seven Thousand and 00/100 Dollars ($87,000.00) per SFD 45' Lot (subject to adjustment as hereinafter provided in Section 2(b) of this Contract). As more particularly described in Section 5(c)(iv), below, the Deferred Purchase Price for the Lots acquired by Purchaser at the First Closing shall be secured by a letter of credit delivered by Purchaser into escrow at the First Closing, the Deferred Purchase Price for the Lots acquired by Purchaser at the Second Closing shall be secured by a letter of credit delivered by Purchaser into escrow at the Second Closing, the Deferred Purchase Price for the Lots acquired by Purchaser at the Third Closing shall be secured by a letter of credit delivered by Purchaser into escrow at the Third Closing, and the Deferred Purchase Price for the Lots acquired by Purchaser at the Fourth Closing shall be secured by a letter of credit delivered by Purchaser into escrow at the Fourth Closing.

(b) Purchase Price Escalator. Any and all portions of the Purchase Price of each Lot that is to be paid after the occurrence of the First Closing will increase by an amount equal to the amount of simple interest that would accrue thereon for the period elapsing between the date that the First Closing occurs until the date such amount is paid, at a per annum rate equal to four percent (4%) per annum (the "**Escalator**"). The Escalator applies to both the Initial Purchase Price and the Deferred Purchase Price. By way of example and for clarification purposes only, if the Purchase Price of a Lot at the Closing of the Takedown 1 Lots is $60,000 then at a subsequent Closing occurring 12 months (365 days) following the date of the closing of the Takedown 1 Lots, the Purchase Price for the same type of Lot at such subsequent Closing will be $62,400.00, which is calculated as follows: $60,000 + ($60,000 x .04) = $62,400.00. If the Initial Purchase Price for such Lot to be acquired at the subsequent closing is $20,000, then the Initial Purchase Price for such Lot to be paid at the subsequent closing will be $20,800 [calculated as follows: $20,000 + ($20,000 x .04) = $20,800.00]. Likewise, if one-half of the Deferred Purchase Price of Lot acquired at the closing of the Takedown 1 Lot is due and payable 24 months following the date of the closing of the Takedown 1 Lots then one-half of the Deferred Purchase Price that will be due and payable will be $21,600 [calculated as follows: $20,000 + ($20,000 x .04) + ($20,000 x .04) = $21,600.00]. The Purchase Price Escalator shall not accrue or be calculated during extension periods requested by Seller and in no event be calculated beyond 24 months from the previous Closing, except in the event of delays resulting from Purchaser's actions, defaults, or as a result of Uncontrollable Events.

3. Payment of Purchase Price. The Purchase Price for each of the Lots, as determined pursuant to Section 2 above, shall be payable as follows:

(a) Earnest Money Deposit. Within three (3) business days following the Effective Date, Purchaser shall deliver to the Title Company (as defined in Section 4(a) hereof) an earnest money deposit in the amount of $100,000.00 (the "**Initial Deposit**"). At the end of the Due Diligence Period and within three (3) business days after delivery of the Continuation Notice (as hereinafter defined), Purchaser shall deliver to Title Company an additional deposit in the amount of $100,000.00 (the "**Additional Deposit**"). The Initial Deposit and the Additional Deposit and all interest earned thereon shall be referred to herein as the "**Deposit**". The Title Company will act as escrow agent and invest the earnest money deposit in a federally insured institution at the highest money market rate available. The Deposit shall be paid in Good Funds. The Deposit shall be applied on a pro-rata basis to the Initial Purchase Price due at each Closing. If this Contract is terminated prior to the expiration of the Due Diligence Period for any reason, the Initial Deposit shall be refunded to Purchaser. If this Contract is terminated after the Due Diligence Period and prior to the Deposit being fully applied to the Purchase Price at the last Closing, the unapplied portion of the Deposit shall be paid to Seller, except in the case of a termination of this Contract pursuant to a provision that expressly entitles Purchaser to a refund of the Deposit as provided elsewhere herein.

(b) Initial Purchase Price. That portion of the Purchase Price for each Lot that is identified as the Initial Purchase Price and calculated as provided in Section 2 above shall be paid by Purchaser to Seller in Good Funds at the Closing that is applicable to the Lot.

(c) Deferred Purchase Price. That portion of the Purchase Price for each Lot that is identified as the Deferred Purchase Price in Section 2 above is due and payable by Purchaser to Seller, as provided in and pursuant to the terms of the Lot Development Agreement.

4. Seller's Title.

(a) Preliminary Title Commitment. Within ten (10) business days after the Effective Date, Seller shall furnish to Purchaser, at Seller's expense, a current commitment for a Title Policy (as defined below) for the Property (the "**Master Commitment**") issued by Land Title Guarantee Company ("**Title Company**") as agent for First American Title Insurance Company, together with copies of the instruments listed in the schedule of exceptions in the Master Commitment. If the Master Commitment contains any exceptions from coverage which are unacceptable to Purchaser, then Purchaser shall object to the condition of the Master Commitment in writing within sixty (60) days of Purchaser's receipt of the Master Commitment together with copies of all documents constituting exceptions to title (the "**Title Objections**"). Upon receipt of the Title Objections, Seller may, at its option and at its sole cost and expense, clear the title to the Property of the Title Objections within twenty (20) days of receipt of the Title Objections. In the event Seller fails, or elects not to clear the title to the Property of the Title Objections on or before the date that is ten (10) days before the expiration of the Due Diligence Period, the Purchaser, as its sole remedy, may elect before the expiration of the Due Diligence Period either: (i) to terminate this Contract, in which event the Initial Deposit shall be promptly returned to Purchaser, Purchaser shall deliver to Seller all information and materials received by Purchaser from Seller pertaining to the Property and any non-confidential and non-proprietary information otherwise obtained by Purchaser pertaining to the Property, and thereafter the parties shall have no further rights or obligations under this Contract except as otherwise provided in Section 12(c) below; or (ii) to waive such objections and proceed with the transactions contemplated by this Contract, in which event Purchaser shall be deemed to have approved the title matters as to which its Title Objections have been waived. If Purchaser fails to provide the Title Objections prior to the expiration of the sixty (60) day period required by this Section 4(a), Purchaser shall be deemed to have elected to waive its objections as described in the preceding clause. If Purchaser fails to notify Seller of its election to terminate this Contract or waive it objections, Purchaser shall be deemed to have elected to waive its objections to any title matter that Seller has failed or elected not to cure. Seller shall release at or prior to the applicable Closing any monetary lien that Seller caused or created against the Property with respect to that portion of the Property to be acquired at a particular Closing other than non-delinquent real estate taxes and assessments and Permitted Exceptions, and such monetary liens shall not constitute Permitted Exceptions (as hereinafter defined). At each Closing, without the need for Purchaser to object to the same in Purchaser's Title Objections, Seller shall execute and deliver the Title Company's standard form mechanic's lien affidavit (the "**Lien Affidavit**") in connection with the standard printed exception for liens arising against the Lots purchased at the Closing for work or materials ordered or contracted for by Seller, and to the extent required by the Title Company a commercially reasonable indemnity agreement (the "**Title Company Indemnity**"), provided, however, if Purchaser determines during the Due Diligence Period that the Title Company refuses or is unwilling to delete the standard printed exception for liens as part of extended coverage despite Seller's offer to execute and deliver the Lien Affidavit and Title Company Indemnity, then Purchaser will have the right to terminate this Contract on or before the expiration of the Due Diligence Period whereupon the Initial Deposit will be returned to Purchaser, or Purchaser may proceed with the Closing in which event the Title Policy will contain, and the Lots will be conveyed subject to, the standard printed exception for liens unless the Title Company agrees thereafter to delete such lien exception, however, the Purchaser shall have no further termination rights if the Title Company does not agree to do so. If the Title Company agrees during the Due Diligence Period to delete the standard printed exception for liens as part of extended coverage and thereafter the Title Company refuses to delete the exception for liens based on Seller's offer to execute and deliver the Lien Affidavit and Title Company Indemnity, then such exception shall be deemed a Non-Seller Caused Exception (as hereinafter defined) to which Purchaser shall have the right to object pursuant to Section 4(b). Seller shall request that the Takedown Commitment (as hereinafter defined) provide for the deletion of the other standard printed exceptions from the Title Policy (provided that Seller's only obligation with respect thereto shall be (i) to provide a copy of Seller's existing survey ("**Survey**"), if any, of the land that contains the Lots, obtain and furnish, at Purchaser's sole cost and expense, a plat certification issued by a licensed surveyor ("**Plat Certificate**") if and to the extent a Plat Certificate is required by the Title Company as a requirement to delete the standard survey exception, (ii) to execute the Title Company's standard form seller-owner final affidavit and agreement as reasonably modified by Seller and as to Seller's acts only if such affidavit is required by the Title Company for the purpose of deleting any exception for parties in possession ("**Owner's Affidavit**"), and (iii) to execute the Title Company's Lien Affidavit with respect to Seller's acts, in form and substance reasonably acceptable to Seller). Seller has no obligation to provide a new Survey or to update any existing Survey.

(b) Subsequently Disclosed Exceptions. Not less than fifteen (15) days prior to the each Closing, at Seller's expense, Purchaser may request that the Title Company issue an updated title commitment for that portion of the Property to be acquired at such Closing (each a "**Takedown Commitment**"), together with copies of any additional instruments listed in the schedule of exceptions which are not reflected in the Master Commitment furnished pursuant to Section 4(a) above or in any prior Takedown Commitment. Additional items disclosed by a Takedown Commitment or by an amendment to the Master Commitment that affect title to the subject Property are referred to as "**New Exceptions**". New Exceptions affecting title to the subject Property that are allowed by the provisions of this Contract are referred to as "**Permissible New Exceptions**" and all other New Exceptions are referred to as "**Other New Exceptions**". Purchaser has no right to object to any Permissible New Exception. Other New Exceptions which do not materially adversely affect title to a Lot, or Purchaser's ability to construct Homes (as hereinafter defined) thereon, shall also be Permissible New Exceptions. Purchaser shall have a period of seven (7) days from the date of its receipt of such Takedown Commitment or amendment to the Master Commitment and a copy of the New Exceptions (the "**New Exception Review Period**") to review and to approve or disapprove any Other New Exceptions. If any Other New Exception is unacceptable to Purchaser, Purchaser shall object to such Other New Exception(s) in writing within seven (7) days after the date of Purchaser's receipt of the Takedown Commitment, together with a copy of the New Exceptions (the "**New Exception Objection**"). Upon receipt of the New Exception Objection, Seller shall cure the New Exception Objection (by deletion, insuring over or endorsement) to the extent that such Other New Exception was caused or created by Seller and is not otherwise permitted by this Contract ("**Seller Caused Exception**"). If the New Exception Objection relates to an Other New Exception that was not caused by Seller ("**Non-Seller Caused Exception**"), Seller may, at its sole discretion, cure the New Exception Objection, within fifteen (15) days of receipt of the New Exception Objection ("**Seller Cure Period**") and the applicable Closing Date will be extended to accommodate the Seller Cure Period. In the event Seller fails, or elects not to cure a Non-Seller Caused Exception within such fifteen (15) day period, the Purchaser, as its sole remedy, may elect within five (5) days after the end of the Seller Cure Period either: (i) to terminate this Contract, in which event that portion of the Deposit not previously applied to the Purchase Price at a Closing, shall be refunded to Purchaser and the parties shall have no further rights or obligations under this Contract; or (ii) to waive such objection and proceed with the applicable Takedown, in which event Purchaser shall be deemed to have approved the New Exception. If Purchaser fails to notify Seller of its election to terminate this Contract in accordance with the foregoing sentences within five (5) days after the expiration of the Seller Cure Period (i) Purchaser shall be deemed to have elected to waive its objections as described in the preceding sentences and (ii) all such items shall be deemed to be Permitted Exceptions.

(c) Permitted Exceptions; Additional Easements. Seller shall convey title to the Lots included in each Takedown of the Property to Purchaser at the Closing for such Takedown subject to the Permitted Exceptions described in Section 9 hereof. Prior to each Closing, Seller shall have the right, subject to the limitations set forth below and those Reservations and Covenants (as hereinafter defined) as set forth on **Exhibit B**, attached hereto, and provided Seller shall advise and provide copies of same to Purchaser promptly after Seller becomes aware of same, to convey additional easements as Permissible New Exceptions to utility and cable service providers, governmental or quasi-governmental Authorities, metropolitan, water and sanitation districts, homeowners associations or property owners associations or other entities that serve the Development or adjacent property for construction of utilities and other facilities to support the Development or such adjacent property, including but not limited to sanitary sewer, water lines, electric, cable, broad-band and telephone transmission, storm drainage and construction access easements across the Property not yet acquired by Purchaser, allowing Seller or its assignees the right to install and maintain sanitary sewer, water lines, cable television, broad-band, electric, telephone and other utilities on the Property and on the adjacent property owned by Seller and/or its affiliates, and further, to accommodate storm drainage from the adjacent property. Such easements shall require the restoration of any surface damage or disturbance caused by the exercise of such easements, shall not be located within the building envelope of any Lot or materially negatively impact any Home constructed thereon, and shall not materially detract from the value, use or enjoyment of (i) the Lots affected or the remaining portion of the Property on which such easements are to be located, or (ii) any adjoining property of Purchaser.

(d) Master Covenants; Regional Improvements Authority. The Lots to be acquired pursuant to this Contract shall be, prior to each Closing, made subject to the Covenants, Conditions and Restrictions for Sky Ranch recorded in the County Records on August 10, 2018, at Reception No. D8079588 (the "**Master Declaration**"). The Master Declaration, together with any supplemental declarations which have been, or may in the future be, recorded against the Property, shall be collectively referred to as the "**Master Covenants**". The Master Covenants are administered by the Sky Ranch Community Authority Board ("**CAB**") and shall be a Permitted Exception (as hereinafter defined). Seller shall provide to Purchaser for its review, a copy of the Master Covenants as part of the Seller Documents (as hereinafter defined). Seller shall be permitted to revise or supplement the Master Covenants at any time before the First Closing under this Contract without the consent of Purchaser but with prior notice and copies of same to Purchaser; provided, that any such revision has no material adverse effect on the Lots acquired or to be acquired by Purchaser. The Seller may petition the County for the organization of a public improvement district pursuant to C.R.S. Title 30, Article 20 (the "**Public Improvement District**" or "**PID**"), or one or more public entities, including without limitation, the Sky Ranch Districts, CAB, and County may enter into an intergovernmental agreement pursuant to C.R.S. §§ 29-1-203 and – 203.5 to create a public authority (the "**Regional Improvements Authority**") to provide a source of funding for the construction and operation of certain regional public improvements serving the Development and other properties, including without limitation, the freeway interchange at Interstate I-70/Airpark Frontage Road adjacent to the Development and other regional improvements (collectively, the "**Regional Improvements**"). The PID, if formed, may pledge revenues and/or issue general obligation indebtedness, revenue bonds or special assessment bonds and will have the power to levy and collect ad valorem taxes on and against all taxable property within the PID in accordance with the provisions of part 5 of C.R.S. Title 30, Article 20. If and to the extent that Seller petitions the County and the County organizes a PID that includes the Development, Purchaser agrees that it will not object to the County's organization of any such PID. The Regional Improvements Authority, if created, may use revenue generated by the Sky Ranch Districts' imposition of a mill levy that is a subset of the Sky Ranch Districts' operations and maintenance mill levy to plan, design, acquire, construct, install, relocate and/or redevelop, and the administration, overhead and operations and maintenance costs incurred with respect to the Regional Improvements (the "**Regional Improvements Mill Levy**"). The Regional Improvements Mill Levy shall be calculated as the difference between the overlapping mill levies of property subject to the Aurora Public Schools mill levy ("**APS Mill Levy**") and the overlapping mill levies of property not subject to the APS Mill Levy. Notwithstanding the foregoing, (i) Purchaser may object if any proposal may exceed the Maximum Mills Limitation (hereafter defined) and (ii) regardless of whether or not Purchaser objects, Purchaser shall not be deemed to consent to or approve, and all PID documentation, coupled and aggregated with any and all other documentation relating to the District (hereafter defined), the other Sky Ranch Districts (hereafter defined), and the Regional Improvements Authority (such documentation being collectively referred to as, the "**District Documentation**") shall only be permitted to levy and collect in the aggregate amounts that do not exceed the lesser of: (i) the total mill levy assessed against a residential lot that is subject to the APS Mill Levy; and (ii) up to 55.664 mills (subject to "**Gallagher Adjustments**") commencing with the residential assessment rate as of January 1, 2021 for debt service, and up to 11.133 mills for operation and maintenance (also subject to Gallagher Adjustments) (collectively, the "**Maximum Mills Limitation**"). Seller shall be solely liable for and shall pay (i) any ad valorem taxes levied by any district or other entity in excess of the Maximum Mills Limitation, and (ii) any other rates, tolls, fees or charges adopted by any such district or other entity and this obligation of Seller shall survive all Closings for the benefit of Purchaser and all successor Lot owners.

(e) Title Policy. Within a reasonable time after each Closing, Seller, at its expense, shall cause the Title Company to deliver a Form 2006 ALTA extended coverage owner's policy of title insurance ("**Title Policy**"), insuring Purchaser's title to the Property conveyed at such Closing, pursuant to the applicable Takedown Commitment and subject only to the Permitted Exceptions, together with such endorsements as Purchaser may request and which the Title Company agrees to issue during the Due Diligence Period, and shall pay the premium for the basic policy at such Closing. The Title Policy shall provide insurance in an amount equal to the Purchase Price for all Lots purchased at such Closing. At each Closing, Seller shall offer to execute and deliver a Lien Affidavit and an Owner's Affidavit, and shall obtain and furnish a Plat Certificate, as necessary. Purchaser shall pay any fees charged by the Title Company to delete the standard pre-printed exceptions. Purchaser shall pay for the premiums for any endorsements requested by Purchaser, except that Seller shall pay for any endorsements that Seller agrees to provide in order to cure a Title Objection.

5. Seller Obligations. Seller shall have the following obligations:

(a) Entitlements.

(i) Platting and Entitlements. Seller shall be responsible, at Seller's sole cost and expense, for preparing and processing in a commercially reasonable manner and timeframe, and diligently pursuing and obtaining Final Approval (as defined below) from the County and any other appropriate Authority and recording in the records of the Clerk and Recorder of the County (the "**County Records**"), as may be required, the following: (A) a preliminary plat; (B) a general development plan ("**GDP**"); (C) a specific development plan that includes the Property ("**SDP**"); (D) an administrative site plan ("**ASP**") and final subdivision plat (or plats) for each Filing within the Property (each a "**Final Plat**"); (E) the public improvement construction plans for all improvements relating to each Final Plat ("**CDs**"); and (F) one or more development or subdivision improvement agreements associated with the Final Plats and other similar documentation required by the Authorities in connection with approval of the Final Plat(s) and CDs (collectively, the "**Entitlements**"). The Entitlements shall substantially comply with the Final Lotting Diagram, and shall provide that Phase B of the Development contains approximately 834 lots with the Lots being of the number, type, and dimension as set forth above in Recital D (after taking into consideration applicable setbacks), and the Entitlements shall not impose new or additional requirements upon Purchaser which increase (or could be expected to increase) the construction cost for a Home on any Lot by more than $3,000 or which materially adversely affect Purchaser's ability to construct a Home on any Lot. Seller shall use commercially reasonable efforts to have the Entitlements for each Takedown, respectively, approved by the Authorities and recorded as necessary in the County Records with all applicable governmental or third-party appeal and/or challenge periods applicable to an approval decision of the County Board of Commissioners or County Planning Commission having expired without any appeal then-pending ("**Final Approval**"). Seller shall use commercially reasonably efforts to obtain Final Approval of the Entitlements applicable to the Takedown 1 Lots on or before that date which is nine (9) months after the expiration of the Due Diligence Period, as such period may be extended pursuant to this Section 5(a)(i), or as a result of delays resulting from Uncontrollable Events. If Final Approval of the Entitlements applicable to the Takedown 1 Lots has not been achieved as aforesaid on or before nine (9) months after the expiration of the Due Diligence Period (subject to delays resulting from Uncontrollable Events), then Seller, in its discretion, shall have the right to extend the date for obtaining such Final Approval for a period not to exceed an additional six (6) months by providing written notice to Purchaser prior to the expiration of such nine (9) month period (or such later date as the same may have been previously extended). If Seller has not secured such Final Approval of the Takedown 1 Lots by the expiration of the initial nine (9) month period (subject to delays resulting from Uncontrollable Events) and shall fail to exercise such extension, each party shall thereupon be relieved of all further obligations and liabilities under this Contract, except as otherwise provided herein, and the Deposit shall be returned to Purchaser. If Seller extends the time period for obtaining Final Approval of the Takedown 1 Lots, then during such extended time period Seller shall use commercially reasonable efforts to obtain Final Approval of such Entitlements, and failing which, Seller shall not be in default of its obligations under this Contract (unless Seller failed to use commercially reasonable efforts to obtain Final Approval of such Entitlements), but this Contract shall terminate in which case each party shall thereupon be relieved of all further obligations and liabilities under this Contract, except as otherwise provided herein, and the Deposit shall be returned to Purchaser. During the Entitlement process, Seller shall keep Purchaser reasonably informed of the process and the anticipated results therefrom and, upon written request, Seller will provide Purchaser with copies of those Entitlement documents as submitted to the County and other reasonable documentation relating to same. Purchaser, at no material cost to Purchaser (other than costs incurred to obtain services that could reasonably be performed or provided in-house), shall cooperate with Seller in Seller's efforts to obtain Final Approval of the Entitlements by the County.

(ii) Lot Minimums for each Takedown. The Final Plat(s) for the Property and the Lots are anticipated to be in a form which is substantially consistent with the Final Lotting Diagram, subject to changes made necessary by the Authorities and/or final engineering decisions which are necessary to properly engineer, design, and install the improvements in accordance with the requirements of the County and other applicable Authorities.

(iii) Recordation of Final Plat. At or before each Closing, Seller shall cause to be recorded, in the County Records, the Final Plat that includes the Lots that are to be purchased at such Closing. Seller shall be responsible for providing to the County any bond or other financial assurance that is required by the County to record each Final Plat.

(b) Interchange Obligations. As of the Effective Date, the existing entitlements for the Development state that no more than 774 building permits may be issued for the Development until the Freeway Interchange is upgraded. The foregoing building permit provision may affect the ability of Purchaser and the other builders within Phase B to obtain building permits on the Lots acquired after the First Closing under this Contract and after the initial closings under the other builder contracts. Seller is currently working with the County, CDOT, and other stakeholders to identify interim upgrades to the Freeway Interchange that, if implemented, would increase the number of building permits available within the Development to accommodate all Lots subject to this Contract and the other building contracts within Phase B (the "**Interchange Upgrades**"). In the event that any Closing is delayed as a result of Seller's failure to satisfy its obligations with respect to the Interchange Upgrades, the Escalator shall be tolled on a day-for-day basis equal to the length of any such delay.

(c) Finished Lot Improvements/Lot Development Agreement.

(i) At the First Closing, Purchaser and Seller shall enter into the Lot Development Agreement in the form attached hereto as **Exhibit E**, regarding Seller's obligations to construct and install the Finished Lot Improvements as described on **Exhibit C** attached hereto.

(ii) The Lot Development Agreement includes, without limitation, provisions that provide for the following: (A) the payment of the Deferred Purchase Price by Purchaser as follows: for each Takedown, one-half of the Deferred Purchase Price for the Lots in that Phase shall be paid to Seller upon Substantial Completion of that portion of the Finished Lot Improvements consisting of the water, sanitary sewer and storm sewer infrastructure that is necessary to serve the Lots in that Phase, and the remaining one-half of the Deferred Purchase Price for the Lots in that Phase shall be paid to Seller upon Substantial Completion of the balance of Finished Lot Improvements that serve that Phase to the extent necessary to obtain building permits; (B) Seller's and/or the District's obligation to post surety as required by the County in connection with such Phases; (C) provisions regarding Seller's and/or the District's agreements with the contractors who will construct the Finished Lot Improvements; (D) Seller's and/or the District's warranty obligations, as provided on **Exhibit C**; (E) Seller's obligation to obtain lien waivers and to discharge mechanics liens related to construction of the Finished Lot Improvements; (F) Purchaser's step-in rights following a Seller and/or District Event of Default (as such term is defined in the Lot Development Agreement) under the Lot Development Agreement; and (G) a license from Purchaser to permit construction of the Finished Lot Improvements and performance of other related activities on the Lots. The Seller, Purchaser, other builder(s) affected by any improvements to be constructed under the Lot Development Agreement that serve or benefit the Lots and other property that is to be acquired by such other builder(s) (the "**Joint Improvements**") and the Title Company will, at the Takedown 1 Closing execute a "**Joint Improvements Memorandum**" that describes the rights and obligations of Seller, Purchaser, such other builder(s) and Title Company and such document will supplement the Lot Development Agreement regarding the installation and construction of any Joint Improvements. The form of the Joint Improvements Memorandum is attached to the Lot Development Agreement as Exhibit F thereto.

(iii) After obtaining Final Approval of all necessary Entitlements for the applicable Lots, Seller acting as the Constructing Party (as defined in the Lot Development Agreement) under the Lot Development Agreement shall commence and diligently pursue Substantial Completion, or cause to be Substantially Completed, for the Lots being purchased and acquired by Purchaser at each Closing, subject to delays resulting from Uncontrollable Events, the Finished Lot Improvements in accordance with the phasing, provisions and schedules of the Lot Development Agreement and all applicable laws, codes, regulations and governmental requirements for the Lots. Seller will notify Purchaser when each phase of the Finished Lot Improvements (have been Substantially Completed. Seller's failure to comply with the foregoing covenant shall not constitute a default hereunder unless and until such failure shall constitute an Event of Default (as defined in the Lot Development Agreement) under the Lot Development Agreement.

(iv) In order to secure Purchaser's obligation (following each Closing) to pay the Deferred Purchase Price in accordance with the terms of this Contract and the payment schedule set forth in the Lot Development Agreement, as described in Section 5(c) of this Contract, at each Closing Purchaser shall deliver to Title Company (acting as escrow agent), either (a) a letter of credit, in a form agreeable to Seller and issued by a financial institution reasonably agreeable to Seller (the "**Letter of Credit**"), or (ii) a cash payment (a Letter of Credit and the cash payment each constitute a "**Deferred Purchase Price Deposit**"). The Deferred Purchase Price Deposit shall be in an amount equal to the sum of the Deferred Purchase Price for all of the Lots acquired by Purchaser at such Closing plus, for the Takedown 2 Lots, the Takedown 3 Lots, and the Takedown 4 Lots, the Escalator thereon calculated pursuant to Section 2(b). Title Company shall hold and maintain the Deferred Purchase Price Deposit pursuant to the Lot Development Agreement in an escrow account established by Title Company for the benefit of Seller and Purchaser. A Letter of Credit that is posted as the Deferred Purchase Price Deposit for a Closing shall remain in place until the final payment of the Deferred Purchase Price applicable to such Closing has been made to the Seller following Substantial Completion of the Finished Lot Improvements which serve the Lots acquired by Purchaser at such Closing. If a Letter of Credit is scheduled to expire prior to the Substantial Completion of all of such Lots, and Purchaser has not renewed the Letter of Credit at least fifteen (15) days prior to the expiration date thereof, Title Company is authorized and directed to draw down the full amount of the Letter of Credit and deposit such funds in escrow to be used solely for the payment of any unpaid Deferred Purchase Price. The Letter of Credit may provide that it may be reduced from time to time to the extent of payments of the Deferred Purchase Price made by Purchaser for Finished Lot Improvements in accordance with the terms, including the payment schedule, set forth in the Lot Development Agreement and Section 5(a)(iii) of this Contract. The Letter of Credit for each Closing shall be returned to Purchaser, together with an executed reduction certificate reducing the face amount thereof to $0.00, upon payment in full of the Deferred Purchaser Price for all of the Lots in such Closing. A cash payment that is deposited as the Deferred Purchase Price Deposit for a Closing will be drawn down and disbursed by the Title Company to Seller from time to time to the extent of payments of the Deferred Purchase Price made by Purchaser for Finished Lot Improvements in accordance with the terms, including the payment schedule, set forth in the Lot Development Agreement and Section 5(a)(iii) of this Contract. Failure by Purchaser to pay any portion of the Deferred Purchase Price that is secured by a Letter of Credit when the same shall become due and payable, provided that at such failure continues for a period of ten (10) days after the delivery of written notice thereof from Seller to Purchaser, shall entitle Seller to enforce the collection of the delinquent Deferred Purchase Price by drawing upon the Letter of Credit or having the Title Company draw upon the Letter of Credit, and in either event the funds so drawn shall be paid to Seller as payment of any unpaid Deferred Purchase Price and such failure to pay shall be deemed cured. If Seller or Title Company is unable to draw upon the Letter of Credit, or Purchaser otherwise fails to pay the Deferred Purchase Price, Seller may protect and enforce its rights under this Contract pertaining to payment of the Deferred Purchase Price by (i) such suit, action, or special proceedings as Seller shall deem appropriate, including, without limitation, any proceedings for the specific performance of any covenant or agreement contained in this Contract and the Lot Development Agreement or the enforcement of any other appropriate legal or equitable remedy, or for the recovery of actual damages (excluding consequential, punitive damages or similar damages) caused by Purchaser's failure to pay the Deferred Purchase Price, including reasonable attorneys' fees, and (ii) enforcing Seller's lien rights under the Lot Development Agreement. Seller's remedies are non-exclusive. The foregoing provisions regarding the Letter of Credit as security for payment of the Deferred Purchase Price shall be included in the Lot Development Agreement in the form of escrow instructions.

(d) Substantial Completion of Improvements. The term "**Substantially Complete**" or "**Substantial Completion**" means that the Finished Lot Improvements have been substantially completed in accordance with the applicable CDs and all other requirements of this Contract and Purchaser will not be precluded from obtaining building permits for homes on the Lots (thereafter Seller shall complete the improvements so that Purchaser will not be precluded from obtaining the issuance of certificates of occupancy following completion of homes as a result of the degree of completion of the improvements).

6. Pre-Closing Conditions.

(a) Seller's Conditions. It shall be a condition precedent to Seller's obligation to close each Takedown, that the following conditions ("**Seller's Conditions Precedent**") have been satisfied:

(i) Purchaser and other homebuilders are under contract to purchase at least 250 of the Lots in Phase B, and close the initial purchase of lots under some or all of such purchase and sale agreements as determined by Seller simultaneously (the "**Initial Purchase Condition**").

(ii) Seller shall have satisfied, or is reasonably certain it will be able to satisfy, its obligations with respect to the Interchange Upgrades, on or before the Substantial Completion Deadline (as set forth in the Lot Development Agreement) for such Takedown, such that Purchaser shall not be prevented from obtaining building permits to construct Houses on Lots acquired at such Takedown no later than the applicable Substantial Completion Deadline (the "**Interchange Condition**") and will not be prevented from obtaining certificates of occupancy for such Houses, solely as a result of Seller's failure to timely satisfy the Interchange Condition.

Seller agrees to use commercially reasonable, good faith efforts to timely satisfy the Seller's Conditions Precedent. If for any reason other than Seller's fault or exercise of its discretion, either Seller's Condition Precedent is not satisfied on or before a Closing Date, Seller may elect to: (1) terminate this Contract by giving written notice to Purchaser at least ten (10) days prior to such Closing; (2) waive the unsatisfied Seller's Condition(s) Precedent and proceed to the applicable Closing (provided, however, that such waiver shall not apply to any subsequent Closings); or (3) extend the applicable Closing Date for a period not to exceed ninety (90) days by giving written notice to Purchaser on or before the applicable Closing Date, during which time Seller shall use commercially reasonable efforts to cause such unsatisfied Seller's Conditions Precedent to be satisfied (and during such extension period, the Escalator be tolled on a day-for-day basis equal to the length of such extension period). If Seller elects to extend any Closing Date and the unsatisfied Seller's Condition Precedent is not satisfied on or before the last day of the 90-day extension period for any reason other than Seller's fault or exercise of its discretion, then Seller shall elect within five (5) business days after the end of such extension period to either terminate this Contract or waive the unsatisfied Seller's Condition(s) Precedent and proceed to the applicable Closing. In the event Seller terminates this Contract pursuant to this Section 6(a), that portion of the Deposit made by Purchaser that has not been applied to the Purchase Price for Lots already acquired by Purchaser shall be returned to Purchaser. Failure to give a termination notice as described above shall be an irrevocable waiver of Seller's right to terminate this Contract as to the affected Takedown pursuant to this Section 6(a).

(b) Purchaser's Conditions. It shall be a condition precedent to Purchaser's obligation to close each Takedown, that the following conditions ("**Purchaser's Conditions Precedent**") have been satisfied:

(i) Final Approval of the Entitlements for the applicable Takedown by the County and all other applicable Authorities and recordation in the County Records of the Final Plat for the Lots to be acquired at such Takedown and such other Entitlements, as may be required by the County, on or before the applicable Closing Date, as the same may be extended.

(ii) Seller shall have satisfied, or is reasonably certain it will be able to satisfy, the Interchange Condition, such that Purchaser shall not be prevented from obtaining building permits for such Lots no later than the applicable Substantial Completion Deadline (as set forth in the Lot Development Agreement) and will not be prevented from obtaining certificates of occupancy for such Houses solely as a result of Seller's failure to timely satisfy the Interchange Condition.

(iii) Seller's representations and warranties set forth herein shall be materially true and correct as of the applicable Closing.

(iv) The Title Company shall be irrevocably and unconditionally committed (subject only to Purchaser's obligation to pay the portion of the Title Policy premium for which Purchaser is responsible under this Contract and satisfaction of any Title Company requirements applicable to Purchaser) to issue to Purchaser the applicable Title Policy with the endorsements as Purchaser may request and the Title Company agrees in writing to issue prior to the expiration of the Due Diligence Period, subject only to the Permitted Exceptions accepted by Purchaser in accordance with the provisions of this Contract.

(v) The Joint Improvements Memorandum shall have been fully executed by all required parties.

If the Purchaser's Conditions Precedent are not satisfied on or before a respective Closing Date, Purchaser may: (1) waive the unfulfilled Purchaser's Condition Precedent and proceed to Closing, (2) extend the applicable Closing Date for up to ninety (90) days to allow more time for Seller to satisfy the unfulfilled Purchaser's Condition Precedent, or (3) as its sole remedy hereunder terminate this Contract as to such Takedown and any subsequent Takedowns by written notice to Seller, delivered within two (2) business days after the Closing Date for the applicable Takedown, in which case each party shall thereupon be relieved of all further obligations and liabilities under this Contract, except as otherwise provided herein, and the Deposit made by Purchaser that has not been applied to the Purchase Price for Lots already acquired by Purchaser shall be returned to Purchaser. If Purchaser elects to extend the Closing Date under (2), above, and the unsatisfied Purchaser's Condition Precedent is not satisfied as of the last day of the ninety (90) day extension period, then Purchaser shall, as its sole remedy, elect to waive or terminate under (1) or (3). Failure to give notice as described above shall be an irrevocable waiver of Purchaser's right to terminate this Contract as to the affected Takedown pursuant to this Section 6(b).

7. Closing."**Closing**" shall mean the delivery to the Title Company of all applicable documents and funds required to be delivered pursuant to Section 8 hereof and unconditional authorization of the Title Company to disburse, deliver and record the same. The purchase of Lots at the closing of a Takedown shall be deemed to be "**Closed**" when the documents and funds required to be delivered pursuant to Section 8 hereof have been delivered to the Title Company, and the Title Company agrees to unconditionally to disburse, deliver and record the same.

8. Closings; Closing Procedures.

(a) On each respective Closing Date, Purchaser shall purchase the number of Lots that Purchaser is obligated to acquire hereunder in the applicable Takedown.

(b) Closing Dates. The First Closing shall occur on that date which is ten (10) days after Final Approval of the Entitlements applicable to the Takedown 1 Lots is obtained (the "**Takedown 1 Closing Date**"). The Second Closing shall occur on that date which is ten (10) days after the later to occur of (i) Final Approval of the Entitlements applicable to the Takedown 2 Lots and (ii) that date which is twelve (12) months after the Takedown 1 Closing Date (the "**Takedown 2 Closing Date**"). The Third Closing shall occur on that date which is ten (10) days after the later to occur of (i) Final Approval of the Entitlements applicable to the Takedown 3 Lots and (ii) that date which is twelve (12) months after the Takedown 2 Closing Date (the "**Takedown 3 Closing Date**"). The Fourth Closing shall occur on that date which is ten (10) days after the later to occur of (i) Final Approval of the Entitlements applicable to the Takedown 4 Lots and (ii) that date which is twelve (12) months after the Takedown 3 Closing Date (the "**Takedown 4 Closing Date**"). The term "**Closing Date**" may be used to refer to each of the Takedown 1 Closing Date, the Takedown 2 Closing Date, the Takedown 3 Closing Date, and the Takedown 4 Closing Date. If Purchaser desires to accelerate any Closing Date, Purchaser may request that a Closing Date be accelerated, and if Seller is willing to do so, in its sole and absolute discretion, the parties will work together to prepare a mutually acceptable amendment to this Contract to accommodate such request. Seller shall have the right to extend the Takedown 1 Closing Date for up to 90 days in order to satisfy Seller's Condition Precedent as provided in Section 6(a) of this Contract.

(c) Closing Place and Time. Each Closing shall be held at 11:00 a.m. on the applicable Closing Date at the offices of the Title Company or at such other time and place as Seller and Purchaser may mutually agree.

(d) Closing Procedures. Each purchase and sale transaction shall be consummated in accordance with the following procedures:

(i) All documents to be recorded and funds to be delivered hereunder shall be delivered to the Title Company to hold, deliver, record and disburse in accordance with closing instructions approved by Purchaser and Seller;

(ii) At each Closing, Seller shall deliver or cause to be delivered in accordance with the closing instructions the following:

(1) A special warranty deed conveying the applicable portion of the Property to be acquired at such Closing to Purchaser. The special warranty deed shall contain a reservation of easements, minerals, mineral rights and water and water rights, as well as other rights, as set forth on **Exhibit B** (the "**Reservations and Covenants**"). The special warranty deed shall also be subject to non-delinquent general real property taxes for the year of such Closing and subsequent years, District assessments and the Permitted Exceptions.

(2) Payment (from the proceeds of such Closing or otherwise) sufficient to satisfy any encumbrance relating to the portion of the Property being acquired at such Closing, required to be paid by Seller at or before the time of Closing.

(3) A tax certificate or other evidence sufficient to enable the Title Company to ensure the payment of all general real property taxes and installments of District assessments then due and payable for the portion of the Property being acquired at such Closing.

(4) An affidavit, in a form sufficient to comply with applicable laws, stating that Seller is not a foreign person or a foreign corporation subject to the Foreign Investment in Real Property Tax Act, and therefore not subject to its withholding requirements.

(5) A certification or affidavit to comply with the reporting and withholding requirements for sales of Colorado properties by non-residents (Colorado Department of Revenue Form DR-1083).

(6) A Lien Affidavit.

(7) A partial assignment of declarant rights or builder rights under the Master Covenants (a "**Builder Designation**"), assigning only the following declarant rights (to the extent such rights are not automatically granted to Purchaser as a "builder" by the terms of the Master Covenants) from Seller to Purchaser: to maintain sales offices, construction offices, management offices, model homes and signs advertising the Development and/or Lots, and such other rights to which the parties may mutually agree, the form of such Builder Designation being attached hereto and incorporated herein as **Exhibit H**.

(8) The Tap Purchase Agreement (as defined herein).

(9) A general assignment to Purchaser in the form attached hereto as **Exhibit D** ("**General Assignment**") with respect to the applicable Lots.

(10) An Owner's Affidavit.

(11) The Lot Development Agreement and the Joint Improvements Memorandum executed by Seller.

(12) Such other documents as may be required to be executed by Seller pursuant to this Contract or the closing instructions.

(iii) At each Closing, Purchaser shall deliver or cause to be delivered in accordance with the closing instructions the following:

(1) The Purchase Price payable at such Closing, computed in accordance with Section 2 above, for the Lots being acquired at such Closing, such payment to be made in Good Funds.

(2) The Tap Purchase Agreement.

(3) The Lot Development Agreement and the Joint Improvements Memorandum executed by Purchaser.

(4) All other documents required to be executed by Purchaser pursuant to the terms of this Contract or the closing instructions.

(5) Payment of any amounts due pursuant to Section 16 hereof.

(iv) At each Closing, Purchaser and Seller shall each deliver an executed settlement statement, which shall set forth all prorations, disbursements of the Purchase Price and expenses applicable to such Closing;

(v) The following adjustments and prorations shall be made between Purchaser and Seller as of each Closing:

(1) Real property taxes and installments of District assessments, if any, for the applicable portion of the Property for the year in which the Closing occurs shall be prorated based upon the most recent known rates, mill levy and assessed valuations; and such proration shall be final.

(2) Seller shall pay real property taxes and assessments for years prior to the year in which the Closing occurs.

(3) Purchaser shall pay any and all recording costs and documentary fees required for the recording of the deed.

(4) Seller shall pay the base premium for the Title Policy and for any endorsement Seller agrees to provide to cure a Title Objection, and Purchaser shall pay the premium for any other endorsements requested by Purchaser in accordance with Section 4 above, including an extended coverage endorsement.

(5) Each party shall pay one-half (1/2) of any closing or escrow charges of the Title Company.

(6) All other costs and expenses not specifically provided for in this Contract shall be allocated between Purchaser and Seller in accordance with the customary practice of commercial real estate transactions in Arapahoe County, Colorado.

(vi) Possession of the applicable portion of the Property being acquired at each Closing shall be delivered to Purchaser at such Closing, subject to the Permitted Exceptions.

9 . Seller's Delivery of Title. At each Closing, Seller shall convey title to the applicable portion of the Property, together with the following items, to the extent that they have been approved, or are deemed to have been approved by Purchaser pursuant to the terms of this Contract (each, a "**Permitted Exception**" and collectively, the "**Permitted Exceptions**"):

(a) all easements, agreements, covenants, restrictions, rights-of-way and other matters of record that affect title to the Property as disclosed by the Master Commitment or any Takedown Commitment, or otherwise, to the extent that such matters are approved or deemed approved by Purchaser in accordance with Section 4 above or otherwise approved by Purchaser (unless otherwise identified herein as an obligation, fee or encumbrance to be assumed by Purchaser or which is otherwise identified herein as a Purchaser obligation which survives such Closing, the foregoing items, however, shall not include any mortgages, deeds of trust, mechanic's liens or judgment liens arising by, through or under Seller, which monetary liens Seller shall cause to be released or fully insured over by the Title Company, to the extent they affect any portion of the Property, on or prior to the date that such portion of the Property is conveyed to Purchaser);

(b) the Entitlements, including without limitation, the Final Plat applicable to the Property being acquired at such Closing and all easements and other terms, agreements, provisions, conditions and obligations as shown thereon;

(c) the Master Covenants;

(d) the inclusion of the Property into the Sky Ranch Metropolitan District No. 3 (the '**District**"), the PID, and such other special improvement districts or metropolitan districts as may be disclosed by the Master Commitment or any Takedown Commitment delivered to Purchaser pursuant to this Contract;

(e) the inclusion of the Property into that certain Declaration of Covenants Imposing and Implementing the Sky Ranch Public Improvement Fee recorded in the County Records on August 13, 2018, at Reception No. D8079674 (the "**PIF Covenant**").

(f) A reservation of water and mineral rights as set forth on **Exhibit B** hereof;

(g) applicable zoning and governmental regulations and ordinances;

(h) title exceptions, encumbrances, or other matters arising by, through or under Purchaser;

(i) items apparent upon an inspection of the Property or shown or that would be shown on an accurate and current survey of the Property; and

(j) any Permissible New Exception and any other document required or permitted to be recorded against the Property in the County Records pursuant to the terms of this Contract.

10. Due Diligence Period; Acceptance of Property; Release and Disclaimer.

(a) Feasibility Review. Within five (5) business days following the Effective Date, Seller shall deliver or make available (via electronic file share if available in electronic form, otherwise at Seller's office) to Purchaser the following listed items to the extent in Seller's actual possession; if an item listed below is not in Seller's possession and not delivered or made available to Purchaser, but is otherwise readily available to Seller, then Purchaser may make written request to Seller to provide such item, and Seller will use its reasonable efforts to obtain and deliver or make such item available to Purchaser, but Seller will have no obligation otherwise to obtain any item not in Seller's possession: (i) any environmental reports, soil reports and certifications pertaining to the Lots, (ii) a copy of any subdivision plat for the Property, (iii) engineering and construction plans pertaining to the Lots, (iv) biological, grading, drainage, hydrology and other engineering reports and plans and engineering and constructions plans for offsite improvements that are required to obtain building permits/certificates of occupancies for single-family detached residences constructed on the Lots; (v) any PUD, Development Agreement, Site Development Plans and other approvals pertaining to the Lots particularly and the Development generally; (vi) the Master Covenants; (vii) any Special District Service Plans; (viii) any existing ALTA or other boundary Survey of the Property; and (ix) copies of any subdivision bonds or guarantees applicable to the Lots (collectively, the "**Seller Documents**"). Purchaser shall have a period expiring sixty (60) calendar days following the Effective Date of this Contract within which to review the same (the "**Due Diligence Period**"). During the Due Diligence Period, Purchaser shall have an opportunity to review and inspect the Property, all Seller Documents and any and all factors deemed relevant by Purchaser to its proposed development and the feasibility of Purchaser's intended uses of the Property in Purchaser's sole and absolute discretion (the "**Feasibility Review**"). The Feasibility Review shall be deemed to have been completed to Purchaser's satisfaction only if Purchaser gives written notice to Seller of its election to continue this Contract ("**Continuation Notice**") prior to the expiration of the Due Diligence Period. If Purchaser fails to timely give a Continuation Notice or if Purchaser gives a notice of its election to terminate, this Contract shall automatically terminate, the Initial Deposit shall be promptly returned to Purchaser, Purchaser shall deliver to Seller all information and materials received by Purchaser from Seller pertaining to the Property and any non-confidential and non-proprietary information otherwise obtained by Purchaser pertaining to the Property and any information otherwise obtained by Purchaser, and thereafter the parties shall have no further rights or obligations under this Contract except as otherwise provided in Section 25 below. Seller will reasonably cooperate with Purchaser, at Purchaser's cost and at no cost and with no liability to Seller to assist Purchaser in obtaining: (A) an updated or recertification of any of the Seller Documents, (B) reliance letters from any of the preparers of the Seller Documents, and (C) any consents that may be required so that Purchaser may receive the benefits after Closing of any agreements comprising the Seller Documents that confer a benefit and are reasonably necessary for the Purchaser's proper and efficient development of the Property for residential use, to the extent such are obtainable by Purchaser.

(b) Approval of Property. If Purchaser gives a Continuation Notice on or before the expiration of the Due Diligence Period, except as otherwise provided in this Section 10, Purchaser shall be deemed to have approved the Property, the Development and the feasibility of Purchaser's intended uses of the Lots (subject to the terms and conditions of Section 5 and Section 6 hereof). Such approval shall be deemed to include, but shall not be limited to, Purchaser's approval of the following as to the Property:

(i) The ability of applicable utility companies to provide utility services to the Property, including the quality, sizing and cost of such services;

(ii) The soil and environmental conditions of the Property;

(iii) All Seller Documents delivered to Purchaser pursuant to this Contract;

(iv) All of the Permitted Exceptions;

(v) The financial condition and other factors relevant to the operation of the District;

(vi) Fitness for Purchaser's intended use, accessibility of roads, and the condition and suitability for improvement and sale of the Lots, subject to Seller's obligations under this Contract.

(c) Radon. Purchaser acknowledges that radon gas and naturally occurring radioactive materials ("**NORM**") each naturally occurs in many locations in Colorado. The Colorado Department of Public Health and Environment and the United States Environmental Protection Agency (the "**EPA**") have detected elevated levels of naturally occurring radon gas in residential structures in many areas of Colorado, including the County and all of the other counties along the front range of Colorado. The EPA has raised concerns with respect to adverse effects on human health from long-term exposure to high levels of radon and recommends that radon levels be tested in all Residences. Purchaser acknowledges that Seller neither claims nor possesses any special expertise in the measurement or reduction of radon or NORM. Purchaser further acknowledges that Seller has not undertaken any evaluation of the presence or risks of radon or NORM with respect to the Property nor has it made any representation or given any other advice to Purchaser as to acceptable levels or possible health hazards of radon and NORM. SELLER HAS MADE NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE PRESENCE OR ABSENCE OF RADON, NORM OR OTHER ENVIRONMENTAL POLLUTANTS WITHIN THE PROPERTY OR THE RESIDENCES TO BE CONSTRUCTED ON THE LOTS OR THE SOILS BENEATH OR ADJACENT TO THE PROPERTY OR THE RESIDENCES TO BE CONSTRUCTED ON THE LOTS PRIOR TO, ON OR AFTER THE APPLICABLE CLOSING DATE. Purchaser, on behalf of itself and its successors and assigns, hereby releases the Seller from any and all liability and claims with respect to any NORM. Every home sales contract entered in to by Purchaser with respect to subsequent sales of Lots shall include any disclosures with respect to radon (and other NORMs) as required by applicable Colorado law.

(d) Soils. Purchaser acknowledges that soils within the State of Colorado consist of both expansive soils and low-density soils, and certain areas contain potential heaving bedrock associated with expansive, steeply dipping bedrock, which will adversely affect the integrity of a dwelling unit constructed on a Lot if the dwelling unit and the Lot on which it is constructed are not properly maintained. Expansive soils contain clay mineral, which have the characteristic of changing volume with the addition or subtraction of moisture, thereby resulting in swelling and/or shrinking soils. The addition of moisture to low-density soils causes a realignment of soil grains, thereby resulting in consolidation and/or collapse of the soils. Purchaser agrees that it shall obtain a current geotechnical report for the Property and an individual lot soils report for each Lot containing design recommendations from a licensed geotechnical engineer for all structures to be placed upon the Lot. Purchaser shall require all homes to have engineered footing and foundations consistent with results of the individual lot soils report for each Lot and shall take reasonable action as shall be necessary to ensure that the homes to be constructed upon the Lots shall be done in accordance with proper design and construction techniques. Purchaser shall also provide a copy of the geotechnical report for the Property and the individual lot soils report for each Lot to Seller within seven (7) days after Seller's request for the same, and agrees in the event that this Contract terminates for any reason Purchaser shall use reasonable efforts to assign, without liability or recourse to Purchaser, at Seller's request, the geotechnical report for the Property and the individual lot soils report for each Lot to any subsequent homebuilder who enters into a purchase and sale agreement with Seller to purchase all of a portion of the Lots. SELLER HAS MADE NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE PRESENCE OR ABSENCE OF EXPANSIVE SOILS, LOW-DENSITY SOILS OR DIPPING BEDROCK UPON THE PROPERTY AND PURCHASER SHALL UNDERTAKE SUCH INVESTIGATION AS SHALL BE REASONABLE AND PRUDENT TO DETERMINE THE EXISTENCE OF THE SAME. Purchaser shall provide all disclosures required by C.R.S. Section 6-6.5-101 in every home sales contract entered in to by Purchaser with respect to subsequent sales of a Lot to a homebuyer. Purchaser, on behalf of itself and its successors and assigns, hereby releases the Seller from any and all liability and claims with respect to expansive and low-density soils and dipping bedrock located within the Property.

(e) Over Excavation. The Finished Lot Improvements required for each Lot do not include any "over excavation" or comparable preparation or mitigation of the soil (the "**Overex**") on the Property and Purchaser shall have sole responsibility at Purchaser's sole expense with respect to the Overex and shall have the right (pursuant to a license agreement to be provided by Seller) to enter such Lots for the purposes of performing the Overex; provided, however, that such entry shall be performed in a manner that does not materially interfere with or result in a material delay or an increase in the costs or any expenses in the construction of the Finish Lot Improvements, and provided further that Purchaser shall promptly repair any portion of the Lots and adjacent property that is materially damaged by Purchaser or its agents, designees, employees, contractors, or subcontractors in performing the Overex. Purchaser shall obtain, at its cost, a current geotechnical report for the Property and an individual lot soils report for each Lot containing design recommendations from a licensed geotechnical engineer for all structures to be placed upon the Lot ("**Purchaser's Geotechnical Reports**"). Purchaser shall not rely upon any geotechnical or soils report furnished by Seller, and Seller shall have no responsibility or liability with respect to the Overex, Purchaser's Geotechnical Reports or any matters related thereto. The parties shall reasonably cooperate in coordinating Purchaser's completion of the Overex so that the Overex can be properly sequenced with Seller's completion of the Finished Lot Improvements and the parties acknowledge and agree that any delay in Seller's completion of the Finished Lot Improvements resulting from Purchaser's Overex work shall extend the date for substantial completion of the Finished Lot Improvements in accordance with the provisions of the Lot Development Agreement. In no event shall the Seller be liable to Purchaser for any delay or costs or damages incurred by Purchaser with respect to such Overex, even if caused by any delay in installation of Finished Lot Improvements sequenced ahead of the Overex . THE PARTIES ACKNOWLEDGE AND AGREE THAT SELLER IS NOT PERFORMING ANY OVER-EXCAVATION OF THE LOTS AND THAT SELLER SHALL HAVE NO LIABILITY WHATSOEVER WITH RESPECT TO OR ARISING OUT OF ANY OVER-EXCAVATION OF THE LOTS OR EXPANSIVE SOILS PRESENT ON THE LOTS AND SELLER EXPRESSLY DISCLAIMS ANY LIABILITY WITH RESPECT TO ANY OVER-EXCAVATION OF THE LOTS AND EXPANSIVE SOILS PRESENT ON THE LOTS. PURCHASER SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS SELLER AND ITS SHAREHOLDERS, EMPLOYEES, DIRECTORS, OFFICERS, AGENTS, AFFILIATES, SUCCESSORS AND ASSIGNS FOR, FROM AND AGAINST ALL CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES (EXCLUSIVE OF SPECIAL, CONSEQUENTIAL, PUNITIVE, SPECULATIVE OR LOST PROFITS DAMAGES), COSTS AND EXPENSES, INCLUDING BUT NOT LIMITED TO COURT COSTS AND REASONABLE ATTORNEYS' FEES, ARISING OUT OF ANY EXPANSIVE SOILS, OVER-EXCAVATION OR OTHER SOIL MITIGATION OR PURCHASER'S ELECTION NOT TO PERFORM SOILS MITIGATION, ON OR PERTAINING TO PURCHASER'S LOTS. THE PROVISIONS OF THIS SECTION SHALL EXPRESSLY SURVIVE THE EXPIRATION OR TERMINATION OF THIS CONTRACT.

(f) No Reliance on Documents. Except as expressly stated in this Contract and/or expressly set forth in the documents executed by Seller at a Closing, Seller makes no representation or warranty as to the truth, accuracy or completeness of any materials, data or information (including, without limitation, the Seller Documents) delivered by Seller or its brokers or agents to Purchaser in connection with the transaction contemplated hereby. Except as otherwise provided in this Contract and/or expressly set forth in the documents executed by Seller at a Closing, all materials, data and information delivered by Seller to Purchaser in connection with the transaction contemplated hereby are provided to Purchaser as a convenience only and any reliance on or use of such materials, data or information by Purchaser shall be at the sole risk of Purchaser, except as otherwise expressly stated herein. The Seller Parties (as hereinafter defined) shall not be liable to Purchaser for any inaccuracy in or omission from any such reports. Purchaser hereby represents to Seller that, to the extent Purchaser deems the same to be necessary or advisable for its purposes, and without waiving the right to rely upon the covenants, agreements, representations and warranties expressly contained in this Contract and/or expressly set forth in the documents executed by Seller at a Closing: (i) Purchaser has performed or will perform an independent inspection and investigation of the Lots and has also investigated or will investigate the operative or proposed governmental laws, ordinances and regulations to which the Lots may be subject, and (ii) Purchaser shall acquire the Lots solely upon the basis of its own or its experts' independent inspection and investigation, including, without limitation, (a) the quality, nature, habitability, merchantability, use, operation, value, fitness for a particular purpose, marketability, adequacy or physical condition of the Lots or any aspect or portion thereof, including, without limitation, appurtenances, access, landscaping, parking facilities, electrical, plumbing, sewage, and utility systems, facilities and appliances, soils, geology and groundwater, (b) the dimensions or sizes of the Lots, (c) the development or income potential, or rights of or relating to, the Lots, (d) the zoning or other legal status of the Lots or any other public or private restrictions on the use of the Lots, (e) the compliance of the Lots with any and all applicable codes, laws, regulations, statutes, ordinances, covenants, conditions and restrictions, (f) the ability of Purchaser to obtain any necessary governmental permits for Purchaser's intended use or development of the Lots, (g) the presence or absence of Hazardous Materials on, in, under, above or about the Lots or any adjoining or neighboring property, (h) the condition of title to the Lots, or (i) the economics of, or the income and expenses, revenue or expense projections or other financial matters, relating to the Lots, except as provided in any express representations/warranties and/or covenants contained in this Contract.

(g) As Is. Except for Seller's Representations (as defined in Section 11 hereof) and Seller's performance of its obligations under this Contract, Purchaser acknowledges and agrees that it is purchasing the Property based on its own inspection and examination thereof, and Seller shall sell and convey to Purchaser and Purchaser shall accept the property on an "AS IS, WHERE IS, WITH ALL FAULTS, LIABILITIES, AND DEFECTS, LATENT OR OTHERWISE, KNOWN OR UNKNOWN" basis in an "AS IS" physical condition and in an "AS IS" state of repair (subject to the Finished Lot Improvements obligation set forth in Section 5(a)(iii) hereof). Except as expressly contained in this Contract, the special warranty deed to be delivered at each Closing and Seller's Representations, to the extent not prohibited by law the Purchaser hereby waives, and Seller disclaims all warranties of any type or kind whatsoever with respect to the Property, whether express or implied, direct or indirect, oral or written, including, by way of description, but not limitation, those of habitability, fitness for a particular purpose, and use. Without limiting the generality of the foregoing, Purchaser expressly acknowledges that, except as otherwise provided in this Contract, the Seller's Representations, the special warranty deed to be delivered at each Closing, Seller makes no representations or warranties concerning, and hereby expressly disclaims any representations or warranties concerning the following: (i) The value, nature, quality or condition of the Property; (ii) Any restrictions related to development of the Property; (iii) The applicability of any governmental requirements; (iv) The suitability of the Property for any purpose whatsoever; (v) The presence in, on, under or about the Property of any Hazardous Material or any other condition of the Property which is actionable under any Environmental Law (as such terms are defined in this Section 10; (vi) Compliance of the Property or any operation thereon with the laws, rules, regulations or ordinances of any applicable governmental body; or (vii) The presence or absence of, or the potential adverse health, economic or other effects arising from, any magnetic, electrical or electromagnetic fields or other conditions caused by or emanating from any power lines, telephone lines, cables or other facilities, or any related devices or appurtenances, upon or in the vicinity of the Property.

EXCEPT FOR REPRESENTATIONS, WARRANTIES AND COVENANTS OF SELLER AS ARE EXPRESSLY SET FORTH IN THIS CONTRACT OR OTHERWISE PROVIDED IN THIS CONTRACT AND/OR EXPRESSLY SET FORTH IN THE CLOSING DOCUMENTS, SELLER SHALL NOT BE LIABLE TO PURCHASER FOR ANY CONSTRUCTION DEFECT, ERRORS, OMISSIONS, OR ON ACCOUNT OF SOILS CONDITIONS OR ANY OTHER CONDITION AFFECTING THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, THOSE MATTERS DESCRIBED ABOVE AND PURCHASER AND ANYONE CLAIMING BY, THROUGH OR UNDER PURCHASER, HEREBY FULLY RELEASES SELLER, ITS PARTNERS, EMPLOYEES, OFFICERS, DIRECTORS, REPRESENTATIVES, ATTORNEYS AND AGENTS (BUT NOT INCLUDING ANY THIRD PARTY PROFESSIONAL SERVICE PROVIDERS [E.G., ENGINEERS, ETC.], CONTRACTORS OR SIMILAR FIRMS OR PERSONS) FROM ANY AND ALL CLAIMS AGAINST ANY OF THEM FOR ANY COST, LOSS, LIABILITY, DAMAGE, EXPENSE, DEMAND, ACTION OR CAUSE OF ACTION (INCLUDING, WITHOUT LIMITATION, ANY RIGHTS OF CONTRIBUTION) ARISING FROM OR RELATED TO ANY CONSTRUCTION DEFECTS, ERRORS, OMISSIONS, OR OTHER CONDITIONS AFFECTING THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, THOSE MATTERS DESCRIBED ABOVE AND INCLUDING ANY ALLEGED NEGLIGENCE OF SELLER.

As used herein, "**Hazardous Materials**" shall mean, collectively, any chemical, material, substance or waste which is or hereafter becomes defined or included in the definitions of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "pollutant" or "contaminant," or words of similar import, under any Environmental Law, and any other chemical, material, substance, or waste, exposure to, disposal of, or the release of which is now or hereafter prohibited, limited or regulated by any governmental or regulatory authority or otherwise poses an unacceptable risk to human health or the environment.

As used herein, "**Environmental Laws**" shall mean all applicable local, state and federal environmental rules, regulations, statutes, laws and orders, as amended from time to time, including, but not limited to, all such rules, regulations, statutes, laws and orders regarding the storage, use and disposal of Hazardous Materials and regarding releases or threatened releases of Hazardous Materials to the environment.

(h) Release. Purchaser agrees that, subject to the Seller's Representations, Seller shall not be responsible or liable to Purchaser for any defects, errors or omissions, or on account of geotechnical or soils conditions or on account of any other conditions affecting the Property, because Purchaser is purchasing the Property AS IS, WHERE-IS, and WITH ALL FAULTS. Purchaser, or anyone claiming by, through or under Purchaser, hereby fully releases Seller, Seller's affiliates, divisions and subsidiaries and their respective managers, members, partners, officers, directors, shareholders, affiliates, representatives and employees (the "**Seller Parties**" and each as a "**Seller Party**") from, and irrevocably waives its right to maintain, any and all claims and causes of action that it or they may now have or hereafter acquire against the Seller Parties for any cost, loss, liability, damage, expense, demand, action or cause of action arising from or related to any defects, errors, omissions or other conditions affecting the Property, except to the extent that such loss or other liability results from a breach of the Seller's Representations. Purchaser hereby waives any Environmental Claim (as defined in this Section) which it now has or in the future may have against Seller, provided however, such waiver shall not apply to activities to be performed by the Seller in accordance with the applicable Lot Development Agreement. The foregoing release and waiver shall be given full force and effect according to each of its express terms and provisions, including, but not limited to, those relating to unknown and suspected claims, damages and causes of action. The foregoing release and waiver shall not apply to any cost, loss, liability, damage, expense, demand, action or cause of action arising from or related to (i) fraud or other intentional misconduct of any Seller Party, or (ii) any claims against contractors or subcontractors for construction defects in the Finished Lot Improvements.

As used herein, "**Environmental Claim**" shall mean any and all administrative, regulatory or judicial actions, suits, demands, demand letters, directives, claims, liens, investigations, proceedings or notices of noncompliance or violation, whether written or oral, by any person, organization or agency alleging potential liability, including without limitation, potential liability for enforcement, investigatory costs, cleanup costs, governmental response costs, removal costs, remedial costs, natural resources damages, property damages, including diminution of the market value of the Property or any part thereof, personal injuries or penalties arising out of, based on or resulting from the presence or release into the environment of any Hazardous Materials at any location, or resulting from circumstances forming the basis of any violation or alleged violation of any Environmental Laws, and any and all claims by any person, organization or agency seeking damages, contribution, indemnification, costs, recovery, compensation or injunctive relief resulting from the presence or release of any Hazardous Materials.

(i) Indemnification. Purchaser shall indemnify, defend (with counsel reasonably selected by Purchaser with Seller approval) and hold harmless the Seller Parties of, from and against any and all claims, demands, liabilities, losses, expenses, damages, costs and reasonable attorneys' fees that any of the Seller Parties may at any time incur by reason of or arising out of: (i) any work performed in connection with or arising out of Purchaser's activities, or Purchaser's acts or omissions with respect to any Overex work, (ii) Purchaser's failure to perform its work on the Property in accordance with applicable laws, and (iii) either personal injuries or property damage occurring after the Closing by reason of or arising out of the geologic, soils or groundwater conditions on the Property acquired by Purchaser, (iv) Purchaser's or its successor's development, construction, use, ownership, management, marketing or sale activities associated with the Lots (including, without limitation, land development, grading, excavation, trenching, soils compaction and construction on the Lots performed by or on behalf of Purchaser (including, but not limited to, by all subcontractors and consultants engaged by Purchaser); (v) the soils, subsurface geologic, groundwater conditions or the movement of any home constructed on the Lots after a Closing; (vi) the design, engineering, structural integrity or construction of any homes constructed on the Lots after a Closing; or (vii) any claim asserted by Purchaser's homebuyers or their successors in interest. The foregoing indemnity obligation of Purchaser includes acts and omissions of Purchaser and all agents, consultants and other parties acting for or on behalf of Purchaser ("**Purchaser Parties**"). Notwithstanding the foregoing, Purchaser is not required by this indemnification provision to indemnify the Seller against (i) Seller's failure to perform its obligations under this Contract or under any of the Closing documents, (ii) Seller's breach of an express warranty or representation set forth in this Contract or in any of the Closing documents, or (iii) claims arising directly from the decisions of Seller acting in its capacity as declarant under the Master Covenants; and further provided that Purchaser is not required to indemnify consultants, contractors and subcontractors who contract with Seller and who perform services or supply labor, materials, equipment, and other work relating to geotechnical or soils conditions on the Lots that is necessary for the Lots to satisfy the requirements set forth herein and in the Lot Development Agreement.

(j) The provisions of this Section 10 shall survive each Closing and the delivery of each respective deed to the Purchaser.

11. Seller's Representations. Seller hereby represents and warrants to Purchaser as follows (the following Subsections (a) through (j) collectively referred to herein as "**Seller's Representations**"):

(a) Organization. Seller is a limited liability company duly organized and validly existing under the laws of the State of Colorado.

(b) Litigation. To Seller's Actual Knowledge (as defined in this Section 11), there is no pending or threatened litigation which could materially adversely affect the Property.

(c) Bankruptcy. There are no attachments, levies, executions, assignments for the benefit of creditors, receiverships, conservatorships, or voluntary or involuntary proceedings in bankruptcy, or any other debtor relief actions contemplated by Seller or filed by Seller, or to Seller's knowledge, pending in any current judicial or administrative proceeding against Seller.

(d) Non-Foreign Person. Seller is not a "foreign person" as that term is defined in Section 1445 of the Internal Revenue Code of 1986, as amended, and applicable regulations.

(e) Condemnation. Seller has received no written notice of any pending or threatened condemnation or eminent domain proceedings which may affect the Property or any part thereof.

(f) Execution and Delivery. The execution, delivery and performance of this Contract by Seller does not and will not result in a breach of, or constitute a default under, any indenture, loan or credit agreement, mortgage, deed of trust or other agreement to which Seller is a party. The individual(s) executing this Agreement and the instruments referenced herein on behalf of Seller have the legal power, right and actual authority to bind Seller to the terms hereof and thereof.

(g) Default. To Seller's Actual Knowledge, Seller has not defaulted under any covenant, restriction or contract affecting the Property, nor has Seller caused by its act or omission an event to occur which would with the passage of time constitute a breach or default under such covenant, restriction or contract.

(h) Violation of Law. To Seller's Actual Knowledge, Seller has not received any written notice of non-compliance, addressed to Seller, from a regulatory agency that has jurisdiction over the Property with respect to any federal, state or local laws, codes, ordinances or regulations relating to the Property.

(i) Rights. Seller has not granted to any party, other than Purchaser hereunder, any option, contract, right of refusal or other agreement with respect to a purchase or sale of the Property. To Seller's Actual Knowledge, there are no leases, occupancy agreements, easements, licenses or other agreements which grant third-parties any possessory or usage rights to all or any part of the Property, except as disclosed in the Master Commitment, and Takedown Commitment or the Seller Documents.

(j) Environmental. To Seller's Actual Knowledge, neither Seller nor any third party has used Hazardous Materials on, from, or affecting the Property in any manner which violates federal, state, or local laws, ordinances, rules, regulations, or policies governing the use, storage, treatment, transportation, manufacture, refinement, handling, production, or disposal of Hazardous Material, except as may be disclosed in the Seller Documents.

For purposes of the foregoing, the phrase "**Seller's Actual Knowledge**" shall mean the current, actual, personal knowledge of Mark Harding as President of Seller, without any duty of investigation or inquiry and without imputation of any other person's knowledge. The fact that reference is made to the personal knowledge of the above identified individual shall not render such individual personally liable for any breach of any of the foregoing representations and warranties; rather, Purchaser's sole recourse in the event of any such breach shall be against Seller, and Purchaser hereby waives any claim or cause of action against the above identified individual arising from Seller's Representations. Seller and Purchaser shall notify the other in writing immediately if any Seller's Representation becomes untrue or misleading in light of information obtained by Seller or Purchaser after the Effective Date. In the event that Purchaser elects to close and Purchaser has actual knowledge (meaning the current, actual, personal knowledge of Lee Eisenhiem, without any duty of investigation or inquiry and without imputation of any other person's knowledge) that any of Seller's Representations are untrue or misleading, or of a breach of any of Seller' Representations prior to a Closing, without the duty of further inquiry, Purchaser shall be deemed to have waived any right of recovery with respect to the matter actually known by Purchaser, and Seller shall not have any liability in connection therewith.

Seller's Representations shall survive each respective Closing for a period of six (6) months, except that any claim for which legal action is filed within such time period shall survive until resolution of such action, and except to the extent of any matter that is waived by Purchaser pursuant to the previous paragraph (and any such matter waived pursuant to the previous paragraph shall not survive Closing).

Seller makes no promises, representations or warranties regarding the construction, installation or operation of any amenities within the Development, including without limitation, clubhouses, swimming pools and/or sports courts. To the extent that any development plans, site plans, rendering, drawings, marketing information or other materials related to the Development include, depict or imply the inclusion of any amenities in the Development, they are included only to illustrate possible amenities for the Development that may or may not be built and Purchaser shall not rely upon any such materials regarding the construction, installation or operation of any amenities within the Development.

12. Purchaser's Obligations. Purchaser shall have the following obligations, each of which shall survive each respective Closing and, where noted, termination of this Contract. Notwithstanding any contrary provision set forth in this Contract, Seller shall have the right to enforce said obligations by means of any legal or equitable proceedings including, but not limited to, suit for actual damages and equitable relief:

(a) Master Covenants; PID Service Plan. Purchaser shall comply with all obligations applicable to Purchaser under the Master Covenants and under the PID Service Plan.

(b) Compliance with Laws. With respect to Purchaser's entry onto the Property and following each Closing, Purchaser shall comply with and abide by all laws, ordinances, statutes, covenants, rules and regulations, building codes, permits, association documents and other recorded instruments (as they are from time to time amended, supplemented or changed) which regulate any activities relating to Purchaser's use, ownership, construction, sale or investigation of any Lot or any improvements thereon.

(c) Entry Prior to Closing. From and after the Effective Date of this Contract until applicable Closing Date or earlier termination of this Contract, and so long as no default by Purchaser exists under this Contract, Purchaser and its agents, employees and representatives shall be entitled to enter upon the Property for purposes of conducting soil and other engineering tests and to inspect and survey any of the Property. If the Property is altered or disturbed in any manner in connection with any of Purchaser's activities, Purchaser shall immediately return the Property to substantially the condition existing prior to such activities. Purchaser shall promptly refill holes dug and otherwise to repair any damage to the Property as a result of its activities. Purchaser and its agents shall not have the right to conduct any invasive testing (e.g., borings, drilling, soil/water sampling, etc.), except standard geotech preliminary investigation, on the Lots, including, without limitation, any so-called "Phase II" environmental testing, without first obtaining Seller's written consent (and providing Seller at least seventy-two (72) hours' prior written notice), which consent may be withheld by Seller in its reasonable discretion and shall be subject to any terms and conditions imposed by Seller in its reasonable discretion. In the event that Purchaser fails to obtain Seller's written consent prior to any invasive testing, in addition to and without limiting any other obligations Purchaser may have under this Section, Purchaser shall be fully responsible and liable for all costs of remediation with respect to any materials disturbed in any manner that requires remediation or that are removed in connection with such invasive testing and including, but not limited to, costs for disposal of materials removed during any invasive testing. Purchaser shall not permit any lien to attach to the Property or any portion of the Property as a result of the activities. Purchaser shall indemnify, defend and hold Seller, its officers, directors, shareholders, employees, agents and representatives harmless from and against any and all mechanics' and materialmen's liens, claims (including, without limitation, personal injury, death and property damage claims), damages, losses, obligations, liabilities, costs and expenses including, without limitation, reasonable attorneys' fees incurred by Seller, its officers, directors, shareholders, employees, agents and representatives or their property arising out of any breach of the provisions of this Section 12(c) by Purchaser, its agents, employees or representatives. The foregoing indemnity obligation of Purchaser includes acts and omissions of Purchaser and all agents, consultants and other parties acting for or on behalf of Purchaser. Purchaser shall maintain in effect during its inspection of the Property commercial general liability coverage for bodily injury and property damage in the amount of at least $2,000,000.00 combined single limit, and automobile liability coverage for bodily injury and property damage in the amount of at least $2,000,000.00 combined single limit, and the policy or policies of insurance shall be issued by a reputable insurance company or companies which are qualified to do business in the State of Colorado and shall name Seller as an additional insured. In addition, before entering upon the Property, Purchaser shall provide Seller with valid certificates indicating such insurance is in effect. The foregoing indemnity shall not apply to claims due to (i) Hazardous Materials or conditions that are not placed on the Property or caused by Purchaser or its agents, (ii) pre-existing matters, (iii) or Seller's actions or inactions. The indemnity and agreement set forth in this Section 12(c) shall survive the expiration or termination of this Contract for any reason.

(d) Architectural Approval. In order to assure that homes constructed by Purchaser are compatible with the other residential construction in the Development and the architectural, design, and landscaping criteria and guidelines included in the approved Administrative Site Plan applicable to the Property (the "**ASP Criteria**") and are otherwise acceptable to Seller, all construction and landscaping on the Lots shall be subject to the prior review and approval of Seller. The Master Covenants provide for the formation of an architectural review committee ("**Architectural Review Committee**") and for the promulgation and adoption of design guidelines ("**Design Guidelines**") to be applied by the Architectural Review Committee. The Master Covenants and the Design Guidelines provide for an exemption from obtaining Architectural Review Committee approval for the Seller and any other person whose House Plans (as hereinafter defined) has been reviewed and approved by the Seller.

(i) Purchaser shall submit to Seller the Purchaser's elevations, floor plans, typical landscape plans, exterior color palettes ("**House Plans**") for homes and other buildings, structures and improvements to be located on the Lots (herein referred to as "**Homes**", "**Houses**" or "**Residences**") within twenty (20) days following delivery of the ASP to Purchaser. Seller will review the House Plans and Seller shall deliver notice to Purchaser of the Seller's approval or disapproval of the House Plans within ten (10) business days after receipt of the House Plans, with such approval not to be unreasonably withheld, conditioned or delayed, so long as such plans substantially comply and are generally consistent and compatible with the ASP Criteria. If Seller fails to so notify Purchaser of approval or disapproval within such 10-business day period, the Purchaser shall provide Seller with written notice of the same and Seller shall notify Purchaser within five (5) business days of its approval or disapproval. If Seller fails to approve or disapprove within such 5-business day period, the House Plans shall be deemed approved and/or an appropriate exemption shall be given to Purchaser. In the event of disapproval, Purchaser shall revise and resubmit the House Plans to the Seller for reconsideration, addressing the matters disapproved by the Seller, and the procedure set forth above shall be repeated until the House Plans are approved by the Seller. After Seller approves the Purchaser's House Plans, and before Purchaser commences construction of Homes on the Lots, Purchaser shall submit to Seller any material changes in the approved House Plans. Seller shall review the material changes for general consistency and compatibility with the standards and criteria set forth in the ASP Criteria and if Seller approves such changes, Seller shall notify Purchaser within ten (10) business days of its approval, not to be unreasonably withheld, conditioned or delayed.

(ii) Purchaser shall obtain Seller approval of House Plans before commencing construction activities on any Lot. Purchaser shall perform all construction, development and landscaping in accordance with the approved House Plans and in conformity with the ASP Criteria and all other requirements, rules, regulations of any local jurisdictional authority. Purchaser and Seller acknowledge that the County will not conduct architectural review nor issue approval of Purchaser's House Plans, but rather requires the building permit applicant to comply with the ASP Criteria. Seller's approval of Purchaser's House Plans is only intended as a review for compatibility with other residential construction in the Development and the ASP Criteria and does not constitute a representation or warranty that Purchaser's House Plans comply with ASP Criteria and Purchaser shall be responsible for confirming such compliance.

(e) Disclosures to Homebuyers. Purchaser shall include in each contract for the sale of any Home constructed by Purchaser in the Development all disclosures required by applicable laws, including, but not limited to the Special District Disclosure, Common Interest Community Disclosure, Mineral Disclosure and Source of Potable Water Disclosure, and any other disclosure that applicable laws require to be made to each homebuyer regarding expansive/low-density soils, radon, NORMs, and other matters ("**Homebuyer Disclosures**"). Purchaser shall furnish to Seller upon request a copy of Purchaser's disclosures to homebuyers which includes the Homebuyer Disclosures.

13. Force Majeure. Notwithstanding any contrary provision of this Contract, the time for performance of any obligation of Seller or Purchaser under this Contract (except for any monetary obligation of either party) shall be extended if such performance is delayed due to any act, or failure to act, of any Authority, strike, riot, act of war, act of terrorism, act of violence, weather, act of God, epidemic/pandemic, or any other act, occurrence or non-occurrence beyond such party's reasonable control (each, an "**Uncontrollable Event**"). Any extension under the preceding sentence shall continue for a length of time reasonably necessary to satisfy such delayed obligation; provided, however, that such extension shall not be for a period of time which is less than the duration of the Uncontrollable Event. If a party claims a delay due to an Uncontrollable Event, then such party shall provide written notice to the other party of the occurrence of a condition that constitutes an Uncontrollable Event, which notice shall reasonably detail the reason(s) giving rise to the Uncontrollable Event and a reasonable estimation of the duration (to the extent determinable at the time of such notice) of the delay that was caused by the Uncontrollable Event. Each party will make efforts to minimize the delay from any such Uncontrollable Event to the extent reasonably feasible; provided, however, that neither party shall be required to use extraordinary means and/or incur extraordinary costs in order to satisfy its obligations.

14. Cooperation. Purchaser shall reasonably cooperate with and require its agents, employees, subcontractors and other representatives to cooperate with all other parties involved in construction within the Development, including, where applicable, the granting of a nonexclusive license to enter upon the Property conveyed to Purchaser. Purchaser shall execute any and all documentation reasonably required by Seller or the Authorities to effectuate any desired modification or change in connection with Seller's activities in the Development including, without limitation, amendments or restatements of the Master Covenants, or any Final Plat; provided, however, Purchaser shall not be obligated to execute any such documentation if it will materially adversely affect the fair market value of the Property or Purchaser's ability to construct or to sell its proposed homes within the Property, or if it will materially increase the cost of such construction, interfere with or delay such construction.

15. Fees. Subject to the provisions of Sections 16 and 18 below:

(a) FHA/VA. Seller shall not be required to obtain any approvals pursuant to FHA, VA or other governmental programs relating to the Lots or the financing of improvements thereon.

(b) Utility Company Refunds. Any refunds from utility providers relating to construction deposits for the Property shall be the exclusive property of Seller. Purchaser shall cooperate with Seller in turning over any such funds and directing those funds to Seller.

16. Water and Sewer Taps; Fees; and District Matters.

(a) Rangeview Metropolitan District. The water and sewer service provider for the Lots is the Rangeview Metropolitan District ("**Rangeview**") and Purchaser shall be required to purchase water and sewer taps for the Lots from Rangeview pursuant to the terms and provisions of a tap purchase agreement in a form substantially consistent with the one attached hereto and incorporated herein as **Exhibit F** (the "**Tap Purchase Agreement**"). Pursuant to the Tap Purchase Agreement, Rangeview will agree to sell to Purchaser, and Purchaser will agree to purchase from Rangeview, a water and sewer tap for each Lot in accordance with an agreed-upon purchase schedule, but in no event later than the issuance of a building permit for a Lot. The Tap Purchase Agreement shall be executed by Rangeview and Purchaser on or before the date of the First Closing. If Rangeview and Purchaser are unable to agree on a Tap Purchase Agreement before the expiration of the Due Diligence Period, the Initial Deposit shall be promptly returned to Purchaser, Purchaser shall deliver to Seller all information and materials received by Purchaser from Seller pertaining to the Property and any non-confidential and non-proprietary information otherwise obtained by Purchaser pertaining to the Property, and thereafter the parties shall have no further rights or obligations under this Contract except as otherwise provided in Section 25 below. The combined cost to purchase a water tap and sewer will be dependent on Lot size, house square footage, number of floors, driveway lanes, outdoor irrigated square footage, and xeriscape square footage. For example, based on Rangeview's rates and charges as of the Effective Date as set forth in that certain fee schedule attached hereto as **Exhibit G** (the "**Lot Development Fee Schedule**"), a 5,500 square foot lot with a 2,400 square foot house 2 story 2 car garage with 1,500 square feet of grass would have a computed tap fee equating to a .9 SFE (1 SFE equal to .4 acre feet of water demand per year) or $24,488.10, and a sewer tap fee of $4,752.

(b) District Governance and Financial Matters. The Property is included within the boundaries of the District and with water and sewer service provided by Rangeview. Persons affiliated with Seller have been elected or appointed to the board of directors ("**Board**") of the District and Rangeview and serve in that capacity. Purchaser shall not qualify any persons affiliated with Purchaser as its representative to serve on the Board of the District or Rangeview and this prohibition shall survive all Closings and delivery of deeds hereunder until no person affiliated with Seller serves on the Board. The District has been formed for purposes that include, but are not limited to financing, owning, maintaining and/or managing certain tracts and infrastructure improvements ("**District Improvements**") to serve the Development, including the Lots. Purchaser acknowledges that: (i) the construction of District Improvements shall be without compensation or reimbursement to Purchaser; and (ii) any reimbursements, credits, payments, or other amounts payable by the District or Rangeview on account of the construction of District Improvements or any other matters related thereto ("**Metro District Payments**") shall remain the property of the Seller and shall not be conveyed to or otherwise be claimed by Purchaser. Upon request of Seller, the District, or Rangeview, Purchaser will execute any and all documents that may be reasonably required to confirm Purchaser's waiver of any right to Metro District Payments. The provisions of this Section are material in determining the Purchase Price, and the Purchase Price would have been higher but for the provisions of this Section. Seller shall provide to Purchaser as part of the Seller Documents information available relating to the District including the service plan and schedule of current fees and charges. This Section shall survive each Closing as set forth herein.

(c) Sky Ranch Community Authority Board. Pursuant to the Colorado Constitution, Article XIV, Sections 18(2)(a) and (b), and C.R.S. Sections 29-1-203 and -203.5, metropolitan districts may cooperate or contract with each other to provide any function, service or facility lawfully authorized to each, and any such contract may provide for the sharing of costs, the impositions of taxes, and the incurring of debt. Pursuant to the Modified Service Plans for Sky Ranch Metropolitan District Nos. 1, 3, 4 and 5 ("**Sky Ranch Districts**"), approved by Arapahoe County on September 14, 2004, as amended ("**Service Plans**"), and pursuant to statutory authority, the Sky Ranch Metropolitan District Nos. 1 and 5 have entered into a Sky Ranch Community Authority Board Establishment Agreement ("**CABEA**"), creating the CAB. It is anticipated that the Boards of Sky Ranch Metropolitan District Nos. 3 and 4 will elect to become parties to the CABEA in the future. The CABEA authorizes the CAB and the Sky Ranch Districts that are parties to the CABEA to cooperate and contract with each other regarding administrative and operational functions. One or more of the Sky Ranch Districts , the CAB or other governmental entity may enter into an intergovernmental agreement (an "**IGA**") pursuant to C.R.S. §§ 29-1-203 and -203.5 to create the Regional Improvement Authority to use revenue generated by the imposition of the Regional Improvements Mill Levy to plan, design, acquire, construct, install, relocate, and/or redevelop the Regional Improvements, and for the administration, overhead and operations and maintenance costs incurred with respect to the Regional Improvements serving the Development. The Regional Improvement Authority's authority may include, without limitation, (i) sharing or pledging revenue, including ad valorem taxes, to provide a source of funding to pay for specific regional improvements that serve the Development, (ii) the issuance of debt by the CAB or other governmental authority to pay for regional improvements, and (iii) the construction of regional improvements. If and to the extent that the District enters into such an IGA, Builder agrees that it will not object to the IGA creating the Regional Improvements Authority; provided that the total mill levy on a Lot does not exceed the Maximum Mills Limitation.

(d) Fees.

(i) Seller shall pay any and all of the following to the extent imposed by any Authority in connection with the Property conveyed to Purchaser: (i) any parks and recreation fees (including park dedication requirements and/or cash-in-lieu payments related to the Property as part of the platting thereof); (ii) drainage fees; (iii) fees for payment-in-lieu of school land dedications.

(ii) Purchaser shall pay all costs or fees that may be imposed by any Authority relating to the construction, use or occupancy of the Homes to be constructed on the Lots and any ongoing or periodic maintenance and operations fees and charges levied or otherwise imposed on Lot owned by Purchaser by any Authority, including without limitation, those fees set forth in the Lot Development Fee Schedule attached hereto as **Exhibit G**; provided, however, that the fees set forth on **Exhibit G** are reflective only of the assessments as of the Effective Date hereof and are subject to periodic increases as determined by the assessing Authority. Without limiting the foregoing, and except for the fees to be paid by Seller pursuant to Section 16(d)(i) above, Purchaser shall pay any and all of the following to the extent imposed i n connection with the Property conveyed to Purchaser: (i) system development fees; (iii) any infrastructure (facility) fee, including, without limitation, any transportation/road fee, which may be imposed either by the County, the District or other Authority; (iv) any impact fees and payment-in-lieu of land dedication fees imposed for roads or other facilities that are payable at issuance of a building permit for a Home constructed on a Lot; and (v) any excise fees.

(iii) As of the Effective Date, the District does not levy a system development fee ("**SDF**") against property within the District. If the District at any time before a Closing adopts a SDF, then at such Closing (and subsequent Closings) the Purchaser shall pay the District's SDF applicable to the Lots. In order to offset Purchaser's payment of the District's SDF for a Lot at a Closing, Purchaser shall receive a credit against the Purchase Price paid by Purchaser for such Lot at such Closing equal to the amount of the District's SDF paid by Purchaser for the Lot.

(iv) The covenants set forth in this Section 16 shall survive each respective Closing and shall represent a continuing obligation until the complete satisfaction or payment thereof.

17. Homeowners' Association. Certain alleys, walkways, landscape tracts, and other private improvements will serve the Property and may also serve lots acquired by other builders within Phase B. In order to address the maintenance obligations related to such private improvements, Seller shall establish a homeowners' association that will own and/or maintain such private improvements (the "**Homeowners' Association**") and cause the Lots to be annexed into such Homeowners' Association at Closing hereunder. Within thirty (30) days after the Effective Date, Seller will deliver to Purchaser (and the other builders) for its review and reasonable approval, a declaration with respect to the maintenance of those private improvements (the "**Maintenance Declaration**"). Purchaser shall have until fifteen (15) days before the end of the Due Diligence Period, as the same may be extended, to notify Seller in writing of any objection that Purchaser may have to the draft Maintenance Declaration. On or before the fifth (5^{th}) business day following Seller's receipt of Buyer's objections to the draft Maintenance Declaration, Seller shall notify Buyer, in writing, whether Seller elects to make such modifications to the draft Maintenance Declaration, with Seller not to unreasonably withhold its consent to Purchaser's request; provided, however, that if Seller does not elect to modify, or elects to modify and does not thereafter modify the Maintenance Declaration within such 5-business day period and such decision is made on a reasonable basis, Purchaser shall have the right to either: (i) terminate this Agreement by delivery of a written termination notice to Seller on or before the end of the Due Diligence Period, in which event the entire Initial Deposit shall be promptly returned to Purchaser, Purchaser shall return to Seller all information and materials received by Purchaser from Seller pertaining to the Property, and thereafter the Parties shall have no further rights or obligations under this Agreement except for those which expressly survive the termination hereof; or (ii) waive any objections to the Maintenance Declaration and proceed with the transaction contemplated by this Agreement, in which event Purchaser shall be deemed to have approved the Maintenance Declaration as to which its objections have been waived. Upon approval of the form of the Maintenance Declaration by the Parties, the Parties will cause such form to be attached to this Agreement by a mutually executed amendment hereto. The Maintenance Declaration shall be recorded in the Records at or before the First Closing and shall constitute a Permitted Exception hereunder.

18. Reimbursements and Credits. Purchaser shall have no right to any reimbursements and/or cost-sharing agreements pursuant to any agreements entered into between Seller or any of Seller's affiliates and third parties which may or may not affect the Property. In addition, Purchaser acknowledges that Seller, its affiliates, the District, the PID, or other metropolitan district, has installed or may install certain infrastructure improvements ("**Infrastructure Improvements**") the Interchange Upgrades, and/or donate, dedicate and/or convey certain rights, improvements and/or real property ("**Dedications**") to the County or other Authority which benefit all or any part of the Property, together with adjacent properties, and which entitle Seller or its affiliates and/or the Property or any part thereof to certain reimbursements by the County or other Authority or credits by the County or other Authority for park fees, open space fees, school impact fees, capital expansion fees and other governmental fees which would otherwise be required to be paid to the County or other governmental or quasi-governmental entity by the owner of the Property or any part thereof from time to time ("**Governmental Fees**"). In the event Purchaser is entitled to a credit or waiver of Governmental Fees by the County and/or any other Authority as a result of the Infrastructure Improvements, the Interchange Upgrades, and/or any Dedications, then, in such event, Purchaser shall pay to or reimburse Seller and/or its designated affiliates in an amount equal to such credited or waived Governmental Fees at the same time that the Governmental Fees would otherwise be payable by Purchaser or its assignees to the County or other Authority but for the construction of the Infrastructure Improvements, the Interchange Upgrades, and/or any Dedications by Seller, its affiliates, the District, or other Authority. In addition, Purchaser acknowledges that Seller or its affiliate(s) may have negotiated or may negotiate with the County or other Authority for reimbursements to Seller or its affiliates. Purchaser acknowledges that certain Governmental Fees which may be paid by Purchaser to the County or other Authority may be reimbursed to Seller and/or its affiliates pursuant to the terms of said agreement. The obligations and covenants set forth in this Section 18 shall survive the Closing of the purchase and sale of the Property and shall represent a continuing obligation of Purchaser until complete satisfaction thereof. Purchaser shall be released from the obligations in this Section 18 to the extent such obligations are assumed in writing by a subsequent owner of all or a portion of the Property and a copy of such written assumption is furnished to Seller. Each special warranty deed conveying the applicable portion of the Property at each Closing shall contain the foregoing reimbursement covenant, which reimbursement covenant shall expressly state that it automatically terminates as to any Lot upon issuance of a certificate of occupancy for a home constructed on the Lot and conveyance of the Lot to a homebuyer.

19. Name and Logo. The name and logo of "Sky Ranch" are wholly owned by Seller. Purchaser agrees that it shall not use or allow the use of the name "Sky Ranch" or any logo, symbol or other words or phrases which are names or trademarks used or registered by Seller or any of its affiliates in any manner to name, designate, advertise, sell or develop the Property or in connection with the operation or business located or to be located upon the Property without the prior written consent of Seller, which consent may be withheld for any reason. Any consent to the use of such names or logos may be conditioned upon Purchaser entering into a license agreement with Seller, as applicable, at no additional cost to Purchaser. Notwithstanding the foregoing, however, Purchaser shall have a non-exclusive, royalty-free license for so long as Purchaser is building and selling homes in the Development, without the need for any further consent or approval by Seller, to use the name and logo of "Sky Ranch" in connection with the use, marketing, sales, development and operation of the Property, provided that Purchaser shall comply with any requirements uniformly applicable to all homebuilders in Sky Ranch that Seller promulgates with respect to such usage.

20. Renderings. All renderings, plans or drawings of the Property or the Development locating landscaping, trees and any improvements are artists' conceptions only and may not accurately reflect their actual location. Purchaser waives any claims based upon any inaccuracy in the location of such items as depicted on the renderings, plans or drawings.

21. Communications Improvements. Seller may, but is not obligated to, enter into an agreement with a service provider for the development and installation of Communication Improvements in all or any portion of the Development. "**Communications Improvements**" means any equipment, property and facilities, if used or useful in connection with the delivery, deployment, provision or modification of (a) broadband Internet access service; (b) monitoring service, for the benefit of governmental entities, quasi-governmental entities, or utilities, regarding the usage of electricity, gas, water and other resources; (c) video programming or content, including Internet protocol television (a/k/a "IPTV") service; (d) voice over Internet protocol (a/k/a "VoIP") service; (e) telecommunications services, including voice; (f) any other service or services delivered by means of the Internet or otherwise delivered by means of digital signals; and (g) any other service or services based on technology that is similar to or is a technological extension of any of the foregoing ("**Service**"). Communications Improvements do not include any equipment, facilities or property located or in the home of a person who receives services from the service provider, such as, but not limited to routers, wireless access points, in-house wiring, set-top boxes, game consoles, gateways and other equipment under the control of the owner or occupant of the home. Seller may grant to such service provider one or more permanent, non-exclusive, perpetual, assignable and recordable easements (collectively referred to as the "**Easement**") to access and use the Property and other property within the Development, as necessary, appropriate or desirable, to lay, install, construct, reconstruct, modify, operate, maintain, repair, enhance, upgrade, regulate, remove, replace and otherwise use the Communications Improvements. So long as any such Easement does not materially interfere with Purchaser's ability to construct its intended Homes on the Lots, Purchaser shall not object to and shall cooperate with Seller in connection with the installation and operation of the Communications Improvements.

22. Soil Hauling. Purchaser shall be responsible for either relocating from the Property all surplus soil generated during Purchaser's construction of structures on the Property or to import any necessary fill required to complete Purchaser's Overex activities or other construction activities. At the option of Seller, in its sole discretion, the surplus soil shall be transported at Purchaser's expense, to a site designated by Seller within the Development; provided, that Seller has designated and made such a site available to Purchaser at the time Purchaser is ready to transport surplus soils, if any. Purchaser may choose its preferred form of transport for such surplus soils, subject to Seller's prior written consent to such form of transport, and provided that Purchaser shall not damage any portion of the Development or interfere with Seller's activities within the Development. If and to the extent that Seller establishes stock pile site within the Development, Seller may modify any such stock pile locations from time to time in Seller's discretion (but Purchaser shall not have any obligation to relocate any soil Purchaser previously delivered to the prior designated stock pile site). At Seller's request, Purchaser shall supply copies of any reports or field assessments identifying the material characteristics of the excess soil prior to accepting such soil for fill purposes. Notwithstanding the foregoing, in the event that Seller does not establish a stock pile site or elects not to accept any surplus soils from Purchaser, then Purchaser shall, at its sole expense, find a purchaser or taker or otherwise transport and dispose of such surplus soil upon such terms as it shall desire, but such surplus soil must still be removed from the Property and may not be stockpiled on the Property or within the Development after construction has been completed. At the option of Developer, in its sole discretion, if Builder needs to import any necessary fill that is required to complete Builder's construction activities and Developer has fill dirt available on the Property, then Developer may make available to Builder, on terms and conditions determined by Developer, any such fill dirt for transport at Builder's expense.

23. Specially Designated Nationals and Blocked Persons List Purchaser represents and warrants to Seller that Purchaser and all persons and entities owning (directly or indirectly) an ownership interest in Purchaser are currently in compliance with and shall at all times prior to the Closing of this transaction remain in compliance with the regulations of the Office of Foreign Assets Control ("**OFAC**") of the United States Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism), or other governmental action relating thereto. Seller represents and warrants to Purchaser that Seller and all persons and entities owning (directly or indirectly) an ownership interest in Seller are currently in compliance with and shall at all times prior to the Closing of this transaction remain in compliance with the regulations of the OFAC (including those named on OFAC's Specially Designated and Blocked Persons List) and any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism), or other governmental action relating thereto.

24. Assignment.

(a) Seller's Assignment. Seller may assign its rights and obligations in whole or in part under this Contract without the consent of Purchaser.

(b) Purchaser's Assignment. The obligations of the Purchaser under this Contract are personal in nature, and neither this Contract nor any rights, interests, or obligations of Purchaser under this Contract may be transferred or assigned without the prior written consent of Seller, except that Purchaser may assign its rights or obligations under this Agreement, without the prior written consent of Seller, to (i) any affiliate of Purchaser, or (ii) any third-party from which Purchaser has a contractual right to acquire the Lots pursuant to an option agreement or similar arrangement with such third-party, but Purchaser shall not be released from any obligations hereunder.

25. Survival. All covenants and agreements of either party which are intended to be performed in whole or in part after any Closing or termination of this Contract, and all representations, warranties and indemnities by either party to the other under this Contract shall survive such Closing or termination of this Contract and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns; provided, however, that Seller's Representations pursuant to this Contract shall survive each respective Closing for a period of six (6) months, and any action by Purchaser based on a breach of any of such Seller's Representations must be brought within such six (6) month period.

26. Condemnation. If a condemnation action is filed or either party receives written notice from any competent condemning authority of intent to condemn which directly affects any Lot or Lots which Purchaser has a right to purchase, either party may at its sole discretion by written notice to the other party within ten (10) days following receipt of such condemnation notice terminate this Contract as to the Lots subject to the condemnation action and receive a refund of a prorata portion of the Deposit with respect to those Lots only, and the parties shall have no further rights or obligations with respect to those Lots. If the right to terminate is not exercised by either party, this Contract shall remain in full force and effect with respect to the Lot in question and upon exercise of the right to purchase the Lot, the Closing shall proceed in accordance with the terms of this Contract. Any condemnation award shall be paid to the party who is the owner of the affected Lot at the time the award is determined by the condemning authority.

27. Brokers. Each Party does hereby represent that it has not engaged any broker, finder, or real estate agent in connection with the transactions contemplated by this Contract. Each party agrees to and does hereby indemnify and hold the other harmless from any and all fees, brokerage and other commissions or costs (including reasonable attorneys' fees), liabilities, losses, damages or claims which may result from any broker, agent or finder, licensed or otherwise, claiming through, under or by reason of the conduct of either of them respectively in connection with the purchase of the Lots by Purchaser.

28. Default and Remedies. Time is of the essence hereof. If any amount received as a Deposit hereunder or any other payment due hereunder is not paid by Purchaser, honored or tendered when due and payable, or if each Closing is not consummated as required in accordance with Section 8 above, or if any other covenant, agreement, obligation or condition hereunder is not performed or waived as herein provided within five (5) days (or such longer period as required under this Contract) after the party failing to perform the same has received written notice of such failure, there shall be the following remedies:

(a) Purchaser's Default. If Purchaser is in default under this Contract, Seller may terminate this Contract, in which event the Deposit shall be forfeited and retained on behalf of Seller, and both parties shall, except as otherwise provided herein, thereafter be released from all obligations hereunder. It is agreed that, except as otherwise provided in this subpart (a) and in subparts (c) and (d) below and except with respect to the indemnification by Purchaser in Sections 10, 12 and 27 above, such payments and things of value are LIQUIDATED DAMAGES and are SELLER'S SOLE AND ONLY REMEDY for Purchaser's failure to perform the obligations of this Contract prior to the Closing. Except as otherwise provided in this Contract, Seller expressly waives the remedies of specific performance and additional damages with respect to a default by Purchaser. Notwithstanding the foregoing or any other contrary provision of this Contract, Seller's right to file a claim against Purchaser in accordance with any provision of this Contract pursuant to which Purchaser agrees to indemnify, hold harmless and defend Seller from and against any losses, costs, claims, causes of action or liabilities of any kind or nature, or pursuant to which Purchaser waives any rights or claims that it may have against Seller, shall survive for twelve (12) months after any termination of this Contract, and shall be and remain fully enforceable against Purchaser for said twelve (12) month period in accordance with the terms of this Contract and applicable laws. Notwithstanding the foregoing or any other indemnity provision contained herein, Purchaser shall not be liable for and Seller shall not be entitled to recover from Purchaser exemplary, punitive, special, indirect, consequential, lost profits or any other damages.

(b) Seller's Default. If Seller is in default under this Contract, Purchaser may elect AS ITS SOLE AND EXCLUSIVE REMEDY either: (i) to treat this Contract as canceled, in which case the Deposit shall be returned to Purchaser, and Purchaser shall have the right to recover, as damages, all out-of-pocket expenses incurred by it in negotiating this Contract and in inspecting, analyzing or otherwise performing its rights and obligations pursuant to this Contract, but in no event will the amount of such damages exceed Fifty Thousand Dollars ($50,000.00); or (ii) Purchaser may elect to treat this Contract as being in full force and effect and Purchaser shall have a right to specific performance, provided that any such action for specific performance must be commenced within sixty (60) days after the expiration of the applicable notice and cure period provided herein, and, in the event specific performance is not available, then Purchaser may pursue the remedy set forth in clause (i) above. Seller shall not be liable for and Purchaser shall not be entitled to recover exemplary, punitive, special, indirect, consequential, lost profits or any other damages (except for recovery of out-of-pocket expenses as set forth in clause (i) above).

(c) Indemnity. Notwithstanding any contrary provision of this Contract, any and all provisions of this Contract pursuant to which a party agrees to indemnify, hold harmless and defend the other party from and against any losses, costs, claims, causes of action or liabilities of any kind or nature, or pursuant to which a party waives any rights or claims that it may have against the other party, shall survive any termination of this Contract, and shall be and remain fully enforceable against a party in accordance with the terms of this Contract and applicable laws.

(d) Award of Costs and Fees. Anything to the contrary herein notwithstanding, in the event of any litigation arising out of this Contract related to an action for specific performance brought by either party as permitted in accordance with the terms of this Contract, the court shall award the substantially prevailing party all reasonable costs and expenses, including attorneys' fees, incurred by the substantially prevailing party in the litigation or other proceedings.

(e) Post-Closing Defaults. With respect to post-closing defaults, the parties agree that the non-defaulting party shall be entitled to exercise all remedies available at law or in equity, except that damages shall be limited to actual out-of-pocket costs and expenses incurred. The foregoing does not limit or control the remedies as are to be separately provided in the Lot Development Agreement.

29. General Provisions.

The parties hereto further agree as follows:

(a) Time of the Essence. Time is of the essence under this Contract. In computing any period of time under this Contract, the date of the act or event from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included unless it is a Saturday, Sunday, or federal legal holiday, in which event the period shall run until the end of the next day which is not a Saturday, Sunday, or federal legal holiday.

(b) Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Colorado.

(c) Severability. Should any provisions of this Contract or the application thereof, to any extent, be held invalid or unenforceable, the remainder of this Contract and the application thereof, other than those provisions which shall have been held invalid or unenforceable, shall not be affected thereby and shall continue in full force and effect and shall be enforceable to the fullest extent permitted at law or in equity.

(d) Entire Contract. This Contract embodies the entire agreement between the parties hereto concerning the subject matter hereof and supersedes all prior conversations, proposals, negotiations, understandings and agreements, whether written or oral.

(e) Exhibits. All schedules, exhibits and addenda attached to this Contract and referred to herein shall for all purposes be deemed to be incorporated in this Contract by this reference and made a part hereof.

(f) Further Acts. Each of the parties hereto covenants and agrees with the other, upon reasonable request from the other, from time to time, to execute and deliver such additional documents and instruments and to take such other actions as may be reasonably necessary to give effect to the provisions of this Contract.

(g) Compliance. The performance by the parties of their respective obligations provided for in this Contract shall comply with all applicable laws and the rules and regulations of all governmental agencies, municipal, county, state and federal, having jurisdiction in the premises.

(h) Amendment. This Contract shall not be amended, altered, changed, modified, supplemented or rescinded in any manner except by a written agreement executed by both parties.

(i) Authority. Each of the parties hereto represents to the other that each such party has full power and authority to execute, deliver and perform this Contract, that the individuals executing this Contract on behalf of said party are fully empowered and authorized to do so, that this Contract constitutes a valid and legally binding obligation of such party enforceable against such party in accordance with its terms, that such execution, delivery and performance will not contravene any legal or contractual restriction binding upon such party or any of its assets and that there is no legal action, proceeding or investigation of any kind now pending or to the knowledge of each such party threatened against or affecting such party or affecting the execution, delivery or performance of this Contract. Each of the parties hereto represents to the other that each such party is a duly organized, legal entity and is validly existing in good standing under the laws of the jurisdiction of its formation.

(j) Notices. All notices, statements, demands, requirements, or other communications and documents (collectively, "**Communications**") required or permitted to be given, served, or delivered by or to either party or any intended recipient under this Contract shall be in writing and shall be deemed to have been duly given (i) on the date and at the time of delivery if delivered personally to the party to whom notice is given at the address specified below; or (ii) on the date and at the time of delivery or refusal of acceptance of delivery if delivered or attempted to be delivered by an overnight courier service to the party to whom notice is given at the address specified below; or (iii) on the date of delivery or attempted delivery shown on the return receipt if mailed to the party to whom notice is to be given by first-class mail, sent by registered or certified mail, return receipt requested, postage prepaid and properly addressed as specified below; or (iv) on the date and at the time shown on the facsimile or electronic mail message if telecopied or sent electronically to the number or address specified below:

To Seller: PCY Holdings, LLC
Attention: Mark Harding
34501 E. Quincy Ave.
Bldg. 34, Box 10
Watkins, Colorado 80137
Telephone: (303) 292-3456
Facsimile: (303) 292-3475
E-mail: mharding@purecyclewater.com

with a copy to:
Fox Rothschild LLP
1225 17th Street, Suite 2200
Denver, CO 80202
Attention: Rick Rubin, Esq.
Telephone: (303) 292-1200
Email: rrubin@foxrothschild.com

To Purchaser: Challenger Denver, LLC
8605 Explorer Dr, Ste 250
Colorado Springs, CO 80920
Attn: Tom Zieske
Telephone: (719) 598-5192
Email: tzieske@challengerhomes.com

with a copy to: _____

_____

_____

Attn: _____

Telephone: _____

Email: _____

If to Title Company:

Land Title Guarantee Company
Attn: Derek Greenhouse
3033 E. 1st Ave. #600
Denver, Colorado 80206
Direct: (303) 331-6239
Email: dgreenhouse@ltgc.com

(k) Place of Business. This Contract arises out of the transaction of business in the State of Colorado by the parties hereto.

(l) Counterparts; Facsimile Signature. This Contract may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one (1) and the same instrument, and either of the parties hereto may execute this Contract by signing any such counterpart. This Contract may be executed and delivered by facsimile or by electronic mail in portable document format (.pdf) or similar means and delivery of the signature page by such method will be deemed to have the same effect as if the original signature had been delivered to the other party.

(m) Captions; Interpretation. The section captions and headings used in this Contract are inserted herein for convenience of reference only and shall not be deemed to define, limit or construe the provisions hereof. Purchaser and Seller acknowledge that each is a sophisticated builder or developer, as applicable, and that each has had an opportunity to review, comment upon and negotiate the provisions of this Contract, and thus the provisions of this Contract shall not be construed more favorably or strictly for or against either party. Purchaser and Seller each acknowledges having been advised, and having had the opportunity, to consult legal counsel in connection with this Contract and the transactions contemplated by this Contract.

(n) Number and Gender. When necessary for proper construction hereof, the singular of any word used herein shall include the plural, the plural shall include the singular and the use of any gender shall be applicable to all genders.

(o) Waiver. Any one (1) or more waivers of any covenant or condition by a party hereto shall not be construed as a waiver of a subsequent breach of the same covenant or condition nor a consent to or approval of any act requiring consent to or approval of any subsequent similar act.

(p) Binding Effect. Subject to the restrictions on assignment contained herein, this Contract shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

(q) Recordation. Purchaser shall not cause or allow this Contract or any memorandum or other evidence thereof to be recorded in the County Records or become a public record without Seller's prior written consent, which consent may be withheld at Seller's sole discretion. If Purchaser records this Contract, then Purchaser shall be in default of its obligations under this Contract.

(r) No Beneficiaries. No third parties are intended to benefit by the covenants, agreements, representations, warranties or any other terms or conditions of this Contract.

(s) Relationship of Parties. Purchaser and Seller acknowledge and agree that the relationship established between the parties pursuant to this Contract is only that of a seller and a purchaser of single-family lots. Neither Purchaser nor Seller is, nor shall either hold itself out to be, the agent, employee, joint venturer or partner of the other party.

(t) Interstate Land Sales Full Disclosure Act and Colorado Subdivision Developers Act Exemptions. It is acknowledged and agreed by the parties that the sale of the Property will be exempt from the provisions of the federal Interstate Land Sales Full Disclosure Act under the exemption applicable to sale or lease of property to any person who acquires such property for the purpose of engaging in the business of constructing residential, commercial or industrial buildings or for the purpose of resale of such property to persons engaged in such business. Purchaser hereby represents and warrants to Seller that it is acquiring the Property for such purposes. It is further acknowledged by the parties that the sale of the Property will be exempt under the provisions of the Colorado Subdivision Developers Act under the exemption applicable to transfers between developers. Purchaser represents and warrants to Seller that Purchaser is acquiring the Property for the purpose of participating as the owner of the Property in the development, promotion and sale of the Property and portions thereof.

(u) Special Taxing District Disclosure. In accordance with the provisions of C.R.S. §38-35.7-101(1), Seller provides the following disclosure to Purchaser: **SPECIAL TAXING DISTRICTS MAY BE SUBJECT TO GENERAL OBLIGATION INDEBTEDNESS THAT IS PAID BY REVENUES PRODUCED FROM ANNUAL TAX LEVIES ON THE TAXABLE PROPERTY WITHIN SUCH DISTRICTS. PROPERTY OWNERS IN SUCH DISTRICTS MAY BE PLACED AT RISK FOR INCREASED MILL LEVIES AND TAX TO SUPPORT THE SERVICING OF SUCH DEBT WHERE CIRCUMSTANCES ARISE RESULTING IN THE INABILITY OF SUCH A DISTRICT TO DISCHARGE SUCH INDEBTEDNESS WITHOUT SUCH AN INCREASE IN MILL LEVIES. PURCHASERS SHOULD INVESTIGATE THE SPECIAL TAXING DISTRICTS IN WHICH THE PROPERTY IS LOCATED BY CONTACTING THE COUNTY TREASURER, BY REVIEWING THE CERTIFICATE OF TAXES DUE FOR THE PROPERTY, AND BY OBTAINING FURTHER INFORMATION FROM THE BOARD OF COUNTY COMMISSIONERS, THE COUNTY CLERK AND RECORDER, OR THE COUNTY ASSESSOR.**

(v) Common Interest Community Disclosure. In accordance with the provisions of C.R.S. §38-35.7-102(1), Seller provides the following disclosure to Purchaser: **IF SELLER ELECTS TO FORM A HOMEOWNERS ASSOCIATION UNDER THE MASTER COVENANTS FOR THE DEVELOPMENT, THEN THE PROPERTY IS, OR WILL BE PRIOR TO EACH RESPECTIVE CLOSING, LOCATED WITHIN A COMMON INTEREST COMMUNITY AND IS, OR WILL BE PRIOR TO SUCH CLOSING, SUBJECT TO THE DECLARATION FOR SUCH COMMUNITY. THE OWNER OF THE PROPERTY WILL BE REQUIRED TO BE A MEMBER OF THE OWNER'S ASSOCIATION FOR THE COMMUNITY AND WILL BE SUBJECT TO THE BYLAWS AND RULES AND REGULATIONS OF THE ASSOCIATION. THE DECLARATION, BYLAWS, AND RULES AND REGULATIONS WILL IMPOSE FINANCIAL OBLIGATIONS UPON THE OWNER OF THE PROPERTY, INCLUDING AN OBLIGATION TO PAY ASSESSMENTS OF THE ASSOCIATION. IF THE OWNER DOES NOT PAY THESE ASSESSMENTS, THE ASSOCIATION COULD PLACE A LIEN ON THE PROPERTY AND POSSIBLY SELL IT TO PAY THE DEBT. THE DECLARATION, BYLAWS, AND RULES AND REGULATIONS OF THE COMMUNITY MAY PROHIBIT THE OWNER FROM MAKING CHANGES TO THE PROPERTY WITHOUT AN ARCHITECTURAL REVIEW BY THE ASSOCIATION (OR A COMMITTEE OF THE ASSOCIATION) AND THE APPROVAL OF THE ASSOCIATION. PURCHASERS OF PROPERTY WITHIN THE COMMON INTEREST COMMUNITY SHOULD INVESTIGATE THE FINANCIAL OBLIGATIONS OF MEMBERS OF THE ASSOCIATION. PURCHASERS SHOULD CAREFULLY READ THE DECLARATION FOR THE COMMUNITY AND THE BYLAWS AND RULES AND REGULATIONS OF THE ASSOCIATION.**

(w) Source of Water Disclosure. In accordance with the provisions of C.R.S. §38-35.7-104, Seller provides the following disclosure to Purchaser:

THE SOURCE OF POTABLE WATER FOR THIS REAL ESTATE IS:

A WATER PROVIDER, WHICH CAN BE CONTACTED AS FOLLOWS:

NAME:	**Rangeview Metropolitan District**
ADDRESS:	**c/o Special District Management Services, Inc.**
	141 Union Blvd., Suite 150
	Lakewood, Colorado 80228
WEB SITE:	**www.rangviewmetro.org**
TELEPHONE:	**303-987-0835**

SOME WATER PROVIDERS RELY, TO VARYING DEGREES, ON NONRENEWABLE GROUND WATER. YOU MAY WISH TO CONTACT YOUR PROVIDER TO DETERMINE THE LONG-TERM SUFFICIENCY OF THE PROVIDER'S WATER SUPPLIES.

(x) STORM WATER POLLUTION PREVENTION PLAN. Seller has previously filed a Notice of Intent ("**NOI**") and/or prepared a Stormwater Pollution Prevention Plan ("**SWPPP**") to satisfy its stormwater obligations arising from Seller's work on the Property. Seller covenants that prior to each Closing Date and until Closing of the Lots, Seller and/or its contractor shall comply with the SWPPP with respect to Seller's work on the Property, and shall comply with all local, state , and federal environmental obligations (including stormwater) associated with Seller's development work on the Property. Seller shall indemnify and hold Purchaser harmless from all claims and causes of action arising from breach of the foregoing covenants of Seller to the extent there is an uncured notice of violation issued with respect to any Lot prior to conveyance of such Lot to Purchaser. From and after conveyance of Lots, and until such time as such Lots are subject to Purchaser's SWPPP (as hereafter defined), Purchaser shall be solely responsible for complying with the SWPPP, installing and maintaining all required best management practices ("**BMPs**"), and conducting and documenting all required inspections. Purchaser shall also comply with all local , state , and federal environmental obligations (including stormwater) associated with its ownership of, development of , and construction on the Lots conveyed to Purchaser by Seller. Such obligations include, without limitation, (i) complying with the SWPPP or the Purchaser's SWPPP, as applicable, (ii) installing and maintaining all required BMPs associated with Purchaser's ownership of, development of, and construction on, the Lots (including without limitation silt fences), and (iii) conducting and documenting all required inspections. Purchaser covenants and Seller acknowledges that, with respect to Lots acquired by Purchaser, Purchaser shall, within ten (10) days after conveyance of such Lots, at its sole cost and expense (subject to Seller's prior written approval) submit its own notice of intent for a new stormwater pollution prevention plan (the "**Purchaser's SWPPP**"). Subsequent to the applicable Closing Date, Purchaser shall comply with the Purchaser's SWPPP with respect to all of the Lots then owned by Purchaser, and shall comply with all local, state , and federal environmental obligations (including stormwater) associated with its ownership of, development of , or construction on, all such Lots. Purchaser shall indemnify and hold Seller harmless from all third party claims and causes of action solely arising from breach of the foregoing covenants of Purchaser. Notwithstanding anything to the contrary, Seller is only responsible for complying with the SWPPP to the extent required to complete Seller's development work on the Property and is otherwise not obligated to install any other stormwater management facilities on the Lots, as shown in the CDs, including without limitation, any SWPPP work to be conducted by Purchaser, its successors and assigns..

(y) Oil, Gas, Water and Mineral Disclosure. THE SURFACE ESTATE OF THE PROPERTY MAY BE OWNED SEPARATELY FROM THE UNDERLYING MINERAL ESTATE, AND TRANSFER OF THE SURFACE ESTATE MAY NOT NECESSARILY INCLUDE TRANSFER OF THE MINERAL ESTATE OR WATER RIGHTS.

THIRD PARTIES MAY OWN OR LEASE INTERESTS IN OIL, GAS, OTHER MINERALS, GEOTHERMAL ENERGY OR WATER ON OR UNDER THE SURFACE OF THE PROPERTY, WHICH INTERESTS MAY GIVE THEM RIGHTS TO ENTER AND USE THE SURFACE OF THE PROPERTY TO ACCESS THE MINERAL ESTATE, OIL, GAS OR WATER.

SURFACE USE AGREEMENT. THE USE OF THE SURFACE ESTATE OF THE PROPERTY TO ACCESS THE OIL, GAS OR MINERALS MAY BE GOVERNED BY A SURFACE USE AGREEMENT, A MEMORANDUM OR OTHER NOTICE OF WHICH MAY BE RECORDED WITH THE COUNTY CLERK AND RECORDER.

OIL AND GAS ACTIVITY. OIL AND GAS ACTIVITY THAT MAY OCCUR ON OR ADJACENT TO THE PROPERTY MAY INCLUDE, BUT IS NOT LIMITED TO, SURVEYING, DRILLING, WELL COMPLETION OPERATIONS, STORAGE, OIL AND GAS, OR PRODUCTION FACILITIES, PRODUCING WELLS, REWORKING OF CURRENT WELLS, AND GAS GATHERING AND PROCESSING FACILITIES.

ADDITIONAL INFORMATION. PURCHASER IS ENCOURAGED TO SEEK ADDITIONAL INFORMATION REGARDING OIL AND GAS ACTIVITY ON OR ADJACENT TO THE PROPERTY, INCLUDING DRILLING PERMIT APPLICATIONS. THIS INFORMATION MAY BE AVAILABLE FROM THE COLORADO OIL AND GAS CONSERVATION COMMISSION.

(z) Property Tax Disclosure Summary. PURCHASER SHOULD NOT RELY ON SELLER'S CURRENT PROPERTY TAXES AS THE AMOUNT OF PROPERTY TAXES THAT PURCHASER MAY BE OBLIGATED TO PAY IN THE YEAR SUBSEQUENT TO PURCHASE. A CHANGE IN OWNERSHIP OR PROPERTY IMPROVEMENTS TRIGGERS REASSESSMENTS OF THE PROPERTY THAT COULD RESULT IN HIGHER PROPERTY TAXES. IF PURCHASER HAS ANY QUESTIONS CONCERNING VALUATION, CONTACT THE COUNTY PROPERTY APPRAISER'S OFFICE FOR INFORMATION.

(aa) Waiver of Jury Trial. TO THE EXTENT PERMITTED BY LAW, THE PARTIES HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVE, RELINQUISH AND FOREVER FORGO THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THE PROVISIONS OF THIS CONTRACT.

(bb) Confidentiality. Purchaser and Seller agree that, prior to each respective Closing, and thereafter if such Closing does not occur, all information relating to the Property that is the subject of such Closing, any reports, studies, data and summaries developed by Purchaser, and any information relating to the business of either party (together, the "**Confidential Information**") shall be kept confidential as provided in this Section. Without the prior written consent of the other party, prior to the applicable Closing, the Confidential Information shall not be disclosed by Purchaser, Seller or their Representatives (as hereinafter defined) in any manner whatsoever, in whole or in part, except (1) to their Representatives who need to know the Confidential Information for the purpose of evaluating the Property and who are informed by Seller or Purchaser as applicable of the confidential nature thereof; (2) as may be necessary for Seller, Purchaser or their Representatives to comply with applicable laws, including, without limitation, governmental regulatory, disclosure, tax and reporting requirements (including, without limitation, any applicable reporting requirements for publically traded companies); to comply with other requirements and requests of regulatory and supervisory authorities and self-regulatory organizations having jurisdiction over Seller, Purchaser or their Representatives; to comply with regulatory or judicial processes; or to satisfy reporting procedures and inquiries of credit rating agencies in accordance with customary practices of Seller, Purchaser or their affiliates; and (3) to lenders and investors for the transaction. As used herein, "**Representatives**" shall mean: Seller's and Purchaser's managers, members, directors, officers, employees, affiliates, investors, brokers, agents or other representatives, including, without limitation, attorneys, accountants, contractors, consultants, engineers, lenders, investors and financial advisors. Seller, at its election, may issue an oral or written press release or public disclosure of the existence or the terms of this Contract without the consent of the Purchaser. "**Confidential Information**" shall not be deemed to include any information or document which (I) is or becomes generally available to the public other than as a result of a disclosure by Seller, Purchaser or their Representatives in violation of this Contract, (II) becomes available from a source other than Seller, Purchaser or any affiliates of Seller or Purchaser or their agents or Representatives, or (III) is developed by Seller or Purchaser or their Representatives without reliance upon and independently of otherwise Confidential Information. In addition to any other remedies available to a party for breach of this Section, the non-breaching party shall have the right to seek equitable relief, including, without limitation, injunctive relief or specific performance, against the breaching party or its Representatives, in order to enforce the provisions of this Section. The provisions of this Section shall survive the termination of this Contract, or the applicable Closing, for one (1) year.

(cc) Survival. Obligations to be performed subsequent to a Closing shall survive each Closing.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Seller and Purchaser have executed this Contract effective as of the day and year first above written.

SELLER:

PCY HOLDINGS, LLC,
a Colorado limited liability company

By: Pure Cycle Corporation,
a Colorado corporation,
its sole member

By: /s/ Mark Harding
Name: Mark Harding
Its: President

PURCHASER:

CHALLENGER DENVER, LLC,
a Colorado limited liability company

By: /s/ Lee Eisenheim
Name: Lee Eisenheim
Title: Sr. Dir. Of Strategy & Community Development
Date: 11.02.2020

LIST OF EXHIBITS

EXHIBIT A:	CONCEPTUAL DEVELOPMENT PLAN AND LOTTING DIAGRAM
EXHIBIT B:	RESERVATIONS AND COVENANTS
EXHIBIT C:	FINISHED LOT IMPROVEMENTS
EXHIBIT D:	FORM OF GENERAL ASSIGNMENT
EXHIBIT E:	FORM OF LOT DEVELOPMENT AGREEMENT
EXHIBIT F:	FORM OF TAP PURCHASE AGREEMENT
EXHIBIT G:	LOT DEVELOPMENT FEE SCHEDULE (CURRENT AS OF EFFECTIVE DATE)
EXHIBIT H:	FORM OF BUILDER DESIGNATION

EXHIBIT A

CONCEPTUAL DEVELOPMENT PLAN AND LOTTING DIAGRAM

EXHIBIT B

RESERVATIONS AND COVENANTS

Reservation of Easements. For a period of twenty-five (25) years following the date hereof, Grantor expressly reserves unto itself, its successors and assigns, easements for construction of utilities and other facilities to support the development of the properties commonly known as "Sky Ranch," including but not limited to sanitary sewer, water lines, electric, cable, broad-band and telephone transmission, storm drainage and construction access easements across the Property allowing Grantor or its assignees the right to install and maintain sanitary sewer, water lines, cable television, broad-band, electric, and telephone utilities on the Property and on its adjacent property, and further, to accommodate storm drainage from its adjacent property. Such easements shall not allow above-grade surface installation of facilities and shall require the restoration of any surface damage or disturbance caused by the exercise of such easements, shall not be located within the building envelope of any Lot or otherwise interfere with the use of a Lot for construction of Grantee's homes, shall not materially detract from the value, use or enjoyment of (i) the remaining portion of the Property on which such easements are to be located, or (ii) any adjoining property of Grantee, and shall not require any reduction in allowed density for the Property or reconfiguration of planned lots or the building envelope on a lot. If possible, such easements shall be located within the boundaries of existing easement areas. Grantor, at its sole expense, shall immediately restore the land and improvements thereon to their prior condition to the extent of any damage incurred due to Grantor's utilization of the easements herein reserved.

Reservation of Minerals and Mineral Rights. To the extent owned by Grantor, Grantor herein expressly excepts and reserves unto itself, its successors and assigns, all right, title and interest in and to all minerals and mineral rights, including bonuses, rents, royalties, royalty interests and other benefits that may be payable as a result of any oil, gas, gravel, minerals or mineral rights on, in, under or that may be produced from the Property, including, but not limited to, all gravel, sand, oil, gas and other liquid hydrocarbon substances, casinghead gas, coal, carbon dioxide, helium, geothermal resources, and all other naturally occurring elements, compounds and substances, whether similar or dissimilar, organic or inorganic, metallic or non-metallic, in whatever form and whether occurring, found, extracted or removed in solid, liquid or gaseous state, or in combination, association or solution with other mineral or non-mineral substances, provided that Grantor expressly waives all rights to use or damage the surface of the Property to exercise the rights reserved in this paragraph and, without limiting such waiver, Grantor's activities in extracting or otherwise dealing with the minerals and mineral rights shall not cause disturbance or subsidence of the surface of the Property or any improvements on the Property.

Reservation of Water and Water Rights. To the extent owned by Grantor, Grantor herein expressly excepts and reserves unto itself, its successors and assigns, all water and water rights, ditches and ditch rights, reservoirs and reservoir rights, streams and stream rights, water wells and well rights, whether tributary, non-tributary or not non-tributary, including, but not limited to, all right, title and interest under C.R.S. 37-90-137 on, underlying, appurtenant to or now or historically used on or in connection with the Property, whether appropriated, conditionally appropriated or unappropriated, and whether adjudicated or unadjudicated, including, without limitation, all State Engineer filings, well registration statements, well permits, decrees and pending water court applications, if any, and all water well equipment or other personalty or fixtures currently used for the supply, diversion, storage, treatment or distribution of water on or in connection with the Property, and all water and ditch stock relating thereto; provided that Grantor expressly waives all rights to use or damage the surface of the Property to exercise the rights reserved in this paragraph and, without limiting such waiver, Grantor's activities in dealing with the water and water rights herein reserved shall not cause disturbance or subsidence of the surface of the Property or any improvements on the Property.

Reimbursements and Credits. Grantee shall have no right to any reimbursements and/or cost-sharing agreements pursuant to any agreements entered into between Grantor or any of Grantor's affiliates and third parties which may or may not affect the Property. In addition, Grantee acknowledges that Grantor, its affiliates or one (1) or more metropolitan district(s) have installed or may install certain infrastructure improvements ("**Infrastructure Improvements**") and/or donate, dedicate and/or convey certain rights, improvements and/or real property ("**Dedications**") to Arapahoe County ("**County**") or other governmental authority ("**Authority**") which benefit all or any part of the Property, together with adjacent properties, and which entitle Grantor or its affiliates and/or the Property or any part thereof to certain reimbursements by the County or other Authority or credits by the County or other Authority for park fees, open space fees, school impact fees, capital expansion fees and other governmental fees which would otherwise be required to be paid to the County or other Authority by the owner of the Property or any part thereof from time to time ("**Governmental Fees**"). In the event Grantee is entitled to a credit or waiver of Governmental Fees by the County and/or other Authority as a result of the Infrastructure Improvements and/or Dedications, then, in such event, Grantee shall pay to or reimburse Grantor and/or its designated affiliates in an amount equal to such credited or waived Governmental Fees at the same time that the Governmental Fees would otherwise be payable by Grantee or its assignees to the County or other Authority but for the construction of the Infrastructure Improvements and/or the Dedications by Grantor, its affiliates and/or metropolitan district(s). In addition, Grantee acknowledges that Grantee or its affiliate(s) may have negotiated or may negotiate with the County or other Authority for reimbursements to Grantor or its affiliates. Grantee acknowledges that certain Governmental Fees which may be paid by Grantee to the County or other Authority may be reimbursed to Grantor and/or its affiliates pursuant to the terms of said agreement.

The obligations and covenants set forth herein shall be binding on Grantee, its successors and assigns, and any subsequent owners of the Property, except that homeowners shall have no obligation for any reimbursements provided herein. The obligation for reimbursements described herein shall automatically terminate (without the necessity of recording any document) with respect to any residential lot as of the date of conveyance of such residential lot, together with a residence constructed thereon, to a homebuyer. Any title insurance company may rely on the automatic termination language set forth above for the purpose of insuring title to a home.

EXHIBIT C

FINISHED LOT IMPROVEMENTS

1. "**Finished Lot Improvements**" means the following improvements on, to or with respect tothe Lots or in public streets or tracts in the locations as required by all approving Authorities to obtain building permits for home improvements for the Lots, and substantially in accordance with the CDs:

(a) overlot grading together with corner pins for each Lot installed in place, graded to match the specified Lot drainage template within the CDs (but not any Overex);

(b) water and sanitary sewer mains and other required installations in connection therewith identified in the CDs, valve boxes and meter pits, substantially in accordance with the CDs approved by the approving Authorities, together with appropriate markers;

(c) storm sewer mains, inlets and other associated storm drainage improvements pertaining to the Lots in the public streets as shown on the CDs;

(d) curb, gutter, asphalt, sidewalks, street striping, street signage, traffic signs, traffic signals (if any are required by the approving Authorities), and other street improvements, in the private and/or public streets as shown on the CDs; Seller will either have applied a final lift of asphalt or in Seller's discretion posted sufficient financial guarantees as required by the County for the Lots to qualify for issuance of building permits in lieu of such final lift of asphalt;

(e) sanitary sewer service stubs if required by the Authorities, connected to the foregoing sanitary sewer mains, installed into each respective Lot (to a point beyond any utility easement), together with appropriate markers of the ends of such stubs, as shown on the CDs;

(f) water service stubs connected to the foregoing water mains installed into each Lot (to a point beyond any utility easement), together with appropriate markers of the ends of such stubs, as shown on the CDs;

(g) Lot fill in compliance with the geotechnical engineer's recommendation, and with respect to any filled area or compacted area, provide from a Colorado licensed professional soils engineer a HUD Data Sheet 79G Certification (or equivalent) and a certification that the compaction and moisture content recommendations of the soils engineer were followed and that the grading of the respective Lots complies with the approved grading plans, with overlot grading completed in conformance with the approving Authorities approved grading plans within a +/- 0.2' tolerance of the approved grading plans; however, the Finished Lot Improvements do not include any Overex as provided in Section 10(e) of the Contract;

(h) all storm water management facilities as shown in the CDs; and

2. Dry Utilities. Electricity, natural gas, and telephone service will be installed by local utility companies.The installations may not be completed at the time of a Closing, and are not part of the Finish Lot Improvements; provided, however, that: (i) with respect to electric distribution lines and street lights, Seller will have signed an agreement with the electric utility service provider and paid all costs and fees for the installation of electric distribution lines and facilities to serve the Lots, and all sleeves necessary for electric, gas, telephone and/or cable television service to the Lots will be installed; (ii) with respect to gas distribution lines, Seller will have signed an agreement with the gas utility service provider and paid all costs and fees for the installation of gas distribution lines and facilities to serve the Lots. Seller will take commercially reasonable efforts to assist Purchaser in coordinating with these utility companies to provide final electric, gas, telephone and cable television service to the residences on the Lots, however, Purchaser must activate such services through an end user contract. Purchaser acknowledges that in some cases the telephone and cable companies may not have pulled the main line through the conduit if no closings of residences have occurred. Notwithstanding the foregoing, if dry utilities have not been installed upon Substantial Completion of the Finished Lot Improvements, Seller shall be obligated to have contracted for same and paid all costs and fees payable for such installation. Unless Seller has contracted for such installation and paid such costs before the Effective Date, Seller will give Purchaser notice when such contracts have been entered and such costs paid. With respect to any Finished Lot Improvements that are required by the subdivision improvement agreement applicable to the Lots but which are not addressed as part of the Finished Lot Improvements, and any other improvements which are not required for the issuance of building permits but which are required by the Authorities so that dwellings and other improvements constructed by Purchaser on the Lots are eligible for the issuance of certificates of occupancy for homes, Seller shall complete such other improvements, to the extent required by the County, so as not to delay the issuance of certificates of occupancy for residences constructed by Purchaser on the Lots.

3. Tree Lawns/Sidewalks. Notwithstanding anything in the Contract to the contrary, Seller shall have no obligation to construct, install, maintain or pay for the maintenance, construction and installation of (i) any landscaping or irrigation for such landscaping behind the curb on any Lot that is to be maintained by the owner of such lot (collectively, "**Tree Lawns**"), but Seller shall be responsible for constructing and installing the detached sidewalks and ramps (collectively, "**Sidewalks**") that are located immediately adjacent to any Lot or on a tract as required by the approved CDs, County, or any other Authority and/or applicable laws as provided in this Contract. Purchaser shall be responsible for installing any other lead walks, pathways, and driveways and any other flatwork on the Lots. Purchaser shall install all Tree Lawns on or adjacent to the Lots in accordance with all applicable CDs, requirements, regulations, laws, development codes and building codes of all Authorities.

4. Warranty.

(a) Government Warranty Period**.** The Authorities require warranty periods (each a "**Government Warranty Period**") after the final completion that is applicable to those Finished Lots Improvements that are dedicated to or owned, and accepted for maintenance by the Authorities (the "**Public Improvements**"). In the event defects in the Public Improvements to which a governmental warranty (each a "**Governmental Warranty**") applies become apparent during the applicable Government Warranty Period, then Seller shall coordinate the repairs with the applicable Authorities and cause the service provider(s) who performed the work or supplied the materials in which the defect(s) appear to complete such repairs or, if such service providers fail to correct such defects, otherwise cause such defects to be repaired to the satisfaction of the Authorities. Any costs and expenses incurred pursuant to a Government Warranty in connection with any repairs or warranty work performed during the Government Warranty Period (including, but not limited to, any costs or expenses incurred to enforce any warranties against any service providers) shall be borne by Seller, unless such defect was caused by Purchaser or its contractors, subcontractors, employees, or agents, in which event Purchaser shall pay all such costs and expenses to the extent such defect was caused by Purchaser or its contractors, subcontractors, employees, or agents.

(b) Non-Government Warranty Period. Seller warrants ("**Non-Government Warranty**") to Purchaser that each Finished Lot Improvement, other than the Public Improvements, shall have been constructed in accordance with the CDs for one (1) year from the date of Substantial Completion of the Improvement (the "**Non-Government Warranty Period**"). If Purchaser delivers written notice to Seller of breach of the Non-Government Warranty during the Non-Government Warranty Period, then Seller shall coordinate the corrections with Purchaser and cause the service provider(s) who performed the work or supplied the materials in which the breach of Non-Government Warranty appears to complete such corrections or, if such service providers fail to make such corrections, otherwise cause such corrections to be made to the reasonable satisfaction of Purchaser. Any costs and expenses incurred in connection with a breach of the Non-Government Warranty shall be borne by Seller (including, but not limited to, any costs or expenses incurred to enforce any warranties against service providers), unless such breach was caused by Purchaser or its contractors, subcontractors, employees, or agents, in which event Purchaser shall pay all such costs and expenses to the extent the breach was caused by Purchaser or its contractors, subcontractors, employees, or agents.

(c) EXCEPT AS EXPRESSLY PROVIDED IN THIS SECTION 3, SELLER MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND TO PURCHASER IN RELATION TO THE FINISHED LOT IMPROVEMENTS, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF HABITABILITY, MERCHANTABILITY, OR FITNESS FOR ANY PARTICULAR PURPOSE, AND EXPRESSLY DISCLAIMS ALL OF THE SAME AND SHALL HAVE NO OBLIGATION TO REPAIR OR CORRECT AND SHALL HAVE NO LIABILITY OR RESPONSIBILITY WITH RESPECT TO ANY DEFECT IN IMPROVEMENTS FOR WHICH NO CLAIM IS ASSERTED DURING THE APPLICABLE WARRANTY PERIOD. If and to the extent C.R.S. 13.20-806(7) applies with respect to any claim arising out of residential property, nothing in this Agreement is intended to constitute a waiver of, or limitation on, the legal rights, remedies or damages provided by the Construction Defect Action Reform Act, C.R.S. 13-20-801 et seq., or provided by the Colorado Consumer Protection Act, Article 1 of Title 6, C.R.S., as described in the Construction Defect Action Reform Act, or on the ability to enforce such legal rights, remedies, or damages within the time provided by applicable statutes of limitation or repose.

EXHIBIT D

FORM OF GENERAL ASSIGNMENT

GENERAL ASSIGNMENT

Reference is hereby made to that certain Purchase and Sale Agreement dated as of _____, 20__ (the "**Agreement**"), pursuant to which PCY HOLDINGS, LLC, a Colorado limited liability company ("**Seller**"), has agreed to sell to [INSERT ENTITY], a [INSERT ENTITY TYPE] ("**Purchaser**"), the Property as described in the Agreement.

For good and valuable consideration, the receipt of which is hereby acknowledged, Seller hereby assigns and transfers to Purchaser on a non-exclusive basis, Seller's right, title and interest in the following as the same relate solely to the Property, and to the extent the same are assignable: (i) all subdivision agreements, development agreements, and entitlements; (ii) all plats, construction plans and specifications; (iii) all construction warranties; and (iv) all development rights benefiting the Property.

SELLER:

PCY HOLDINGS, LLC,
a Colorado limited liability company

By: Pure Cycle Corporation,
a Colorado corporation,
its sole member

By: _____
Name: Mark Harding
Its: President

EXHIBIT E

FORM OF LOT DEVELOPMENT AGREEMENT

LOT DEVELOPMENT AGREEMENT
Sky Ranch – Phase B
(Challenger Homes)

THIS LOT DEVELOPMENT AGREEMENT (this "**LDA**") is made as of the ___ day of _____, 202__ (the "**Effective Date**"), by and between PCY HOLDINGS, LLC, a Colorado limited liability company ("**Developer**"), and CHALLENGER DENVER, LLC, a Colorado limited liability company ("**Builder**,"). Developer and Builder are sometimes individually referred to as a "**Party**" and collectively referred to as the "**Parties**."

RECITALS

A. Developer owns certain real property located in Arapahoe County (the "**County**"), Colorado which Developer is developing as part of the Sky Ranch master planned residential community ("**Development**"). The preliminary concept map for Phase B of the Development ("**Concept Plan**") is depicted on **Exhibit A** attached hereto (the "**Property**"). The Development is being subdivided in several subdivision filings and developed in phases. The Builder Lots in each phase are generally depicted on the Concept Plan.

B. Pursuant to the terms of a separate Contract for Purchase and Sale of Real Estate by and between Developer, as seller, and Builder, as purchaser, as may be amended from time to time (the "**Contract**"), Builder is acquiring from Developer a portion of the Property consisting of approximately 163 single family residential lots (collectively, the "**Builder Lots**") at four (4) closings (each, a "**Takedown**", and collectively, the "**Takedowns**"), as more specifically described on **Exhibit A**, attached hereto and incorporated herein by this reference.

C. Pursuant to the Contract, Developer has agreed to construct, or cause to be constructed, those public infrastructure improvements described in the construction plans and specifications that have been approved by the Approving Authorities (the "**Plans**") and which relate to the final plat(s) of the Property (each, a "**Plat**") and the corresponding subdivision improvement agreement ("**SIA**") as identified in **Exhibit B** attached hereto ("**Improvements**"). To the extent that Developer has not obtained Final Approval (as defined in the Contract) of any of the Plans as of the Effective Date, then at such time as any such Plans have been so approved, and to the extent required, **Exhibit B** will be replaced by an updated list of the final approved Plans by amendment to this LDA ("**Revised Exhibit B**").

D. As required by the terms of the Contract, Builder has agreed (i) to pay the Initial Purchase Price (as defined in the Contract) for the Builder Lots that the Builder acquires at a Closing; and (ii) pay that portion of the Purchase Price for the Builder Lots defined as the Deferred Purchase Price (as hereinafter defined) in accordance with the terms and provisions of this LDA as the Improvements are completed and as more particularly set forth herein.

E. The Parties now desire to enter into this LDA in order to set forth the terms and conditions under which the Improvements will be constructed by the Developer and provide for the payment of the Improvements, together with such other matters as are set forth hereinafter.

AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Developer and Builder agree as follows:

1. Incorporation of Recitals. The Parties hereby acknowledge and agree to the Recitals set forth above, which are incorporated herein by this reference.

2. Definitions. Unless otherwise defined herein, all capitalized terms used in this LDA and not defined in this LDA shall have the same meaning as set forth in the Contract.

3. Responsibilities of Developer and Builder.

3.1. Constructing Party. The Parties acknowledge and agree that, as of the Effective Date hereof, Developer is the constructing party hereunder with the obligation to construct, or cause to be constructed, the public infrastructure improvements as provided herein, subject to the rights of Builder and the other builders within the Development, as set forth in Section 4.6, (and the other builders within the Development as set forth in such builders' respective LDA), to appoint either Builder or another qualified third party as a Substitute Constructing Party to assume and take over the construction of the Improvements. Any exercise by Builder of the Builder's Step-In Option (under Section 4.6), or any similar exercise by another builder within the Development of its step-in option, shall apply only with respect to completion of the Improvements to serve the Phase in which such step-in option was exercised.

3.2. Generally. Developer shall construct, or cause to be constructed, the Improvements in substantial conformance with the approved Plans. Developer will coordinate, administer, and oversee (a) the preparation and filing of all applications, filings, submittals, plans and specifications, and other documents pertaining to construction and installation of the Improvements and (b) construction and installation of the Improvements. Developer may engage or cause to be engaged consultants, contractors and subcontractors who will be responsible for the construction of the Improvements and suppliers who will be responsible for supplying labor, materials, equipment, services and other work in connection with the construction of the Improvements ("**Service Provider(s)**"), pursuant to the Construction Contracts (as hereinafter defined). Developer and Builder acknowledge and agree that the Developer may perform its obligations under this Agreement, in whole or in part, by acting as the project manager ("**PM**") for Sky Ranch Community Authority Board (the "**CAB**") and/or the Sky Ranch Metropolitan District No. 3 ("District") pursuant to one or more project management service agreements (collectively, the "**Service Agreements**") under which the Developer will coordinate, manage and administer the construction of the Improvements for the CAB and/or the District. In either such event, Developer may cause the engagement of the Service Providers for and on behalf of the CAB and/or the District, as applicable, with respect to Improvements that are constructed by the applicable entity, but Developer shall not be released from its obligation to Builder to cause the completion of the Improvements, whether or not Developer acts as PM for the CAB or the District. Each Service Agreement will permit assignment thereof by Developer to Builder in the event Builder becomes the Substitute Constructing Party (as set forth in Section 4.6.3).

3.3. Legal Requirements; Bonds and Assurances. Developer will comply with all applicable laws in performing its obligations under this LDA. As part of the Costs, Developer shall provide to all applicable Approving Authorities any bonds, assurance agreements, or other financial assurances required with respect to the construction of the Improvements and provide to all applicable Approving Authorities all warranties, bonds and other financial assurances required to obtain permits for, and the preliminary and final acceptance and approval of, the Improvements. Builder shall take all commercially reasonable actions and execute all documents requested by the Developer (at no cost or liability to Builder) in its efforts to obtain releases of all such warranties, bonds, and other financial assurances upon final acceptance of the Improvements by the Approving Authorities.

3.4. Taxes, Fees and Permits. Developer, or the Service Providers, shall pay all applicable sales, use, and other similar taxes pertaining to the construction of the Improvements, and shall secure and pay for all approvals, easements, assessments, charges, permits and governmental fees, licenses and inspections necessary for proper construction and completion of the Improvements, subject to the terms of the Contract and except as otherwise provided in this LDA.

3.5. Dedications. Developer and Builder shall timely make all conveyances and dedications of the Improvements as to any Improvements owned by such Party if and as required by the Approving Authorities, free and clear of all liens and encumbrances.

3.6. Indemnity. Developer shall indemnify, defend and hold harmless Builder and its owners, employees, members, managers, directors, officers, agents, affiliates, successors and assigns (each a "**Builder Indemnitee**" and collectively, the "**Builder Indemnitees**") for, from and against all claims, demands, liabilities, losses, damages (exclusive of special, consequential, punitive, consequential and lost profits damages), costs and expenses, including but not limited to court costs and reasonable attorneys' fees, arising out of material damage caused by Developer's gross negligence or willful misconduct in the performance of the construction of the Improvements undertaken by the Developer. Notwithstanding the foregoing, Developer shall not be obligated under this LDA to indemnify the Builder to the extent such liabilities result from the negligence or willful misconduct of any Builder Indemnitee and Developer shall not be obligated hereby to indemnify Builder for any claims arising out of geologic, soils, ground water or other physical conditions affecting the Lots, or underdrains systems installed by the Developer according to Plans reviewed and approved by Builder. Builder shall indemnify, defend and hold harmless Developer and its respective owners, affiliates, employees, members, managers, directors, officers, agents, successors and assigns (each an "**Developer Indemnitee**" and collectively, the "**Developer Indemnitees**") for, from and against all claims, demands, liabilities, losses, damages, costs and expenses, including but not limited to court costs and reasonable attorneys' fees, arising out of or relating to (i) Builder's or its successor's development, construction, use, ownership, management, marketing or sales activities associated with the Lots and the Property (including, without limitation, land development, grading, excavation, trenching, and soils compaction, and construction on the Builder Lots performed by or on behalf of a Builder); (ii) the soils, subsurface geologic, groundwater or other physical conditions present on or affecting the Builder Lots; (iii) any change subsequent to the Effective Date in the Entitlements to the extent that the change was caused, requested or made by Builder or the design of any residence for which Builder obtained approval from Seller in accordance with Section 12(d) of the Contract (each a "**Home**", and collectively, the "**Homes**") constructed on the Builder Lots; or (e) homeowner claims asserting or relating to any implied warranty of habitability, merchantability, or fitness for any particular purpose in connection with Builder's construction of one or more Homes on the Builder Lots. Notwithstanding the foregoing, Builder shall not be obligated under this LDA to indemnify, defend or hold harmless Developer from claims arising solely out of a successor's development, construction, use, ownership, management, marketing or sales activities associated with the Builder Lots and the Property if such successor is approved by Developer and gives Developer a substitute indemnity that is equivalent to the indemnity provided by the Builder under this Section 3.6 and such successor is financially sound as reasonably determined by Developer. Obligations under this Section shall survive the termination or expiration of this LDA.

3.7. Insurance. Developer shall procure and maintain, or shall cause the Service Providers to procure and maintain, the insurance described in **Exhibit C** attached hereto during the construction of the Improvements and any warranty work performed on the Improvements.

3.8. Independent Contractor. Developer is an independent contractor and neither Developer nor its employees are entitled to worker's compensation benefits or unemployment insurance benefits through Builder as a result of performing under the LDA. The Developer is responsible for and obligated to pay all assessable federal and state income tax on amounts earned or paid under this LDA.

4. Construction of Improvements.

4.1. Plans and Specifications. To the extent that Developer has not obtained Final Approval of all of the Plans as of the Effective Date, Developer shall (i) diligently finalize, process and obtain approval of the Plans from the applicable Approving Authorities and (ii) apply to the utility service provider for the preparation of electric, gas and telephone dry utility plans ("**Utility Plans**"). If and to the extent Developer receive copies of the approved Utility Plans from the applicable utility service provider, then upon receipt of any such approved Utility Plans, Developer will, upon written request by Builder, furnish Builder with a copy of such Utility Plans. If after Final Approval of the Plans, Developer elects to amend such Plans in a manner that will result in a Material Change (defined below), then Developer shall provide written notice of such Material Change (a "**Notice of Material Change**") to Builder if the Builder Lots are affected by the change. The Notice of Material Change shall describe the modification to the Plans requested by Developer. Builder shall have five (5) business days after receipt of the Notice of Material Change to object to the proposed Material Change (a "**Notice of Material Change Objection**"). Each Notice of Material Change Objection shall describe revisions to the Material Change that would render it acceptable to Builder. If Builder fails to give a timely Notice of Material Change Objection to Developer, the Material Change shall be deemed approved by Builder. If Developer performs any Material Change without first providing Builder with a Notice of Material Change, or after receiving a Notice of Material Change Objection, which objection has not been resolved in accordance with the following provisions, then Developer shall assume responsibility for the cost of correcting any damage resulting from such action. Within five (5) business days after delivery to Developer of a Notice of Material Change Objection, Developer and Builder shall meet to approve or reject the Material Change. If Developer and Builder cannot reach an acceptable resolution regarding the Notice of Material Change Objection, the dispute shall be resolved pursuant to the arbitration provision set forth in Section 7 below. For purposes of this Section 4.1, a "**Material Change**" shall consist only of the following changes to the approved Plans for the Improvements to be installed for the benefit of the Property which have previously been approved by the applicable Approving Authorities:

4.1.1. Reduction of the total number of Builder Lots available for the construction of Homes by more than 10% in any phase or a reduction in the width of the building envelope below the minimum dimension required by the Contract.

4.1.2. Changes greater than one half (1/2) of one (1) foot to the proposed finish grade elevation for any of the Builder Lots.

4.1.3. Changes that prevent the construction of a Home on any Builder Lot.

4.2. Construction Standard. Developer shall cause the applicable Improvements to be constructed in accordance with the Construction Standard and shall obtain preliminary and final acceptance thereof by all Approving Authorities. As used herein, the term "**Construction Standard**" means construction and installation of the Improvements in a good, workmanlike and lien-free manner and in substantial conformity with the Plans (as may be modified pursuant to the terms hereof), in compliance with the terms of the SIA which corresponds to the Plat(s) containing the applicable Builder Lots, and in substantial conformity with the applicable requirements of the Approving Authorities and the "**Finished Lot Standard**" set forth on **Exhibit D** attached hereto. The Construction Standard does not include, and Developer shall have no obligation with respect to, any so-called "over excavation" or comparable preparation or mitigation of the soil (hereinafter defined as the "**Overex**") on the Builder Lots, and the Developer shall have no obligation to complete any Improvement required by the SIA (or any Plat), which is not necessary to obtain building permits (or certificates of occupancy) for the Builder Lots included in the applicable Phase. Builder shall be solely and exclusively responsible with respect to any Overex that the Builder determines to undertake on the Builder Lots. The terms and provision of Section 10(e) (Over Excavation) of the Contract are hereby incorporated herein by this reference. The Parties, including as applicable any Substitute Constructing Party, shall reasonably cooperate in coordinating the Builder's completion of the Overex so that the Overex can be properly sequenced with Developer's completion of the Improvements. In no event shall Developer be liable to Builder for any delay, costs or damages incurred with respect to such Overex, even if caused by any delay in installation of Improvements sequenced ahead of the Overex and such any delay shall extend, on a day-for-day basis, the applicable Substantial Completion Deadline (as set forth herein).

4.3. Construction Contracts for Work. Developer and contractors of Developer shall construct and/or contract for all of the work and materials for the construction of the applicable Improvements. Developer shall have the right to bid, pursue, negotiate, agree to and execute contracts and agreements with Service Providers for the work and materials comprising the Improvements (each a "**Construction Contract**" and collectively, the "**Construction Contracts**"), based upon forms that Developer deems necessary or appropriate in its commercially reasonable discretion. Developer shall use commercially reasonable efforts to: (i) cause each Construction Contract to identify Builder as an intended third-party beneficiary of such Construction Contract (including, without limitation, the warranty and indemnity provisions thereof); (ii) require the Service Provider to name the Builder as additional insured on all required insurance maintained by the Service Provider for a period expiring not sooner than final acceptance of the Improvements by the applicable Approving Authority for which such Service Provider furnished materials or work; (iii) require the Service Providers to provide a warranty on materials and labor supplied by such Service Provider for a period coterminous with the warranty period required by the applicable Approving Authorities for Improvements to be dedicated to an Approving Authority; (iv) require the Service Provider to perform its work in accordance with the Construction Standard; (v) require the Service Provider to indemnify, defend, and hold harmless Developer from all claims and causes of action arising from the negligent acts or omissions or intentional misconduct of the Service Provider or its employees or agents; (vi) permit retainage in an amount of at least five percent (5%) of the amounts payable to the Service Provider, until the work to be completed pursuant to such contract has been substantially completed and, if applicable, granted initial acceptance by the applicable Approving Authority; and (vii) provide for no limitation on remedies against the Service Provider for a default except the prohibition of recovery of punitive damages. Upon receipt of written request from Builder, Developer shall deliver a copy of each Construction Contract to Builder.

4.4. Commencement and Completion Dates. Developer shall use commercially reasonable efforts to cause construction of the Improvements to be commenced and completed as follows:

4.4.1. Commencement; Construction Schedule; Completion. The Improvements will be completed in phases consisting of one phase with respect to the Takedown 1 Lots, one subsequent phase with respect to the Takedown 2 Lots, one subsequent phase with respect to the Takedown 3 Lots, and one subsequent phase with respect to the Takedown 4 Lots, for a total of four (4) phases (each a "**Phase**"). Developer shall cause Substantial Completion (as hereinafter defined) of the Improvements in each Phase to occur on or before the applicable deadline therefor (each, a "**Substantial Completion Deadline**"), subject to Section 4.4.2 below. The Substantial Completion of the first Phase of Improvements ("**Phase 1**") shall occur on or before that date which is twelve (12) months after the First Closing of the Takedown 1 Lots (the "**Phase 1 Completion Deadline**"); Substantial Completion of the second Phase of Improvements ("**Phase 2**") shall occur on or before that date which is the later of (a) twelve (12) months after the Second Closing of the Takedown 2 Lots and (b) _____, 20__ (the "**Phase 2 Completion Deadline**"); Substantial Completion of the third Phase of Improvements ("**Phase 3**") shall occur on or before that date which is the later of (i) twelve (12) months after the Third Closing of the Takedown 3 Lots and (ii) _____, 20__ (the "**Phase 3 Completion Deadline**"); and Substantial Completion of the fourth Phase of Improvements ("**Phase 4**") shall occur on or before that date which is the later of (A) twelve (12) months after the Fourth Closing of the Takedown 4 Lots and (B) _____, 20__ (the "**Phase 4 Completion Deadline**"). Developer may cause Improvements to be constructed and installed as Developer deems necessary, in the Developer's commercially reasonable discretion, to coordinate such Improvements with the development of portions of the Development other than the Property; or cause Improvements to be constructed and installed in accordance with scheduling requirements of the County and other Approving Authorities or in advance of the Substantial Completion dates set forth above. Notwithstanding anything to the contrary, Developer shall have no obligation to install landscaping during the months of October through April.

4.4.2. Force Majeure. Notwithstanding any contrary provision of this LDA, the Substantial Completion Deadline for each Phase and the time for performance of any other Developer obligation under this LDA shall be extended if such performance or progress in construction of the Improvements is delayed due to any Dispute, as defined below, acts or failures to act of any Approving Authority, strike, riot, act of war, act of terrorism, act of violence, weather, act of God, epidemic/pandemic, or any other act, occurrence or non-occurrence beyond Developer's reasonable control (each, an "**Uncontrollable Event** "). Any extension under the preceding sentence shall continue for a length of time reasonably necessary to satisfy such delayed obligation; provided, however, that such extension shall not be for a period of time which is less than the duration of the Uncontrollable Event. If Developer claims a delay due to an Uncontrollable Event, then Developer shall provide written notice to the Builder of the occurrence of a condition that constitutes an Uncontrollable Event, which notice shall reasonably detail the reason(s) giving rise to the Uncontrollable Event and a reasonable estimation duration (to the extent determinable at the time of such notice) of the delay that was caused by the Uncontrollable Event. Developer will make efforts to minimize the delay from any such Uncontrollable Event to the extent reasonably feasible; provided, however, that Developer shall not be required to use extraordinary means and/or incur extraordinary costs in order to satisfy its obligations hereunder.

4.5. Substantial Completion.

4.5.1. Definition of Substantial Completion. "**Substantial Completion**" of the Improvements (or applicable component thereof) shall be deemed to have occurred when; (a) the Improvements (or applicable component thereof) have been installed pursuant to the Construction Standard and shall be substantially complete so that Builder is not precluded from obtaining from the Approving Authorities building permits for Homes constructed, or to be constructed, on any Builder Lots solely as a result of such Improvements (or applicable component thereof) not being complete; and (b) no mechanics' or materialmen's liens shall have then been filed against any of the Builder Lots with respect to the Improvements and final unconditional lien waivers have been obtained from the Service Providers that constructed the Improvements (or applicable portion thereof), or the Developer has obtained a bond to insure over any such mechanics' or materialmen's liens. Notwithstanding the foregoing to the contrary, with respect to any Improvements that are required pursuant to the Construction Standard (or the applicable subdivision improvement agreement), but which are not required by the Approving Authority to obtain building permits, but are necessary prior to the issuance of certificates of occupancy for Homes on the Builder Lots, completion of such Improvements is not required to achieve Substantial Completion, but the Developer shall either: (a) complete or cause the completion of such other Improvements at a later time, or (b) post such collateral, as required by the Approving Authorities in order to obtain certificates of occupancy; so as not to delay the issuance of certificates of occupancy for Homes constructed by Builder on the Builder Lots.

4.5.2. Inspection.

(a) Notice to Builder. Developer shall notify the Builder in writing when Substantial Completion of the Improvements (or applicable component thereof) on the Builder Lots has been achieved, except for minor punch-list work which does not affect the ability to obtain building permits or certificates of occupancy, as applicable, for Homes on the Builder Lots. Within ten (10) days after receipt by the Builder such notice from the Developer, the Parties shall jointly inspect the Improvements (or applicable component thereof) on the Builder Lots and produce a punchlist ("**Builder Punchlist**"). The Builder Punchlist may not contain any items other than incomplete Improvements or components thereof, deficient or defective construction of the Improvements or components thereof, or failure to construct the Improvements or components thereof in accordance with the Construction Standard. Builder shall not be able to object to, or provide Builder Punchlist items for, any portion of the Improvements previously inspected by the Builder except in the case of construction defects, or any portion of the Improvements constructed by Builder as the Substitute Constructing Party. If the Parties are unable to agree upon a Builder Punchlist within five (5) business days after the joint inspection described above, then any dispute related to such Builder Punchlist shall be submitted to the expedited dispute resolution procedures in accordance with Section 7 below. Upon written request by the Builder, the Developer will provide copies of any inspection reports or punchlists received from the Approving Authorities in connection with the inspection of the Improvements, and the Developer shall be responsible to correct punchlist items from the Approving Authority and items set forth on the Builder Punchlist. In the event of a conflict between corrective action required by the Approving Authority and corrective action required by the Builder Punchlist, the punchlists received from the Approving Authorities shall control. Notwithstanding anything to the contrary, including any Builder Punchlist item, if an Approving Authority grants preliminary approval or construction acceptance of any of the Improvements, or, with respect to grading, if the engineer issues a certification with respect to the grading, fill and compaction in accordance with item (g) of **Exhibit D**, then it shall be conclusively presumed that such Improvement or work was completed in accordance with the Construction Standard, subject to completion of the punchlist items provided by the Approving Authority. If an item is not identified as incomplete on the Builder Punchlist or any Approving Authority punchlist, then it shall conclusively be presumed that such Improvement was completed in accordance with the Construction Standard, and thereafter the Builder and not Developer, regardless of which Party is the constructing party, shall be responsible for repairing damage to such Improvement occurring after completion of the Builder Punchlist work unless such damage is determined either by agreement of the parties or pursuant to Section 7 of this LDA to be the result of a design or construction defect. Disputes regarding Builder Punchlist items and matters will be resolved pursuant to the expedited dispute resolution procedures set forth in Section 7 of this LDA.

(b) Correction of Punchlist Items. Developer shall cause any punchlist items to be corrected within the time required by the County or other applicable Approving Authorities.

(c) Interim Inspections. Upon reasonable prior notice, Builder may inspect the construction of the Improvements on the Builder Lots; provided, however, such inspection shall be (i) at the sole risk of Builder, (ii) such inspection shall be non-invasive and shall be performed in a manner that does not interfere with or result in a delay in the construction of the Improvements, and (iii) Builder shall indemnify Developer for any damage resulting from such inspection.

4.6. Self-Help Remedy.

4.6.1. Notice of Default. If Developer does not Substantially Complete the Improvements in accordance with the Plans on or before the applicable Substantial Completion Deadline, as may be extended by any Uncontrollable Event (a "**Constructing Party Default**"), then the Builder may deliver to Developer written notice of such Constructing Party Default (a "**Notice of Default**"). Developer shall have thirty (30) days after receipt of a Notice of Default from the Builder to cure the Constructing Party Default (the "**Cure Period**"); provided, however, if the nature of the Constructing Party Default is such that it cannot reasonably be cured within thirty (30) days, the Cure Period shall be deemed extended for a reasonable period of time (not to exceed an additional sixty (60) days) so long as Developer has commenced in good faith and with due diligence to cause such Constructing Party Default to be remedied. If Developer does not timely cure the Constructing Party Default within the Cure Period, as may be extended pursuant to the preceding sentence or as a result of Uncontrollable Events (an "**Event of Default**"), then the Builder may elect to appoint either itself or another qualified third party (which may include another builder under contract with Developer to purchase lots within the Development, provided that such builder agrees to, and accepts, such appointment) ("**Substitute Constructing Party**") to assume and take over the construction of the Improvements by providing written notice to Developer of its election (an "**Assumption Notice**"). With respect to any Improvements that Developer causes to be constructed as PM for the CAB (or the District) under either Service Agreement, the Substitute Constructing Party's right to take over the construction of the Improvement shall be the right to step into the rights of Developer as the PM under the Service Agreements and assume the role of the PM thereunder, including the right to submit draw requests to the CAB, or the District, for payment of Service Providers and other construction costs to complete the Improvements. Substitute Constructing Party's assumption of the construction of the Improvements shall not include the assumption of any liability for acts or omissions occurring prior to the Assumption Notice, or receipt of any cost savings prior to the Assumption Notice. The Builder's election to appoint a Substitute Constructing Party to assume and take over the construction of the Improvements and to exercise and enforce the rights and obligations set forth in Section 4.6.2 below shall thereafter be the Builder's sole and exclusive remedy, except that the limitation on Builder's remedies for a Constructing Party Default shall not apply to Developer's indemnity obligations in this LDA. Notwithstanding anything contained in this Section 4.6 to the contrary, the rights of any party, including Builder, to step in and act as a Substitute Constructing Party, in place of Developer, shall apply only with respect to a Constructing Party Default pertaining the Developer's failure to Substantially Complete the Improvements for a particular Phase and the Builder rights under this Section 4.6 must be exercised with respect to a Constructing Party Default on a phase-by-phase basis.

4.6.2. Assumption Right. If Builder delivers an Assumption Notice, or if Builder or another builder exercises the Builder's Step-In Option with respect to the Joint Improvements (as such terms are defined below), then: (i) Developer shall cooperate to allow the Substitute Constructing Party to take over and complete the incomplete Improvements for the applicable Phase, including, as applicable, the execution and delivery to the Substitute Constructing Party of such agreements, documents or instruments as may be reasonably necessary to assign to the Substitute Constructing Party all Construction Contracts with third parties pertaining to the Improvements, and/or assignment of the Service Agreements so that Substitute Constructing Party can take over as PM thereunder; (ii) Developer shall be relieved of all further obligations under this LDA with respect to the completion of the incomplete Improvements for the applicable Phase; (iii) Developer shall remain liable for its gross negligence or willful misconduct, and any indemnification obligations specified herein incurred prior to the date of such Assumption Notice; and (iv) Substitute Constructing Party shall assume and perform all obligations under all Contracts and the Service Agreements pertaining to the construction of the Improvements for the applicable Phase which Substitute Constructing Party will complete to the extent such obligations are to be performed after the date of delivery of the Assumption Notice. Upon delivery of an Assumption Notice, Substitute Constructing Party shall be obligated to complete or cause the completion of the Improvements for the applicable Phase and pay the Costs incurred thereafter by Substitute Constructing Party to complete such Improvements (subject to Developer's funding obligation under the Joint Improvements Memorandum (as hereinafter defined), and Substitute Constructing Party's rights as PM under the Service Agreements to process payments through the CAB and/or the District. If a Substitute Constructing Party assumes the obligation to construct the Improvements for the applicable Phase, the Substitute Constructing Party shall use commercially reasonable and diligent efforts to Substantially Complete the applicable Improvements under existing Construction Contracts, construction budgets and other similar construction documents, and the Builder's obligation for the payment of costs under Section 6 which are due and payable after the date of the Assumption Notice shall be suspended until Substantial Completion of the Improvements for the applicable Phase and thereupon all Costs incurred and paid by Builder shall be offset against the unpaid portions of the Deferred Purchase Price (as hereinafter defined). If the amount of the unpaid portions of the Deferred Purchase Price is insufficient to offset the Costs incurred and paid by Builder, then Developer will pay to Builder the amount of the deficiency within thirty (30) days after Builder presents Developer with an invoice for such payment, including reasonable supporting documentation for the Cost incurred by Builder. Invoices not paid within thirty (30) days after receipt shall bear simple interest at the rate of twelve percent (12%) per annum (the "**Default Interest Rate**") until paid. In the event of an Assumption Notice, the Substitute Constructing Party shall indemnify, defend and hold harmless the Developer and its members, managers, shareholders, employees, directors, officers, agents, affiliates, successors and assigns for, from and against all claims, demands, liabilities, losses, damages (exclusive of special, consequential, punitive, speculative or lost profits damages), costs and expenses, including but not limited to court costs and reasonable attorneys' fees, that accrue after the date of the Assumption Notice and arise out of the Substitute Constructing Party's completion of the Improvements, and this indemnity shall not apply to any claims, demands, liabilities, losses, damages, costs, expenses, acts or omissions arising or accruing before the date of the Assumption Notice. The obligations under this Section shall survive the termination or expiration of this LDA.

4.6.3. Appointment of Substitute Constructing Party. For purposes of exercising the self-help remedies set forth in this Section 4.6 with respect to an Event of Default, Builder may elect to appoint either itself or another Substitute Constructing Party (which may include another builder under contract with Developer to purchase lots within the Development, provided that such builder agrees to, and accepts, such appointment) who shall then have the right and authority to act pursuant to the self-help provisions of this Section 4.6 ("**Designated Builder**"). If the cure of an Event of Default requires the construction or completion of Improvements that serve the Builder Lots and other lots that are owned by another builder that is under contract with Developer for the completion of such Improvements (the "**Joint Improvements**"), then Builder shall have the non-exclusive right, but not the obligation, to step in and complete such Joint Improvements pursuant to the self-help provisions of this Section 4.6 ("**Builder's Step-In Option**"). If Builder desires to exercise the Builder's Step-In Option, it shall give notice thereof to Developer and the other builders; provided, that, the first builder to give such notice, shall be deemed the Substitute Constructing Party authorized to act on behalf of all such builders pursuant to the self-help provisions of this Section 4.6 (or such similar provisions set forth in such other builder's LDA) with respect to the Joint Improvements. The Developer, Builder, the other builders(s) affected by any joint improvements and the Title Company will at Closing execute a "**Joint Improvements Memorandum**" that describes the rights and obligations of Developer, Builder, such other builder(s) and Title Company and such document will supplement this LDA regarding the installation and construction of any Joint Improvements. The form of the Joint Improvements Memorandum is attached hereto as **Exhibit F** .

4.7. Over-Excavation of Lots. The Parties acknowledge that the Improvements shall not include Overex of the Builder Lots. Builder, with respect to its Builder Lots shall, at its sole cost, cause the Overex to be performed, and shall have the right to enter such Builder Lots for the purposes of performing the Overex; provided, however, that such entry shall be performed in a manner that does not interfere with or result in a delay or an increase in the Costs or any expenses in the construction of the Improvements, and provided further that Builder shall promptly repair any portion of the Builder Lots and adjacent property that is damaged by Builder or its agents, designees, employees, contractors, or subcontractors in performing the Overex. THE PARTIES ACKNOWLEDGE AND AGREE THAT DEVELOPER IS NOT PERFORMING ANY OVER-EXCAVATION OF THE BUILDER LOTS AND THAT THE DEVELOPER SHALL HAVE NO LIABILITY WHATSOEVER WITH RESPECT TO OR ARISING OUT OF ANY OVER-EXCAVATION OF THE BUILDER LOTS OR EXPANSIVE SOILS PRESENT ON THE BUILDER LOTS AND DEVELOPER EXPRESSLY DISCLAIMS ANY LIABILITY WITH RESPECT TO ANY OVER-EXCAVATION OF THE BUILDER LOTS AND EXPANSIVE SOILS PRESENT ON THE BUILDER LOTS. BUILDER SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS DEVELOPER AND ITS SHAREHOLDERS, EMPLOYEES, DIRECTORS, OFFICERS, AGENTS, AFFILIATES, SUCCESSORS AND ASSIGNS FOR, FROM AND AGAINST ALL CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES (EXCLUSIVE OF SPECIAL, CONSEQUENTIAL, PUNITIVE, SPECULATIVE OR LOST PROFITS DAMAGES), COSTS AND EXPENSES, INCLUDING BUT NOT LIMITED TO COURT COSTS AND REASONABLE ATTORNEYS' FEES, ARISING OUT OF ANY EXPANSIVE SOILS, OVER-EXCAVATION OR OTHER SOIL MITIGATION OR BUILDER'S ELECTION NOT TO PERFORM SOILS MITIGATION, ON OR PERTAINING TO THE BUILDER LOTS. THE PROVISIONS OF THIS SECTION 4.7 SHALL EXPRESSLY SURVIVE THE EXPIRATION OR TERMINATION OF THIS LDA.

4.8. Warranty Periods.

4.8.1. Government Warranty Period. The Approving Authorities may require a warranty period after the Substantial Completion of the Improvements (a "**Government Warranty Period**"). In the event defects in the Improvements to which a governmental warranty applies become apparent during the Government Warranty Period, then Developer shall coordinate the repairs with the applicable Approving Authorities and cause the Service Provider(s) who performed the work or supplied the materials in which the defect(s) appear to complete such repairs or, if such Service Providers fail to correct such defects, otherwise cause such defects to be repaired to the satisfaction of the Approving Authorities. Any costs and expenses incurred in connection with any repairs or warranty work performed during the Government Warranty Period (including, but not limited to, any costs or expenses incurred to enforce any warranties against any Service Providers) shall be borne by the Developer, except for damage that was caused by the Builder or its contractors, subcontractors, employees, or agents, in which event the Builder shall pay all such costs and expenses to the extent caused by Builder or its contractors, subcontractors, employees, or agents. Any damage to an Improvement that was not listed on the Builder Punchlist shall be presumed to have been caused by the Builder, or its contractors, subcontractors, employees, or agents, unless the Builder conclusively proves that the damage was caused by a third party or as the result of a design or construction defect in the original construction by Developer as determined by agreement of the parties or as determined in a legal proceeding pursuant to the Expedited Dispute procedure in Section 7, below.

4.8.2. Non-Government Warranty Period. Developer shall warrant ("**Non-Government Warranty**") to Builder each Improvement to which a Governmental Warranty Period does not apply shall have been constructed in accordance with the Plans for one (1) year from the date of Substantial Completion of such Improvement (the "**Non-Government Warranty Period**"). If the Builder delivers written notice to the Developer of breach of the Non-Government Warranty during the Non-Government Warranty Period, then the Developer shall coordinate the corrections with the Builder and cause the Service Provider(s) who performed the applicable work or supplied the applicable materials to complete such corrections or, if such Service Providers fail to make such corrections, otherwise cause such corrections to be made. Any costs and expenses incurred in connection with a breach of the Non-Government Warranty shall be borne by the Developer (including, but not limited to, any costs or expenses incurred to enforce any warranties against Service Providers), except for any breach or damage that was caused by the Builder or its contractors, subcontractors, employees, or agents, in which event the Builder Party shall pay all such costs and expenses to the extent caused by the Builder or its contractors, subcontractors, employees, or agents. Any damage to an Improvement that was not listed on the Builder Punchlist shall be presumed to have been caused by the Builder or its contractors, subcontractors, employees, or agents, unless the Builder conclusively proves that the damage was caused as the result of a design or construction defect in the original construction by the Developer. EXCEPT AS EXPRESSLY PROVIDED IN SECTION 4.8.1 OR 4.8.2, THE DEVELOPER PARTIES MAKE NO REPRESENTATIONS OR WARRANTIES OF ANY KIND TO BUILDER IN RELATION TO THE IMPROVEMENTS, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF HABITABILITY, MERCHANTABILITY, OR FITNESS FOR ANY PARTICULAR PURPOSE, AND EXPRESSLY DISCLAIMS ALL OF THE SAME AND SHALL HAVE NO OBLIGATION TO REPAIR OR CORRECT ANY DEFECT IN IMPROVEMENTS FOR WHICH NO CLAIM IS ASSERTED DURING THE APPLICABLE WARRANTY PERIOD. The preceding sentence does not affect, alter or modify any Service Provider's obligations to repair or correct any defects in Improvements and shall not be construed as a limitation on the Builder's statutory rights or remedies which may not be modified by contract.

4.9. License for Construction. Each Party hereby grants to the Developer or the Substitute Constructing Party (as applicable) and the Service Providers a temporary, non-exclusive license to enter upon the Property owned by such Party, including the Builder Lots, as reasonably necessary for the installation of the Improvements, rough grading of the Builder Lots, stubbing of utilities and/or the performance of the Developer's (or Substitute Constructing Party's, as applicable) responsibilities under this LDA. Each Party further agrees to grant such separate written rights of entry and/or licenses in or upon the Property owned by such Party, including the Builder Lots, as may be reasonably necessary for installation of the Improvements, rough grading of the Builder Lots and stubbing of utilities. No rights of entry and/or licenses over any portion of the Property may be exercised or used by a Party in any fashion that would unreasonably interfere with or adversely impact any other Party's development of its parcel. The rights under this Section or any instruments delivered hereunder shall terminate upon the expiration of all Government Warranty Periods.

4.10. Liens. Developer shall pay, or cause to be paid, when due, all liens and claims for labor and/or materials furnished to the Builder Lots pursuant to this LDA to prevent the filing or recording by any third party of any mechanics', materialmen's or other lien, stop notice or bond claim or any attachments, levies or garnishments (collectively "**Liens**") involving the Improvements. Developer shall indemnify, defend and hold harmless the Builder for, from and against all injuries, losses, liens, claims, demands, judgments, liabilities, damages, costs and expenses (including but not limited to court costs and reasonable attorneys' fees and expenses) sustained by or made or threatened against Builder, which result from or arise out of or in connection with mechanics' or materialmen's liens, stop notices or bonded stop notices which may be asserted against Builder or such party's property (including, as applicable, any Builder Lot) as a result of Developer's actions in connection with the construction of the Improvements. Developer will, within sixty (60) calendar days after written notice from Builder, or within sixty (60) days after Developer otherwise becomes aware of such Liens, terminate the effect of any Liens by filing or recording an appropriate release or bond if so requested by Builder. If the Builder requests that Developer file and obtain any such release or bond and the Developer fails to do so within sixty (60) calendar days of such request, the Builder may obtain such bond or secure such release on behalf of Developer and offset all costs and fees related thereto against any amount payable by Builder pursuant to this LDA. If any mechanic's or materialmen's lien is not removed from each Builder Lot affected thereby prior to the scheduled closing of the retail sale of such Builder Lot, then the notice and cure period above shall not apply and Builder shall have the right to immediately exercise its right to secure such bond or release. If no amounts are payable by Builder under this LDA, then Developer shall reimburse the Builder for all costs and fees related securing such bond or release, within thirty (30) days after receipt of written request therefor and any such cost or amount that is not paid by the Developer to the Builder when due shall bear interest at the Default Interest Rate from the due date thereof until paid in full (together with such interest). Notwithstanding the foregoing, Developer shall have no obligation with respect to Liens which arise as a result of Builder's failure to timely pay any sum due under the Contract or this LDA.

4.11. Tree Lawns/Sidewalks. Notwithstanding anything in this LDA to the contrary, Developer, as Constructing Party, shall have no obligation to construct, install, maintain or pay for the maintenance, construction and installation of any landscaping or irrigation for such landscaping behind the curb on any Builder Lot that is to be maintained by the owner of such lot (collectively, "**Tree Lawns**"), but Developer shall be responsible for constructing and installing the detached sidewalks and ramps (collectively, "**Sidewalks**") that are located immediately adjacent to any Builder Lot or on a tract as required by the approved Plans, County, or any other Approving Authority and/or applicable laws as provided in this LDA. Builders shall be responsible for installing any other lead walks, pathways, and driveways and any other flatwork on the Builder Lots. Builder shall install all Tree Lawns on or adjacent to its Builder Lots in accordance with all applicable Plans, requirements, regulations, laws, development codes and building codes of all Approving Authorities and such Tree Lawns shall not be considered part of the Improvements.

4.12. Soil Hauling. Builder shall be responsible for relocating from the Builder Lots all surplus soil generated during Builder's construction of structures on the Builder Lots, if any, and for importing any necessary fill required to complete Builder's construction activities. At the option of Developer, in its sole discretion, any surplus soil shall be transported at Builder's expense to a site designated by Developer within the Development; provided, that Developer has designated and made such a site available to Builder at the time Builder is ready to transport surplus soils, if any. Builder may choose its preferred form of transport for such surplus soils, subject to Developer's prior written consent to such form of transport, and provided that Builder shall not damage any portion of the Development or interfere with Developer's activities within the Development. Developer may modify any such stock pile location from time to time in Developer's discretion. At Developer's request, Builder shall supply copies of any reports or field assessments identifying the material characteristics of the excess soil prior to accepting such soil for fill purposes and if Developer does not accept any surplus soils from Builder, then Builder shall, at its sole expense, find a purchaser or taker or otherwise transport and dispose of any surplus soil upon such terms as it shall desire, but such surplus soil must still be removed from the Property and may not be stockpiled on the Property or within the Development after construction has been completed. At the option of Developer, in its sole discretion, if Builder needs to import any necessary fill that is required to complete Builder's construction activities and Developer has fill dirt available on the Property, then Developer may make available to Builder, on terms and conditions determined by Developer, any such fill dirt for transport at Builder's expense.

5. Costs of Improvements.

5.1. Definition of Costs. As used herein, the term "**Costs**" shall mean all hard and soft costs incurred in connection with the design (including all engineering expenses), construction and installation of the Improvements, including, but not limited to, costs of labor, materials and suppliers, engineering, design and consultant fees and costs, blue printing services, construction staking, demolition, soil amendments or compaction, any processing, plan check or permit fees for the Improvements, engineering services required to obtain a permit for and complete the Improvements, costs of compliance with all applicable laws, costs of insurance required by this LDA, costs of any financial assurances, any corrections, changes or additions to work required by the Approving Authorities or necessitated by site conditions, municipal, state and county taxes imposed in connection with construction of the Improvements, any warranty work, and any other costs incurred in connection with the performance of the obligations of Developer or the Substitute Constructing Party (as applicable) hereunder to complete the Improvements.

5.2. Deferred Purchase Price; Additional Costs. As set forth in Section 6, below, Builder shall pay to Developer, the Deferred Purchase Price which is equal to the sum of:

(a) $48,300 per 35' Alley Load Lot,

(b) $58,000 per SFD 45' Lot,

(c) plus the applicable Escalator; and

(d) the Builder Required Costs, if any, as defined below;

(collectively, the "**Maximum Builder Costs**"). The term "**Builder Required Costs**" means those Costs which represent increases in Developer's costs, as reasonably determined by the Developer to the extent such increases result from (a) changes requested by Builder to the approved Plans, Entitlements, and/or Improvements, (b) Builder's breach of its obligations under this LDA, and (c) Builder's actions or inactions under this LDA, the Contract, or otherwise. Builder shall immediately pay all Builder Required Costs upon receipt of an invoice therefor from the Developer and Developer's determination of Builder Required Costs shall be binding on the Parties except in the event of manifest error. Developer shall pay all Costs which exceed the Maximum Builder Costs as set forth above, subject to payment of costs due from other builders. Builder shall not be responsible for any increase in Developer costs which are the result of changes requested by other builders. In the event Builder disputes any Builder Required Costs and the parties cannot resolve such dispute within 30 days, either party shall have the right to submit such dispute to arbitration in accordance with the provisions in Section 7, below.

6. Payment of Costs. Pursuant to the terms of the Contract, Builder shall pay to Developer, as Seller, part of the Purchase Price in cash at each closing (the "**Initial Purchase Price**"), and pay in accordance with the terms of this LDA a deferred portion of the Purchase Price ("**Deferred Purchase Price**") equal to the Maximum Builder Costs (including Builder Required Costs, if any) which represents Builder's share of the Costs of the Improvements. After Builder pays the Initial Purchase Price under the Contract, Builder has no responsibility for payment of any funds in excess of the Maximum Builder Costs. The Deferred Purchase Price is payable to Developer in installments based upon completion of the Improvements that serve each Phase of the Builder Lots as follows:

6.1. Takedown 1 Lots – Phase 1. Phase 1 consists of approximately thirty-two (32) 35' Alley Lots and twenty (20) SFD 45' Lots, as identified on the Concept Plan (the "**Phase 1 Lots**"). Upon Substantial Completion of the Wet Utilities that serve the Phase 1 Lots in accordance with Section 4.5 above, Builder shall pay to Developer one-half (1/2) of the Deferred Purchase Price due for each of the Phase 1 Lots, as set forth on **Exhibit G**, attached hereto and incorporated herein by this reference (the "**Takedown Matrix**") plus the applicable Escalator. Upon Substantial Completion of the Improvements that serve the Phase 1 Lots in accordance with Section 4.5 above, Builder shall pay the Developer the balance of the Deferred Purchase Price due for each of the Phase 1 Lots, as set forth on the Takedown Matrix, plus the applicable Escalator.

6.2. Takedown 2 Lots – Phase 2. Phase 2 consists of approximately twenty-three (23) 35' Alley Lots and twenty (20) SFD 45' Lots, as identified on the Concept Plan (the "**Phase 2 Lots**"). Upon Substantial Completion of the Wet Utilities that serve the Phase 2 Lots in accordance with Section 4.5 above, Builder shall pay to Developer one-half (1/2) of the Deferred Purchase Price due for each of the Phase 2 Lots, as set forth on Takedown Matrix plus the applicable Escalator. Upon Substantial Completion of the Improvements that serve the Phase 2 Lots in accordance with Section 4.5 above, Builder shall pay the Developer the balance of the Deferred Purchase Price due for each of the Phase 2 Lots, as set forth on the Takedown Matrix, plus the applicable Escalator.

6.3. Takedown 3 Lots – Phase 3. Phase 3 consists of approximately twenty-two (22) 35' Alley Lots and ten (10) SFD 45' Lots as identified on the Concept Plan (the "**Phase 3 Lots**"). Upon Substantial Completion of the Wet Utilities that serve the Phase 3 Lots in accordance with Section 4.5 above, Builder shall pay to Developer one-half (1/2) of the Deferred Purchase Price due for each of the Phase 3 Lots, as set forth on Takedown Matrix plus the applicable Escalator. Upon Substantial Completion of the Improvements that serve the Phase 3 Lots in accordance with Section 4.5 above, Builder shall pay the Developer the balance of the Deferred Purchase Price due for each of the Phase 3 Lots, as set forth on the Takedown Matrix, plus the applicable Escalator.

6.4. Takedown 4 Lots – Phase 4. Phase 4 consists of approximately twenty (20) 35' Alley Lots and sixteen (16) SFD 45' Lots as identified on the Concept Plan (the "**Phase 4 Lots**"). Upon Substantial Completion of the Wet Utilities that serve the Phase 4 Lots in accordance with Section 4.5 above, Builder shall pay to Developer one-half (1/2) of the Deferred Purchase Price due for each of the Phase 4 Lots, as set forth on Takedown Matrix plus the applicable Escalator. Upon Substantial Completion of the Improvements that serve the Phase 4 Lots in accordance with Section 4.5 above, Builder shall pay the Developer the balance of the Deferred Purchase Price due for each of the Phase 4 Lots, as set forth on the Takedown Matrix, plus the applicable Escalator.

6.5. Escalator. All payments of the Deferred Purchase Price shall be subject to the Escalator as provided in Section 2(b) of the Contract.

6.6. Invoice. After Substantial Completion is achieved as described in Section 4.5 above (including inspections under Section 4.5.2(a)), Builder shall pay the applicable portion of the Deferred Purchase within five (5) business days after an invoice for payment is delivered to Builder by Developer.

6.7. Definition of Wet Utilities. The Wet Utilities that serve each Phase of the Builder Lots that will trigger the Builder's payment obligation upon Substantial Completion thereof are identified on **Exhibit E**.

6.8. Security for Payment of Deferred Purchase Price - Letter of Credit In order to secure Builder's obligation following each Closing to pay the Deferred Purchase Price in accordance with the terms of the Contract and the payment obligations set forth above in this Section 6, at each Closing, Builder shall deliver to Title Company, acting as escrow agent, either (i) a letter of credit issued by [insert issuer of LOC], in a form agreeable to Developer (the "**Letter of Credit**"), or (ii) a cash payment (a Letter of Credit and the cash payment each constitute a "**Deferred Purchase Price Deposit**"). The Deferred Purchase Price Deposit shall be an amount that is equal to the sum of the Deferred Purchase Price for all Builder Lots acquired by Builder at such Closing, plus an estimate of the applicable Escalator, as reasonably determined by Developer. Title Company shall hold and maintain such Deferred Purchase Price Deposit pursuant to this LDA and the Contract in an escrow account established by Title Company for the benefit of Developer and Builder (pursuant to the terms of an escrow agreement to be agreed upon during the Due Diligence Period under the Contract, and entered into by Developer, Builder and Title Company concurrently with the execution of this LDA (the "**Escrow Agreement**")). A Letter of Credit that is posted for a Closing shall remain in place until the final payment of the Deferred Purchase Price applicable to such Closing has been made to the Developer following Substantial Completion of the Finished Lot Improvements which serve the Builder Lots acquired by Builder at such Closing. If a Letter of Credit is scheduled to expire prior to the Substantial Completion of all such Builder Lots, and Builder has not renewed the Letter of Credit at least fifteen (15) days prior to the expiration date thereof, Title Company is authorized and directed to draw down the full amount of the Letter of Credit and deposit such funds in escrow to be used solely for the payment of any unpaid Deferred Purchase Price. The Letter of Credit may provide that it may be reduced from time to time to the extent of payments of the Deferred Purchase Price in Good Funds made by Builder for Improvements in accordance with the terms, including the payment schedule, set forth in this LDA. If the Letter of Credit provides for periodic reduction, then from time to time as Builder pays installments of the Deferred Purchase Price, Developer and Escrow Agent shall execute and deliver to the issuer of the Letter of Credit a reduction certificate (in the form required and furnished by the issuer) to reduce the Letter of Credit by the amount of the Deferred Purchase Price installment that was paid. The Letter of Credit for each Closing shall be returned to Builder, together with an executed reduction certificate reducing the face amount thereof to $0.00, upon payment in full of the Deferred Purchase Price in Good Funds for all of the Builder Lots in such Closing. A cash payment that is deposited as the Deferred Purchase Price Deposit for a Closing will be drawn down and disbursed by the Title Company to Developer from time to time to the extent of payments of the Deferred Purchase Price made by Builder in accordance with the terms, including the payment schedule, set forth in this LDA and Section 5(c) of the Contract Failure by Builder to pay any portion of the Deferred Purchase Price that is secured by a Letter of Credit when the same shall become due and payable, provided that at such failure continues for a period of ten (10) days after the delivery of written notice thereof from Developer to Builder, shall entitle Developer to enforce the collection of the delinquent Deferred Purchase Price by having the Title Company draw upon the Letter of Credit, and the funds so drawn shall be paid to Developer as payment of any unpaid Deferred Purchase Price and such failure to pay shall be deemed cured. If Developer or Title Company is unable to draw upon the Letter of Credit, or Builder otherwise fails to pay the Deferred Purchase Price, Developer may protect and enforce its rights under this LDA pertaining to payment of the Deferred Purchase Price by (i) such suit, action, or special proceedings as Developer shall deem appropriate, including, without limitation, any proceedings for the specific performance of any covenant or agreement contained in this LDA or the Contract or the enforcement of any other appropriate legal or equitable remedy, or for the recovery of actual damages (excluding consequential, punitive damages or similar damages) caused by Builder's failure to pay the Deferred Purchase Price, including reasonable attorneys' fees, and (ii) enforcing Developer's lien rights set forth in this LDA. Developer's remedies are non-exclusive. Notwithstanding the foregoing, Builder shall have the right, at any time, upon written notice to Developer, to substitute any Letter of Credit with a cash payment of equal amount into escrow with Escrow Agent, subject to the Parties' reasonable agreement to amend the Escrow Agreement to reflect such change.

7. Expedited Dispute Resolution.

7.1. Disputes Related to Material Changes, Draw Requests and Punchlist Items. Notwithstanding anything to the contrary herein, disputes related to Material Changes, any Builder Punchlist item or matter, objections to Construction Contracts, determination of Substantial Completion("**Expedited Disputes**") shall all be resolved by an independent, impartial third party qualified to resolve such disputes as determined by the Parties involved in the Expedited Dispute (**Informal Arbitrator**"). If such Parties cannot agree on an Informal Arbitrator, then the Parties involved shall select one (1) registered engineer and the Builder shall select one (1) registered engineer and the engineers so selected by such Parties shall promptly select an independent, impartial third party qualified to act as the Informal Arbitrator and resolve the Expedited Dispute. Within five (5) business days after a Party delivers a Dispute Notice, the Developer and the Builder shall deliver to the Informal Arbitrator a written statement of how such Party believes the Expedited Dispute should be resolved, together with reasonable supporting documentation of such position ("**Resolution Notice**"). Within ten (10) business days after receipt of Resolution Notices from both such Parties, the Informal Arbitrator shall approve one (1) of the Parties' Resolution Notice and shall deliver written notice of such approval to each Party. The decision of the Informal Arbitrator shall be binding on all Parties with respect to the applicable Expedited Dispute. All Parties shall timely cooperate with the Informal Arbitrator in rendering his or her decision. The party that is not the prevailing party in the resolution of any Expedited Dispute shall promptly pay the Informal Arbitrator's fee, and the prevailing party's other fees and costs of any such expedited dispute resolution process and reasonable attorney's fees. The term "prevailing party" means the party who successfully obtains substantially all of the relief sought by such party or is successful in denying substantially all of the relief sought by the other party. The Parties acknowledge that there is a benefit to the Parties in having work done as expeditiously as possible and that there is a need for a streamlined method of making decisions described in this Section so that work is not delayed. A Party and shall not be entitled to recover from any other Party exemplary, punitive, special, indirect, consequential or any other damages other than actual damages (unless the Informal Arbitrator finds intentional abuse or frustration of the arbitration process) in connection with an Expedited Dispute.

7.2. Standards of Conduct. The Parties agree that with respect to all aspects of the expedited dispute resolution process contained herein they will conduct themselves in a manner intended to assure the integrity and fairness of that process. To that end, if an Expedited Dispute is submitted to expedited dispute resolution process, the Parties agree that they will not contact or communicate with the Informal Arbitrator who was appointed with respect to any Expedited Dispute either *ex parte* or outside of the contacts and communications contemplated by this Article 7, and the Parties further agree that they will cooperate in good faith in the production of evidence in a prompt and efficient manner to permit the review and evaluation thereof by the other Parties.

8. Progress Meetings. The Parties shall, from time to time, meet following reasonable request by the Builder to discuss the status of construction of the Improvements, scheduling and coordination issues, engineering and design issues, and other similar issues. The initial designated representative for each Party for the purpose of this Section shall be the individual listed on each Party's respective signature page attached hereto. All inquiries, requests, instructions, authorizations, and other communications with respect to the matters covered by this LDA shall be made to such representatives. Any Party may without further or independent inquiry, assume and rely at all times that the representatives of the other parties designated hereunder have the power and authority to make decisions on behalf of such other parties, to communicate such decisions to the other Party and to bind such Party by his acts and deeds, unless otherwise notified in writing by the Party designating the representative. Any Party may change its representative under this LDA at any time by written notice to the other Parties.

9. Builder's Stormwater Permit Responsibilities. Following Substantial Completion of the Improvements and prior to Builder engaging in any construction activities upon the Builder Lots, Builder shall obtain from the Colorado Department of Public Health, Water Quality Control Division, a Colorado Construction Stormwater Discharge Permit issued to Builder with respect to the Builder Lots. No fewer than five (5) business days prior to the initiation of construction activities on any Builder Lot, Builder shall deliver a copy of at least one (1) of the following documents to Developer:

9.1. Such valid Colorado Construction Stormwater Discharge Permit for the Builder Lots;

9.2. A signed notice of reassignment of permit coverage (State of Colorado Form COR030000 or current equivalent), that transfers any pre-existing permit coverage for the Builder Lots; or

9.3. A signed State of Colorado modification form to add the Builder Lots if Builder has an existing site permit with the State of Colorado within the Property.

To the extent required by the County and the Southeast Metro Stormwater Authority, Builder shall also obtain a Grading, Erosion and Sediment Control Permit issued to Builder by the County and the Southeast Metro Stormwater Authority for the Builder Lots. Builder shall be responsible to obtain and maintain any State of Colorado dewatering permits if required for Builder's further construction within the Builder Lots. If requested by Developer, Builder shall execute a Notice of Property Conveyance and Change in Responsibility for the Colorado Discharge Permit held by Developer or an affiliated entity with respect to the Property. In all cases, Builder shall obtain from the Colorado Department of Public Health & Environment Water Quality Control Division, a Notice of Property Conveyance and Change in Responsibility on a form acceptable to the Colorado Department of Public Health & Environment Water Quality Control Division executed by Builder, for the Colorado Stormwater Discharge Permit held by Developer with respect to the Builder Lots prior to any construction by Builder on the Builder Lots.

9.4. Stormwater Permit Responsibilities. Developer shall obtain and/or maintain, and comply with all necessary permits related to stormwater and erosion control from all Approving Authorities, in relation to the construction, repair, and maintenance of the Improvements.

10. Notices and Communications. All notices, statements, demands, requirements, approvals or other communications and documents ("**Communications**") required or permitted to be given, served, or delivered by or to any Party or any intended recipient under this LDA shall be in writing and shall be given to the addresses set forth in this Section 10 ("**Notice Address**"). Communications to a Party shall be deemed to have been duly given (i) on the date and at the time of delivery if delivered personally to the Party to whom notice is given at such Party's Notice Address; or (ii) on the date and at the time of delivery or refusal of acceptance of delivery if delivered or attempted to be delivered by an overnight courier service to the Party to whom notice is given at such Party's Notice Address; or (iii) on the date of delivery or attempted delivery shown on the return receipt if mailed to the Party to whom notice is to be given by first-class mail, sent by registered or certified mail, return receipt requested, postage prepaid and properly addressed to such Party at such Party's Notice Address; or (iv) on the date and at the time shown on the electronic mail message if sent electronically to the address designated in such Party's Notice Address and receipt of such electronic mail message is electronically confirmed. The Notice Addresses for the Developer is as follows:

To Developer:

PCY Holdings, LLC
Attention: Mark Harding
34501 E. Quincy Ave.
Bldg. 34, Box 10
Watkins, Colorado 80137
Telephone: (303) 292-3456
E-mail: mharding@purecyclewater.com

with a copy to:

Fox Rothschild LLP
1225 17th Street, Suite 2200
Denver, CO 80202
Attention: Rick Rubin, Esq.
Telephone: (303) 292-1200
Email: rrubin@foxrothschild.com

To Builder: Challenger Denver, LLC
8605 Explorer Dr., ste 250

Colorado Springs, CO 80920
Attention: Tom Zieske
Telephone: (719) 598-5192
E-mail: TZieske@Challengerhomes.com

with a copy to: _____

_____

_____

Attn: _____
Telephone: _____
E-mail: _____

11. Attorneys' Fees. Except as provided in Section 7.1, should any action be brought in connection with this LDA, including, without limitation, actions based on contract, tort or statute, the substantially prevailing Party in such action shall be awarded all costs and expenses incurred in connection with such action, including reasonable attorneys' fees. The provisions of this Section shall survive the expiration or termination of this LDA.

12. Further Acts. Each of the Parties hereto shall execute and deliver all such documents and perform all such acts as reasonably necessary, from time to time, to carry out the matters contemplated by this LDA.

13. No Partnership; Third Parties. It is not intended by this LDA to, and nothing contained in this LDA shall, create any partnership, joint venture or other arrangement among the Parties hereto. No term or provision of this LDA is intended to, or shall, be for the benefit of any person, firm, organization or corporation not a Party hereto, and no such other person, firm, organization or corporation shall have any right or cause of action hereunder.

14. Entire Agreement; Headings for Convenience Only; Not to be Construed Against Drafter; No Implied Waiver This LDA and all other written agreements among the Parties constitute the entire agreement among the Parties hereto pertaining to the subject matter hereof. No change or addition is to be made to this LDA except by written amendment executed by the Parties. The headings, captions and titles contained in this LDA are intended for convenience of reference only and are of no meaning in the interpretation or effect of this LDA. This LDA shall not be construed more strictly against one (1) Party than another merely by virtue of the fact that it may have been initially drafted by one (1) of the Parties or its counsel, since all Parties have contributed substantially and materially to the preparation hereof. No failure by a Party to insist upon the strict performance of any term, covenant or provision contained in this LDA, no failure by a Party to exercise any right or remedy under this LDA, and no acceptance of full or partial payment owed to a Party during the continuance of any default by the other Party(ies), shall constitute a waiver of any such term, covenant or provision, or a waiver of any such right or remedy, or a waiver of any such default unless such waiver is made in writing by the Party to be bound thereby. Any waiver of a breach of a term or a condition of this LDA shall not prevent a subsequent act, which would have originally constituted a default under this LDA, from having all the force and effect of a default.

15. Governing Law. This LDA is entered into in Colorado and shall be construed and interpreted under the law of the State of Colorado without giving effect to principles of conflicts of law which would result in the application of any law other than the law of the State of Colorado.

16. Severability. If any provision of this LDA is declared void or unenforceable, such provision shall be severed from this LDA and shall not affect the enforceability of the remaining provisions of this LDA.

17. Assignment; Binding Effect. This LDA shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns. Neither Builder or Developer may assign any of its rights or obligations under this LDA without the prior written consent of the other Party(ies), which consent may be withheld in each Party's sole and absolute discretion; provided, however, that:

17.1. Builder may assign, without consent, its rights under this LDA in full, but not in part: (i) to a third party which acquires all of Builder's Builder Lots, or (ii) to an entity that controls, is controlled by, or under common control with, Builder; provided further, however that Developer approves the form of assignment, which approval shall be in Developer's reasonable discretion; and

17.2. Developer may assign, without consent, its rights under this LDA: (i) to an entity that controls, is controlled by, or under common control with, Developer; (ii) to any entity that acquires all or substantially all of the Developer's interests in the Builder Lots which Seller reasonably believes has the financial ability and experience to perform Seller's obligations under this LDA.

18. Counterparts; Copies of Signatures. This LDA may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one (1) and the same instrument. The signature pages from one (1) or more counterparts may be removed from such counterparts and such signature pages all attached to a single instrument so that the signatures of all Parties may be physically attached to a single document. This LDA may be executed and delivered by electronic mail in portable document format (.pdf) or similar means and delivery of the signature page by such method will be deemed to have the same effect as if the original signature had been delivered to the other party. Upon execution of this LDA by Developer and Builder, Developer shall provide a fully executed copy of this LDA to Builder for its records.

19. Time of the Essence. Time is of the essence for performance or satisfaction of all requirements, conditions, or other provisions of this LDA, subject to any specific time extensions set forth herein.

20. Computation of Time Periods. All time periods referred to in this LDA shall include all Saturdays, Sundays and holidays, unless the period of time specifies business days. If the date to perform any act or give a notice with respect to this LDA shall fall on a Saturday, Sunday or national or state holiday, the act or notice may be timely performed on the next succeeding day which is not a Saturday, Sunday or a national or state holiday.

21. Remedies.

21.1. Except as hereinafter provided with regard to Expedited Disputes and the self-help remedy under Section 4.6, if any Party is in default of any of its obligations under this LDA beyond any applicable notice or cure periods, the other Party(ies) may avail itself to any rights and remedies available at law and equity, but may only recover its actual, out-of-pocket damages (excluding any incidental, consequential, speculative, punitive or lost profits damages) incurred as a result of such default. For Expedited Disputes, the sole and exclusive remedy of the Parties is set forth in Section 7 of this LDA, and for Constructing Party Defaults, the sole and exclusive remedy of the Parties is set forth in Section 4.6 of this LDA.

21.2. In addition to the remedies permitted under Section 21.1, any claim by Developer against Builder for breach of Builder's obligation hereunder to pay of any portion of the Deferred Purchase Price, together with simple interest at the Default Interest Rate from the date such payment is due and payable, and all costs and expenses including reasonable attorneys' fees awarded to Developer in enforcing any payment in any suit or proceeding under this LDA, shall constitute a lien ("**Lien**") against the applicable Phase of Builder Lots to which the payment pertains until paid, effective upon the recording of a notice of lien with respect thereto in the Office of the Clerk and Recorder of the County; provided, however, that any such Lien shall be subject and subordinate to (i) liens for taxes and other public charges which by applicable law are expressly made superior, and (ii) all liens recorded in the Office of the Clerk and Recorder of the County prior to the date of recordation of said notice of lien. All liens recorded subsequent to the recordation of the notice of lien described herein shall be junior and subordinate to the Lien. The notice of lien will be signed and acknowledged by Developer and will contain the following: (a) a statement of all amounts due and payable; (b) a description sufficient for identification of the applicable Phase of Builder Lots to which the notice relates; (c) the name of the Builder as owner of such Builder Lots; and (d) the name and address of the Developer causing the notice to be recorded. Developer has the right to enforce the Lien by foreclosing the Lien against the applicable Phase of Builder Lots under the prevailing Colorado law relating to the foreclosure of realty mortgages. Upon the timely curing by the defaulting Builder of any default for which a notice of lien was recorded, the Developer shall record an appropriate release of such notice of lien and Lien. The sale or transfer of a Builder Lot by Builder does not affect the Lien.

22. Jury Waiver. TO THE EXTENT PERMITTED BY LAW, THE PARTIES HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVE, RELINQUISH AND FOREVER FORGO THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THE PROVISIONS OF THIS LDA.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this LDA as of the Effective Date first set forth above.

DEVELOPER:

PCY HOLDINGS, LLC
a Colorado limited liability company

By: Pure Cycle Corporation,
a Colorado corporation
Its Sole Member

By: _____
Name: Mark Harding
Its: President

Designated Representative: _____

BUILDER:

CHALLENGER DENVER, LLC
a Colorado limited liability company

By: _____
Name: _____
Title: _____

Builder's Builder Lots: _____

_____

_____

Designated Representative: _____

List of Exhibits

Exhibit A	Concept Plan, Takedowns, Phases – Description of Property
Exhibit B	List of Plans
Exhibit C	Required Insurance
Exhibit D	Finished Lot Standard
Exhibit E	Wet Utilities – Phased – that will trigger the Builder's payment obligation upon Substantial Completion
Exhibit F	Joint Improvements Memorandum
Exhibit G	Takedown Matrix

Exhibit A
to
Lot Development Agreement

(Concept Plan - Description of Property for Each Applicable Phase)

Exhibit B
to
Lot Development Agreement

(List of Plans for Each Applicable Phase)

Improvements to be Constructed by
Developer

List of Plans:

Exhibit C
to
Lot Development Agreement

(Required Insurance)

Developer or the Substitute Constructing Party (as applicable) shall maintain the amounts and types of insurance described below and shall cause the Service Providers to maintain such coverages from insurance companies licensed to do business in the State of Colorado having a Best's Insurance Report Rating of A/VI or better covering the risks described below:

A. Commercial General Liability Insurance (including premises, operations, products, completed operations, and contractual liability coverages) in an amount not less than One Million Dollars ($1,000,000.00) per occurrence, One Million Dollars ($1,000,000.00) personal injury and advertising injury, and Two Million Dollars ($2,000,000.00) General Aggregate.

B. Automobile Liability Insurance for all motor vehicles operated by or for Developer or Substitute Constructing Party, including owned, hired, and non-owned autos, with minimum Combined Single Limit for Bodily Injury and Property Damage of One Million Dollars ($1,000,000.00) for each occurrence.

C. Workers Compensation Insurance for all employees of Developer or Substitute Constructing Party as required by law, to cover the applicable statutory limits in the State of Colorado and employer's liability insurance with limits of liability of not less than One Million Dollars ($1,000,000.00) for bodily injury by accident (each accident) and One Million Dollars ($1,000,000.00) for bodily injury by disease (each employee).

D. With respect to Service Providers that provide professional services (e.g., engineers), professional liability insurance, including prior acts coverage sufficient to cover any and all claims arising out of the services, or a retroactive date no later than the date of commencement of the services, with limits of not less than One Million Dollars ($1,000,000.00) per claim and Two Million Dollars ($2,000,000.00) annual aggregate. The professional liability insurance shall be maintained continuously during the term of the LDA and so long as the insurance is commercially reasonably available, for a period not less than the Government Warranty Period. The professional liability insurance required by this paragraph shall not contain any exclusions or limitations applicable to residential projects.

The following general requirements shall apply to all insurance policies described in this Exhibit.

1. All liability insurance policies, except workers compensation insurance, shall be written on an occurrence basis.

2. All insurance policies required hereunder except Workers Compensation and Employers Liability shall: (i) name the Parties as "additional insureds" utilizing an ACORD form or equivalent acceptable to Developer or Substitute Constructing Party (as applicable), excluding, however, insurance policies of Service Providers who provide professional services whose insurance policies do not permit the designation of additional insureds; (ii) be issued by an insurer authorized in the State of Colorado; and (iii) provide that such policies shall not be canceled or not renewed, nor shall any material change be made to the policy without at least thirty (30) days' prior written notice to the Parties. Each additional insured endorsement (or each policy, by reasonably acceptable endorsement) shall contain a primary insurance clause providing that the coverage afforded to the additional insureds is primary and that any other insurance or self-insurance available to any of the additional insureds is non-contributing. A waiver of subrogation endorsement for the workers' compensation coverage shall be provided in favor of the Parties.

3. The liability insurance policies shall provide that such insurance shall be primary on a non-contributory basis.

4. Service Providers shall provide Developer or Substitute Constructing Party (as applicable) with certificates, or copies of insurance policies if request by the Developer, evidencing the insurance coverages required by this Exhibit in the certificate form described in Item 2 of this Exhibit, prior to the commencement of any activity or operation which could give rise to a loss to be covered by such insurance. Replacement certificates shall be sent to Developer or Substitute Constructing Party (as applicable), as policies are renewed, replaced, or modified.

5. The foregoing insurance coverage must be maintained in force at all times during the construction of the Improvements.

Exhibit D
to
Lot Development Agreement

(Finished Lot Standard)

"Finished Lot Standard" means all improvements on, to or with respect tothe Builder Lots or in public streets or tracts in the locations as required byall Approving Authorities to obtain building permits and certificates of occupancy for homes constructed on the Builder Lots, and substantially in accordance with the Plans, including the following:

(i) overlot grading together with all property pins for each Builder Lot installed in place, graded to match the specified Builder Lot drainage template within the Plans (but not any Overex);

(j) water and sanitary sewer mains and other required installations in connection therewith identified in the Plans, valve boxes and meter pits, substantially in accordance with the Plans approved by the Approving Authorities, together with appropriate permanent markings in the curb/sidewalk in accordance with Approving Authorities requirements;

(k) storm sewer mains, inlets and other associated storm drainage improvements pertaining to the Builder Lots in the public streets and open space tracts as shown on the Plans;

(l) curb, gutter, asphalt, sidewalks, street striping, street signage, traffic signs, traffic signals (if any are required by the Approving Authorities), and other street improvements, in the private and/or public streets as shown on the Plans;

(m) sanitary sewer service stubs, connected to the foregoing sanitary sewer mains, installed into each respective Builder Lot (to a point beyond any utility easements), together with appropriate markers of the ends of such stubs, as shown on the Plans;

(n) water service stubs connected to the foregoing water mains installed into each Builder Lot (to a point beyond any utility easements), together with appropriate markers of the ends of such stubs, as shown on the Plans;

(o) Lot fill in compliance with the geotechnical engineer's recommendation, and with respect to any filled area or compacted area, provide from a Colorado licensed professional soils engineer a HUD Data Sheet 79G Certification (or equivalent) and a certification that the compaction and moisture content recommendations of the soils engineer were followed and that the grading of the respective Builder Lots complies with the approved grading plans, with overlot grading completed in conformance with the approving Authorities approved grading plans within a +/- 0.2' tolerance of the approved grading plans; however, the Finished Lot Standard does not include any Overex;

(p) all storm water management facilities as shown in the Plans; and

(q) Electricity, natural gas, and telecommunication and cable television services will be installed by local utility companies. The installations may not be completed at the time of a Closing, and are not part of the Finish Lot Standard; provided, however, that: (i) with respect to electric distribution lines and street lights, Developer will have signed an agreement with the electric utility service provider and paid all costs and fees for the installation of electric distribution lines and facilities to serve the Builder Lots, and all sleeves necessary for electric, gas, telephone and/or cable television service to the Builder Lots will be installed; (ii) with respect to gas distribution lines, Developer will have signed an agreement with the gas utility service provider and paid all costs and fees for the installation of gas distribution lines and facilities to serve the Builder Lots. Developer will take commercially reasonable efforts to assist Builder in coordinating with these utility companies to provide final electric, gas, telephone and cable television service to the residences on the Builder Lots, however, Builder must activate such services through an end user contract. Builder acknowledges that in some cases the telephone and cable companies may not have pulled the main line through the conduit if no closings of residences have occurred. Notwithstanding the foregoing, if dry utilities have not been installed upon substantial completion of the Improvements required by the Finished Lot Standard, Developer shall be obligated to have contracted for same and paid all costs and fees payable for such installation. Unless Developer has contracted for such installation and paid such costs before the Effective Date, Developer will give Builder notice when such contracts have been entered and such costs paid.

The Finished Lot Improvements include such offsite improvements which are not necessary to obtain building permits but which are necessary to obtain certificates of occupancy for homes constructed on the Builder Lots, provided that Developer shall only be obligated to complete such offsite improvements at such time as required by the County or other applicable Authority and so as not to delay the issuance of certificates of occupancy for residences constructed by Builder on the Builder Lots.

The Finished Lot Improvements do not include common area landscaping which will be installed at such time as required by the County or other applicable Authority so as not to delay the issuance of building permits or certificates of occupancy for residences constructed by Builder on the Builder Lots.

The Finished Lot Standard does not include Tree Lawns, which is addressed separately in Section 4.11 of the LDA.

Exhibit E
to
Lot Development Agreement

Wet Utilities

Exhibit F
to
Lot Development Agreement

Joint Improvements Memorandum

Exhibit G

to
Lot Development Agreement

Takedown Matrix

Lot Type	Purchase Price	Initial Purchase Price	Deferred Purchase Price
35' Alley Load Lots	$ 72,300.00	$ 24,000.00	$ 48,300.00
SFD 45' Lots	$ 87,000.00	$ 29,000.00	$ 58,000.00

All amounts set forth in the Takedown Matrix are subject to increase as a result of the application of the Escalator in accordance with Section 2(b) of the Contract.

EXHIBIT F

FORM OF TAP PURCHASE AGREEMENT

TAP PURCHASE AGREEMENT
(Sky Ranch)

THIS TAP PURCHASE AGREEMENT ("**Agreement**"), dated as of the _____ day of _____, 20___ (the "**Effective Date**"), by and between **Rangeview Metropolitan District**, a quasi-municipal corporation and political subdivision organized and existing under the constitution and laws of the State of Colorado, acting by and through its water activity enterprise, with the address of 141 Union Boulevard, Suite 150, Lakewood, CO 80228 ("**Rangeview**"), and **Challenger Denver, LLC**, a Colorado limited liability company, with the address of 8605 Explorer Drive, Suite 250, Colorado Springs, Colorado 80920 (the "**Company**"). Rangeview and the Company are sometimes hereafter referred to collectively as the "Parties," and either of them may sometimes hereafter be referred to as a "Party".

RECITALS

A. Company is a party to a Contract for Purchase and Sale of Real Estate (the "**Contract**") for certain property located within the development commonly known as Sky Ranch, County of Arapahoe, State of Colorado, as generally depicted on **Exhibit A** attached hereto and made a part of this Agreement (the "**Property**") and as more particularly described in said Contract.

B. The Property is now undeveloped.

C. Rangeview is authorized to provide water and wastewater services to the Property and the Company desires to obtain such services from Rangeview to allow development of the Property to proceed.

D. Company desires to acquire and use the Property for the construction of approximately one hundred sixty-three (163) single family residential homes, which are to be developed in phases as generally outlined on **Exhibit A**, in compliance with applicable zoning, building, and other laws, rules, and regulations.

E. Rangeview has certain existing water and wastewater infrastructure, and plans to construct additional infrastructure, to provide water and wastewater services at the Property and to other customers.

F. Company desires to purchase from Rangeview water and wastewater taps to serve the Property with the revenue from said purchases to be available to Rangeview in consideration of Rangeview providing water and wastewater services to the Property.

G. The execution of this Agreement will serve a public purpose and promote the health, safety, prosperity, and general welfare of present and future residents and landowners by providing for the planned and orderly extension of water and wastewater services to the Property by Rangeview.

COVENANTS

In consideration of the recitals, the mutual promises and covenants contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Rangeview and Company agree as follows:

ARTICLE I
DEFINITIONS AND INTERPRETATIONS

Section 1.1. Definitions. As used in this Agreement, the words defined below and capitalized throughout the text of this Agreement shall have the respective meanings set forth below:

Agreement: This Tap Purchase Agreement and any amendment to it made in accordance with Section 6.9 below.

Board: The duly constituted Board of Directors of Rangeview.

Company: A Party to this Agreement as described above.

Event of Default: One of the events or the existence of one of the conditions set forth in Section 5.1 below.

Lot: Lot means a single family residential building lot as shown on a final subdivision plat of the Property which designates a unique block and lot number to the Lot.

Person: Any individual, corporation, limited liability company, joint venture, estate, trust, partnership, association, or other legal entity.

Plans: The plans, documents, drawings, and specifications for the engineering, design, surveying, construction, installation, or acquisition of any water and wastewater improvements; including any addendum, change order, revision, or modification affecting the same.

Property: The real property as described above.

Rangeview: A Party to this Agreement as described above.

Residential Unit: One single family residential dwelling unit.

Rules and Regulations: The duly adopted rules, regulations, bylaws, resolutions, policies and procedures of Rangeview governing water and wastewater service, fees and charges, and other matters; effective as of the Effective Date and as may be amended from time to time.

SFE: An SFE shall mean one single family equivalent unit of water or wastewater demand as defined in the Rules and Regulations. Absent unusual circumstances, one SFE is a single family detached residence with an assumed water demand of 0.4 acre feet of water per year, provided with a three-quarter inch water service line and meter, and with a typical balance of in-house and outside water usage. The average wastewater demand for one SFE is 180 gallons of domestic-strength wastewater per day.

Systems: The water and wastewater systems of Rangeview, consisting of the facilities, supplies, assets, and appurtenant property rights owned or directly controlled by Rangeview, which are used and useful to Rangeview to provide water and wastewater services to the Property and other customers but not including the service lines and any other facilities owned by individual customers as established in the Rules and Regulations. The water system may be referred to herein as the "Water System"; the wastewater system may be referred to herein as the "Wastewater System"; and together they may be referred to as the "Water and Wastewater Systems".

System Development Charges. Collectively, the Water System Development Charges and the Wastewater System Charges.

Tap: The physical connection to Rangeview's Water or Wastewater Systems which is authorized by sequentially numbered Water and/or Wastewater Tap Licenses issued by Rangeview for the same.

Tap License: The Tap License issued by Rangeview that acknowledges the receipt of payment of Water System Development Charges and/or Wastewater System Development Charges, along with applicable Administrative Fees, as provided for in the Rules and Regulations, for a specific Lot within the Property.

Wastewater System Development Charge: The Wastewater System Development Charges paid to Rangeview as provided in Section 3.1 below for the right to make a Tap and obtain domestic wastewater service from Rangeview

Water System Development Charge: The Water System Development Charges paid to Rangeview as provided in Section 3.1 below for the right to make a Tap and obtain potable and/or non-potable water service from Rangeview.

Section 1.2. Interpretation. In this Agreement, unless the context otherwise requires:

(a) All definitions, terms, and words shall include both the singular and plural.

(b) Words of the masculine gender include correlative words of the feminine and neuter genders.

(c) The captions or headings of this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provision, article, or section of this Agreement.

(d) The Recitals set forth above are incorporated herein by this reference.

ARTICLE II
WATER AND WASTEWATER SYSTEMS

Section 2.1. Construction of Certain On-Site and Off-Site Water and Wastewater Systems Rangeview has or shall cause the construction and installation of the Water and Wastewater Systems to serve customers within the boundaries of the Property.

Section 2.2. Ownership, Operation and Use of Water and Wastewater Systems The Water and Wastewater Systems, shall be owned, operated, and maintained by Rangeview. The Company's payment of System Development Charges shall not be deemed to give Company any ownership right in any of the Water and Wastewater Systems. The Water and Wastewater Systems shall be available for the use of all persons in accordance with the Rules and Regulations. The proceeds of System Development Charges may be used, in the discretion of the Board, for capital, debt service, operation, maintenance of Water and Wastewater Systems, payment of other costs, fees and charges payable by Rangeview, and other lawful purposes.

Section 2.3. Administration of Water and Wastewater Systems. Rangeview shall establish all rates, fees, tolls, penalties, and charges for the use of the Water and Wastewater Systems. Unless otherwise expressly specified in this Agreement, service to the Property shall be subject to all duly promulgated rates, rules, regulations, and policies of Rangeview.

ARTICLE III
SYSTEM DEVELOPMENT CHARGES

Section 3.1. Water and Wastewater System Development Charges.

(a) Subject to the terms hereof, Rangeview hereby agrees to sell to Company, and Company hereby agrees to purchase from Rangeview, Tap Licenses for one hundred sixty-three (163) Residential Units to be located on the Property.

(b) The use of Tap Licenses and the connection of the Taps shall be subject to all applicable Rules and Regulations, including the requirement for construction by Company at its cost of the "Service Lines" as defined in the Rules and Regulations except as may otherwise be specifically provided for in this Agreement.

(c) System Development Charges per Lot shall be calculated in accordance with the Rules and Regulations The System Development Charges applicable to any particular Lot shall be paid in accordance with the schedule provided for below at Section 3.2. The System Development Charges may increase or decrease prior to issuance of any Tap License, and Company shall pay the amount of the System Development Charge in effect at the time of payment.

(d) Additional Charges. In addition to System Development Charges, Rangeview charges certain administrative fees as outlined in**Exhibit B** that includes a meter/meter set fee, inspection fee, and account set up fee (the "**Administrative Fees**") along with periodic service charges, usage fees, and other rates, fees, charges and assessments as provided for in the Rules and Regulations and consistent with the District's Service Plan, as may be amended from time to time. Such rates, fees, charges and assessments shall be imposed by Rangeview in such amounts as may be determined by its board of directors on a nondiscriminatory basis for similarly situated customers within their respective powers and limitations.

(e) Additional Lots. This Agreement does not obligate Rangeview to extend water and wastewater services to additional lots beyond those specified in Section 3.1(a). Nothing herein shall be deemed or construed to limit Company's ability to obtain water and wastewater services from Rangeview, consistent with the Rules and Regulations, for additional lots located off the Property and where Rangeview has the right to provide such services.

Section 3.2. Schedule for Payment, Changes in Fees.

(a) Payments. Company shall pay the total amount due for System Development Charges and Administrative Fees, as described in Section 3.1(d) above, applicable to a specific Lot not later than the time of issuance of a building permit for the construction of a Residential Unit on said Lot. Payments shall be made by check, to the address specified by Rangeview, or by wire transfer, with routing information as specified by Rangeview.

(b) Changes in Rates, Fees, and Charges. Changes to the System Development Charges, Administrative Fees, or other rates, fees, charges and assessments by Rangeview will become effective, including for Tap Licenses thereafter purchased by the Company under this Agreement, after the Board of Directors adopts and approves such new fees in a publicly noticed meeting of the Board.

Section 3.3. Allocation of Taps. Each Tap License purchased by Company shall be allocated to a Lot within the Property as required by the Rules and Regulations. The SFE allocation for each Lot shall be commensurate with the anticipated demands on the Water and Wastewater Systems as provided in the Rules and Regulations.

Section 3.4. Service Upon Payment. With respect to any Residential Unit, Rangeview will permit a Tap connection only upon payment by Company of the System Development Charge and the Administration Fee provided for in this Agreement.

Section 3.5. Expiration of SFE. If Company fails to use any Tap License purchased from Rangeview by connecting the Tap authorized by such Tap License within one (1) year after the date of purchase, Company's rights to use such Tap License shall expire pursuant to the Rules and Regulations. Although Company is not entitled to a refund of any System Development Charges previously paid, Company shall be entitled to a credit in the amount of those charges previously paid towards the amount of the then-current System Development Charges due and payable at the time any subsequent application is made to purchase a Tap License for service to said Lot.

Section 3.6. License's Non-Transferable, Exception. Company shall not reallocate any Tap License allocated to one Lot on the Property to another Lot without the consent of Rangeview.

Section 3.7. Liability for Service Fee. The then-current owner of the Lot for which the License was furnished shall be liable for payment of all service fees and system operation fees (including minimum service fees, if any) assessed by Rangeview with respect to the particular Tap License purchased.

ARTICLE IV
REPRESENTATIONS, WARRANTIES, AND COVENANTS

Section 4.1. Company Representations. In addition to the other representations, warranties, and covenants made by Company in this Agreement, Company makes the following representations, warranties, and covenants to Rangeview.

(a) Upon purchase of the Property, Company will have good and marketable title to the Property.

(b) Company has the full right, power, and authority to enter into, perform, and observe this Agreement.

(c) Neither the execution of this Agreement, the consummation of the transactions contemplated under it, nor the fulfillment of or the compliance with the terms and conditions of this Agreement by Company will conflict with or result in a breach of any terms, conditions, or provisions of, or constitute a default under, or result in the imposition of any prohibited lien, charge, or encumbrance of any nature under any agreement, instrument, indenture, or any judgment, order, or decree to which Company is a party or by which the Company or the Property are bound.

Section 4.2. Rangeview Representations. In addition to the other representations, warranties, and covenants made by the Rangeview in this Agreement, Rangeview makes the following representations, warranties, and covenants to Company:

(a) Rangeview is authorized under the Constitution and laws of the State of Colorado to execute this Agreement and perform its obligations under this Agreement, and all action on its part for the execution and delivery of this Agreement has been or will be duly and effectively taken.

(b) Rangeview has the right, power, and authority to enter into, perform, and observe this Agreement and to allocate Tap Licenses to Lots on the Property and no third-party consent or approval is required for the performance of the Rangeview's obligations hereunder.

(c) Neither the execution of this Agreement, the consummation of the transactions contemplated under it, nor the fulfillment of or the compliance with the terms and conditions of this Agreement by Rangeview will conflict with or result in a breach of any terms, conditions, or provisions of, or constitute a default under, or result in the imposition of any prohibited lien, charge, or encumbrance of any nature under any agreement, instruction, indenture, resolution, or any judgment, order, or decree of any court to which Rangeview is a Party or by which Rangeview is bound.

(d) To Rangeview's actual knowledge, based on the representations of the Company, as of the date hereof, the number of SFEs identified in Section 3.1(a) are sufficient under the Rules and Regulations of Rangeview for servicing the proposed Residential Units; however, Company is responsible for determining the sufficiency of said number of SFEs for Company's use on the Property and if additional SFEs are needed, Company shall acquire the same from Rangeview.

Section 4.3. Instruments of Further Assurance. To the extent allowed by applicable law, Rangeview and Company covenant that they will do, execute, acknowledge, and deliver or cause to be done, executed, acknowledged, and delivered, such acts, instruments, and transfers as may reasonably be required for the performance of their obligations under this Agreement.

ARTICLE V
DEFAULT, REMEDIES, AND ENFORCEMENT

Section 5.1. Events of Default. The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an Event of Default under this Agreement:

(a) Failure of the Company to pay any System Development Charges, and/or service fees when the same shall become due and payable as provided in this Agreement or, as applicable, under the applicable Rules and Regulations of Rangeview. The non-payment of any amount due hereunder when due, if such failure continues for a period of ten (10) business days after the delivery of written notice from Rangeview to Company, shall constitute a default.

(b) Failure to perform or observe any other of the material covenants, agreements, or conditions in this Agreement;

(c) The failure of any material representation or warranty made in this Agreement;

Section 5.2. Occurrence of Event of Default by Company Results in Forfeiture. Upon the occurrence of an Event of Default by Company, after written notice by Rangeview to the Company and opportunity to cure as provided in Section 5.5, and at the election of Rangeview, in its sole discretion, Company's rights to receive any SFEs for which System Development Charges have not been received by Rangeview shall be suspended until the Event of Default is cured; provided, that such suspension shall not act to terminate the provision of water and wastewater service to a connected Tap for which a Tap License has been issued and System Development Charges have been paid.

Section 5.3. Remedies on Occurrence of Events of Default.

(a) Upon the occurrence of an Event of Default by Company, after written notice by Rangeview to the Company and opportunity to cure as provided in Section 5.4, Rangeview shall have the following rights and remedies:

(i) To shut off or discontinue water and/or wastewater service, in accordance with law and the Rules and Regulations, to those Lots owned by Company for which service fees have not been paid or that otherwise are not compliant with the Rules and Regulations.

(ii) To protect and enforce its rights under this Agreement and any provision of law by such suit, action, or special proceedings as Rangeview shall deem appropriate, including, without limitation, any proceedings for the specific performance of any covenant or agreement contained in this Agreement or the enforcement of any other appropriate legal or equitable remedy, or for the recovery of damages caused by breach of this Agreement, including reasonable attorneys' fees and all other costs and expenses incurred in enforcing this Agreement;

(iii) To enforce collection of any amount due to Rangeview by collection upon its perpetual lien against the property served as provided in C.R.S. § 32-1-1001(1)(j) or (k) whether the amounts are due for property within or without the district boundary of Rangeview;

(iv) To terminate or rescind this Agreement as provided for in Section 5.2; and

(v) If an Event of Default is also a violation of the Rules and Regulations of Rangeview, then Rangeview shall have all remedies available to them to enforce the Rules and Regulations in addition to the remedies provided under this Agreement

(b) Upon the occurrence of an Event of Default by Rangeview, after written notice by the Company and opportunity to cure as provided in Section 5.5, the Company is entitled to such remedies at law or in equity that are available to it; provided, that such default shall not act to terminate the provision of water and wastewater service to a Lot owned by Company for which a valid Tap License has been obtained and water and wastewater service fees have been paid.

(c) Delay or Omission No Waiver. No delay or omission of Rangeview or Company to exercise any right or power accruing upon any Event of Default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such Event of Default, or acquiescence in the Event of Default.

Section 5.4. No Waiver of One Default to Affect Another; All Remedies Cumulative; Notice and Opportunity to Cure No waiver of any Event of Default under this Agreement by Rangeview or Company shall extend to or affect any subsequent or any other then-existing Event of Default or shall impair any rights or remedies available for such other Event of Default. All rights and remedies of Rangeview and Company whether or not provided in this Agreement, may be exercised following notice and an opportunity to cure such default within ten (10) business days, shall be cumulative, may be exercised separately, concurrently, or repeatedly, and the exercise of any such right or remedy shall not affect or impair the exercise of any other right or remedy.

Section 5.5. No Effect on Rights. No recovery of any judgment by Rangeview shall in any manner or to any extent affect any rights, powers, or remedies of Rangeview or Company under this Agreement, but such rights, powers, and remedies of Rangeview or Company shall continue unimpaired as before. No moratorium shall impair the rights of Rangeview or Company hereunder.

Section 5.6. Discontinuance of Proceedings on Default; Position of Parties Restored. In case Rangeview or Company shall have proceeded to enforce any right under this Agreement and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to Rangeview or Company, then and in every such case Rangeview and Company shall be restored to their former positions and rights hereunder (unless Rangeview shall have exercised its right to terminate or rescind this Agreement), and, except as may be barred by res judicata, all rights, remedies, and powers of Rangeview and the Company shall continue as if no such proceedings had been taken.

Section 5.7. Unconditional Obligation. The obligations of Company to pay the System Development Charges as provided for herein shall be absolute and unconditional and shall be binding and enforceable in all circumstances and shall not be subject to setoff or counterclaim.

ARTICLE VI
MISCELLANEOUS PROVISIONS

Section 6.1. Effective Date. Upon the execution by both Parties of this Agreement, this Agreement shall be in full force and effect and be legally binding upon each Party on the date first written above.

Section 6.2. Time of the Essence. Time is of the essence under this Agreement. If the last day permitted or the date otherwise determined for the performance of any act required or permitted under this Agreement falls on a Saturday, Sunday or legal holiday, the time for performance shall be the next succeeding weekday that is not a holiday, unless otherwise expressly stated.

Section 6.3. Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any Person other than Rangeview and the Company, any right, remedy, or claim under or by reason of this Agreement or any covenants, terms, conditions, or provisions hereof, and all the covenants, terms, conditions, and provisions in this Agreement by and on behalf of Rangeview and Company shall be for the sole and exclusive benefit of Rangeview and the Company. The covenants, terms, conditions, and provisions contained herein and all amendments of this Agreement shall inure to and be binding upon the heirs, personal representatives, successors and assigns of the Parties hereto, provided that any assignment that requires consent as provided in Section 6.4 hereof has been consented to by Rangeview.

Section 6.4. Assignment. Except as provided in Section 3.6, Company shall not assign its rights or obligations (in whole or in part) under this Agreement without the prior written consent of Rangeview. Any other assignment of this Agreement without written consent by Rangeview and resolution by the Board shall be void. Except for an assignment by Rangeview to another municipal, quasi-municipal, or political subdivision that is a water and/or wastewater service provider, Rangeview shall not assign its rights or obligations (in whole or in part) under this Agreement without the prior written consent of Company.

Section 6.5. Impairment of Credit. None of the obligations of Company hereunder shall impair the credit of Rangeview. Rangeview shall be able to rely upon the timely performance of the obligations by Company to pay for Taps as herein provided.

Section 6.6. Notices. Except as otherwise provided herein, any notice or other communication required to be given hereunder will be in writing and delivered personally, sent by United States certified mail, return receipt requested, by reputable overnight courier, or by facsimile, in each case addressed to the Party to receive such notice at the following addresses:

If to District: Rangeview Metropolitan District
Attn: Manager
141 Union Boulevard Suite 150,
Lakewood, Colorado 80228
E-mail: ljohnson@SDMI.com

with a copy to: Rangeview Metropolitan District
Attn: Mark Harding, President
34501 East Quincy Ave., Bldg. 34, Box 10
Watkins, Colorado 80137
Facsimile No: (303)292-3475
E-mail: mharding@purecyclewater.com

To Purchaser: Challenger Denver, LLC
8605 Explorer Dr, Ste 250
Colorado Springs, CO 80920
Attn: Tom Zieske
Telephone: (719) 598-5192
Email: tzieske@challengerhomes.com

Any notice delivered personally will be deemed given on receipt; any notice delivered by mail will be deemed given three business days after the deposit thereof in the United States mail with adequate postage prepaid; any notice delivered by overnight courier will be deemed given one business day after the same has been deposited with the courier, with delivery charges prepaid; and any notice given by facsimile will be deemed given on receipt by the recipient's facsimile facilities.

Section 6.7. Severability. If any covenant, term, condition, or provision under this Agreement shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such covenant, term, condition, or provision shall not affect any other provision contained in this Agreement, the intention being that such provisions are severable.

Section 6.8. Venue. Exclusive venue for all actions arising from this Agreement shall be in the District Court in and for Arapahoe County, Colorado.

Section 6.9. Amendment. This Agreement may be amended from time to time by agreement between Rangeview and Company; provided, however that no amendment, modification, or alteration of the terms or provisions of this Agreement shall be binding upon Rangeview or Company unless the same is in writing and duly executed by Rangeview and Company.

Section 6.10. Entirety. This Agreement, together with the recitals and exhibits attached hereto, constitutes the entire contract between Rangeview and Company concerning the subject matter herein, and all prior negotiations, representations, contracts, understandings, or agreements pertaining to such matters are merged into and superseded by this Agreement.

Section 6.11. Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Colorado.

Section 6.12. Attorneys' Fees. Should any action be brought in connection with this Agreement, including, without limitation, actions based on contract, tort or statute, the prevailing party in such action shall be awarded all costs and expenses incurred in connection with such action, including reasonable attorneys' fees, plus interest at a rate of 18% per annum on all said costs from the date of expenditure. The provisions of this Paragraph 6.12 shall survive purchase of all Taps by Company, or the expiration or termination of this Agreement.

[signature pages follow]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the date first written above:

COMPANY:

CHALLENGER DENVER, LLC
a Colorado limited liability company

By: _____
Name: _____
Its: _____

RANGEVIEW:

RANGEVIEW METROPOLITAN DISTRICT,
a Colorado quasi-municipal corporation and political subdivision acting by and through its water enterprise

By: _____
President

ATTEST:

By: _____
Secretary

EXHIBIT A

To Tap Purchase Agreement

[Diagram of Property]

EXHIBIT B

to Tap Purchase Agreement

RANGEVIEW RATES AND CHARGES

Being Appendices C and E of the Rules and Regulations

(Current as of the Effective Date)

EXHIBIT G

SKY RANCH LOT DEVELOPMENT FEE SCHEDULE
(CURRENT AS OF __/__/20__)

Fee Description	Timing	Contact Information
System Development Fees (Tap Fees) (Issued to Rangeview Metropolitan District) Water Tap Fee per unit= $27,209 (for 1 SFE lot) Wastewater Tap Fee per unit= $4,752 Meter Set Fee (3/4") per unit or irrigated area = $408.23 Service Line Inspection Fee per meter= $75.00	Building Permit	Brent Brouillard 303-292-3456 bbrouillard@purecyclewater.com
Public Improvement Fee (Issued to Sky Ranch CAB) 2.75% of 50% of construction valuation per lot	Building Permit	Rick Dinkel 303-292-3475 rdinkel@purecyclewater.com
Fire Development Fee (Issued to Bennett-Watkins Fire) $1,500/lot	Building Permit	Life Safety Assistant/Fire Inspector Victoria Flamini 355 4th Street Bennett, CO 80102 303-644-3572
Operations & Maintenance Fee (Issued to Sky Ranch CAB) $50/month per lot (prorated to $25 for builder owned lots) $100 One-time turnover fee	Substantial Completion of Lot	Rick Dinkel 303-292-3475 rdinkel@purecyclewater.com
Stormwater Management Co-Op (Issued to Pure Cycle) $500/lot	Takedown Closing	Robert McNeill 303-292-3475 rmcneill@purecyclewater.com

Marketing Co-Op (Issued to Pure Cycle) $1,000/lot	Takedown Closing	Robert McNeill 303-292-3475 rmcneill@purecyclewater.com
Public Improvement District – TBD Additional mill levies for regional improvements such as I70 interchange, Schools, 1st Creek Bridges, Rec Center, etc. will be required Objective is for Phase 2 total mill levies not to exceed Phase 1 total mill levies	Building Permit	TBD

EXHIBIT H

FORM OF BUILDER DESIGNATION

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Attn:

DESIGNATION OF BUILDER

THIS DESIGNATION OF BUILDER (this "**Designation**") is made and entered into this ____ day of _____ 20__ (the '**Effective Date**"), by and between **PCY HOLDINGS, LLC**, a Colorado limited liability company ("**Developer**"), whose address is 34501 E. Quincy Ave, Bldg. 34, Box 10, Watkins, CO 80137, and **CHALLENGER DENVER, LLC,** a Colorado limited liability company ("**Challenger**"), whose legal address is 8605 Explorer Dr., Ste 250, Colorado Springs, CO 80920.

RECITALS

A. Developer is a Developer under the Covenants, Conditions and Restrictions for Sky Ranch, recorded in the real property records of Arapahoe County, Colorado (the "**Records**") on August 10, 2018 at Reception No. D8079588 (the "**Covenants**").

B. On the Effective Date, Challenger has acquired from Developer a portion of the Property (as defined in the Covenants) that is subject to the Covenants, which portion is more particularly described on **Exhibit A** attached hereto and incorporated herein by this reference (the '**Builder Property**").

C. Developer desires to designate Challenger as a Builder under the Covenants in conjunction with Challenger's purchase of the Builder Property from Developer, as set forth herein.

DESIGNATION

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Developer and Challenger agree as follows:

1. Recitals. The foregoing Recitals are incorporated herein by this reference.

2. Defined Terms. Terms herein set in initial capital letters but not defined herein shall have the meanings given them in the Covenants.

3. Designation of Builder. Developer hereby designates Challenger as a Builder under the Covenants with respect to, but only with respect to, the Builder Property. Challenger hereby accepts the foregoing Builder designation from Developer with an acknowledgment that Builder shall mean the party responsible for the vertical construction of Homes, onsite development work (including Overex), any landscaping, and any other improvements on the Lots, except for Developer's Finished Lot Improvements.

4. Miscellaneous. This Designation embodies the entire agreement between the parties as to its subject matter and supersedes any prior agreements with respect thereto. The validity and effect of this Designation shall be determined in accordance with the laws of the State of Colorado, without reference to its conflicts of laws principles. This Designation may be modified only in writing signed by both parties. This Designation may be executed in any number of counterparts and each counterpart will, for all purposes, be deemed to be an original, and all counterparts will together constitute one instrument.

5. Binding Effect. This Designation is binding upon and inures to the benefit of Developer and Challenger and their respective successors and assigns, and shall be recorded in the Records.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

DEVELOPER:

PCY HOLDINGS, LLC,
a Colorado limited liability company

By: Pure Cycle Corporation,
a Colorado corporation,
its sole member

By: _____
Name: Mark Harding
Its: President

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____ 20__, by Mark Harding as President of Pure Cycle Corporation, a Colorado corporation, sole member of PCY HOLDINGS, LLC, a Colorado limited liability company.

Witness my hand and official seal.
My commission expires:

_____
Notary Public

CHALLENGER:

CHALLENGER DENVER, LLC,
a Colorado limited liability company

By: _____
Name: _____
Title: _____

STATE OF COLORADO)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20__, by _____ as _____ of Challenger Denver, LLC a Colorado limited liability company.

Witness my hand and official seal.
My commission expires:

_____
Notary Public

Exhibit 10.26

PCY HOLDINGS, LLC

and

MELODY HOMES, INC.

CONTRACT FOR PURCHASE AND SALE OF REAL ESTATE

(Sky Ranch)

Table of Contents

DEFINITIONS

"45' Alley Load Lots" shall have the meaning set forth in the Recitals.
"Additional Deposit" shall have the meaning set forth in Section 3(a).
"APS Mill Levy" shall have the meaning set forth in Section 4(d)(iii).
"Architectural Review Committee" shall have the meaning set forth in Section 12(d).
"ASP" shall have the meaning set forth in Section 5(a)(i).
"ASP Criteria" shall have the meaning set forth in Section 12(d).
"Authorities" and "Authority" shall have the meaning set forth in the Recitals.
"BMPs" shall have the meaning set forth in Section 29(x).
"Board" shall have the meaning set forth in Section 16(b).
"BP Restriction" shall have the meaning set forth in Section 5(b).
"Builder Designation" shall have the meaning set forth in Section 8(d)(ii)(7).
"CAB" shall have the meaning set forth in Section 4(d)(i).
"CABEA" shall have the meaning set forth in Section 16(c).
"CDs" shall have the meaning set forth in Section 5(a)(i).
"Closed" shall have the meaning set forth in Section 7.
"Closing Date" shall have the meaning set forth in Section 8(a).
"Closing Purchase Price Payment" shall have the meaning set forth in Section 2(a).
"Closing" shall have the meaning set forth in Section 7.
"Communications Improvements" shall have the meaning set forth in Section 21.
"Communications" shall have the meaning set forth in Section 29(j).
"Completion Notice" shall have the meaning set forth in Section 5(c).
"Continuation Notice" shall have the meaning set forth in Section 10(a).
"Contract" shall have the meaning set forth in the Preamble.
"County" shall have the meaning set forth in the Recitals.
"County Records" shall have the meaning set forth in Section 5(a)(i).
"Dedications" shall have the meaning set forth in Section 18.
"Deposit" shall have the meaning set forth in Section 3(a).
"Design Guidelines" shall have the meaning set forth in Section 12(d).
"Development" shall have the meaning set forth in the Recitals.
"District" shall have the meaning set forth in Section 9(d).

"District Documentation" shall have the meaning set forth in Section 4(d)(iii).
"District Improvements" shall have the meaning set forth in Section 16(b).
"Due Diligence Period" shall have the meaning set forth in Section 10(a).
"Easement" shall have the meaning set forth in Section 21.
"Effective Date" shall have the meaning set forth in the Preamble.
"Engineer" shall have the meaning set forth in Section 5(d).
"Entitlements" shall have the meaning set forth in Section 5(a)(i).
"Environmental Claim" shall have the meaning set forth in Section 10(g).
"Environmental Laws" shall have the meaning set forth in Section 10(g).
"EPA" shall have the meaning set forth in Section 10(b).
"Escalator" shall have the meaning set forth in Section 2(b).
"Feasibility Review" shall have the meaning set forth in Section 10(a).
"Filing" and "Filings" shall have the meaning set forth in the Recitals.
"Final Approval" shall have the meaning set forth in Section 5(a)(i).
"Final Lotting Diagram" shall have the meaning set forth in Section 1.
"Final Plat" shall have the meaning set forth in Section 5(a)(i).
"Finished Lot Improvement Deadline" shall have the meaning set forth in Section 8(a).
"Finished Lot Improvements" shall have the meaning set forth in the Recitals.
"First Closing" shall have the meaning set forth in Section 1.
"Fourth Closing" shall have the meaning set forth in Section 1.
"Gallagher Adjustments" shall have the meaning set forth in Section 4(d)(iii).
"GDP" shall have the meaning set forth in Section 5(a)(i).
"General Assignment" shall have the meaning set forth in Section 8(d)(ii)(9).
"Good Funds" shall have the meaning set forth in Section 2(a).
"Governmental Fees" shall have the meaning set forth in Section 18.
"Government Warranty Period" shall have the meaning set forth in Exhibit C, Section 5(a).
"Governmental Warranty" shall have the meaning set forth in Exhibit C, Section 5(a).
"Grading Deposit" shall have the meaning set forth in Section 3(a).
"Hazardous Materials" shall have the meaning set forth in Section 10(g).
"Homebuyer Disclosures" shall have the meaning set forth in Section 12(e).
"Homeowners' Association" shall have the meaning set forth in Section 17.

"Homes", "Houses", and "Residences" (in the singular or plural) shall have the meaning set forth in Section 12(d)(i).
"House Plans" shall have the meaning set forth in Section 12(d)(i).
"IGA" shall have the meaning set forth in Section 16(c).
"Infrastructure Improvements" shall have the meaning set forth in Section 18.
"Initial Deposit" shall have the meaning set forth in Section 3(a).
"Initial Purchase Condition" shall have the meaning set forth in Section 6(a)(i).
"Interchange Condition" shall have the meaning set forth in Section 6(a)(ii).
"Interchange Upgrades" shall have the meaning set forth in Section 5(b).
"Lien Affidavit" shall have the meaning set forth in Section 4(a).
"Lot" and "Lots" shall have the meaning set forth in the Recitals.
"Lot Development Fee Schedule" shall have the meaning set forth in Section 16(a).
"Lotting Diagram" shall have the meaning set forth in the Recitals.
"Maintenance Declaration" shall have the meaning set forth in Section 12(d)(i).
"Master Commitment" shall have the meaning set forth in Section 4(a).
"Master Covenants" shall have the meaning set forth in Section 4(d)(i).
"Master Declaration" shall have the meaning set forth in Section 4(d)(i).
"Maximum Mills Limitation" shall have the meaning set forth in Section 4(d)(iii).
"Metro District Payments" shall have the meaning set forth in Section 16(b).
"New Exception Objection" shall have the meaning set forth in Section 4(b).
"New Exception Review Period" shall have the meaning set forth in Section 4(b).
"New Exceptions" shall have the meaning set forth in Section 4(b).
"NOI" shall have the meaning set forth in Section 29(x).
"Non-Government Warranty Period" shall have the meaning set forth in Exhibit C, Section 5(b).
"Non-Government Warranty" shall have the meaning set forth in Exhibit C, Section 5(b).
"Non-Seller Caused Exception" shall have the meaning set forth in Section 4(b).
"NORM" shall have the meaning set forth in Section 10(b).
"OFAC" shall have the meaning set forth in Section 1.
"Other New Exceptions" shall have the meaning set forth in Section 4(b).
"Overex" shall have the meaning set forth in Section 5(d).
"Overex Diligence Amount" shall have the meaning set forth in Section 5(d).

"Owner's Affidavit" shall have the meaning set forth in Section 4(a).
"Permissible New Exceptions" shall have the meaning set forth in Section 4(b).
"Permitted Closing Day" shall have the meaning set forth in Section 8(b).
"Permitted Exceptions" shall have the meaning set forth in Section 9.
"PIF Covenant" shall have the meaning set forth in Section 9(e).
"Plans" shall have the meaning set forth in Section 5(d).
"Plat Certificate" shall have the meaning set forth in Section 4(a).
"Property" shall have the meaning set forth in the Recitals.
"Public Improvement District" or "PID" shall have the meaning set forth in Section 4(d)(ii).
"Public Improvements" shall have the meaning set forth in Exhibit C, Section 5(a).
"Punch-List Items" shall have the meaning set forth in Section 5(c).
"Purchase Price" shall have the meaning set forth in Section 2.
"Purchaser" shall have the meaning set forth in the Preamble.
"Purchaser Parties" shall have the meaning set forth in Section 10(i).
"Purchaser's Conditions Precedent" shall have the meaning set forth in Section 6(b).
"Purchaser's Geotechnical Reports" shall have the meaning set forth in Section 10(d).
"Purchaser's SWPPP" shall have the meaning set forth in Section 29(x).
"Rangeview" shall have the meaning set forth in Section 16(a).
"Regional Improvements" shall have the meaning set forth in Section 4(d)(ii).
"Regional Improvements Authority" shall have the meaning set forth in Section 4(d)(ii).
"Regional Improvements Mill Levy" shall have the meaning set forth in Section 4(d)(iii).
"Reservations and Covenants" shall have the meaning set forth in Section 8(d)(ii)(1).
"SDF" shall have the meaning set forth in Section 16(d)(iii).
"SDP" shall have the meaning set forth in Section 5(a)(i).
"Second Closing" shall have the meaning set forth in Section 1.
"Seller" shall have the meaning set forth in the Preamble.
"Seller Caused Exception" shall have the meaning set forth in Section 4(b).
"Seller Cure Period" shall have the meaning set forth in Section 4(b).
"Seller Documents" shall have the meaning set forth in Section 10(a).
"Seller Party" or "Seller Parties" shall have the meaning set forth in Section 5(d).
"Seller's Actual Knowledge" shall have the meaning set forth in Section 11.

"Seller's Condition Precedent" shall have the meaning set forth in Section 6.
"Seller's Express Representations" shall have the meaning set forth in Section 10(f).
"Seller's Representations" shall have the meaning set forth in Section 11.
"Service" shall have the meaning set forth in Section 21.
"Service Plans" shall have the meaning set forth in Section 16(c).
"SFD 50' Lots" shall have the meaning set forth in the Recitals.
"Sidewalks" shall have the meaning set forth in Exhibit C, Section 4.
"Sky Ranch" shall have the meaning set forth in the Recitals.
"Sky Ranch Districts" shall have the meaning set forth in Section 16(c).
"Substantially Complete" or "Substantial Completion" shall have the meaning set forth in Section 5(c)(i).
"Survey" shall have the meaning set forth in Section 4(a).
"SWPPP" shall have the meaning set forth in Section 29(x).
"Takedown" shall have the meaning set forth in the Recitals.
"Takedown 1 Closing" shall have the meaning set forth in Section 8(a).
"Takedown 1 Closing Date" shall have the meaning set forth in Section 8(a).
"Takedown 1 Finished Lot Improvement Deadline" shall have the meaning set forth in Section 8(a).
"Takedown 1 Lots" shall have the meaning set forth in the Recitals.
"Takedown 2 Closing" shall have the meaning set forth in Section 8(a).
"Takedown 2 Closing Date" shall have the meaning set forth in Section 8(a).
"Takedown 2 Lots" shall have the meaning set forth in the Recitals.
"Takedown 3 Closing" shall have the meaning set forth in Section 8(a).
"Takedown 3 Closing Date" shall have the meaning set forth in Section 8(a).
"Takedown 3 Lots" shall have the meaning set forth in the Recitals.
"Takedown 4 Closing" shall have the meaning set forth in Section 8(a).
"Takedown 4 Closing Date" shall have the meaning set forth in Section 8(a).
"Takedown 4 Lots" shall have the meaning set forth in the Recitals.
"Takedown Commitment" shall have the meaning set forth in Section 4(b).
"Tap Purchase Agreement" shall have the meaning set forth in Section 16(a).
"Third Closing" shall have the meaning set forth in Section 1.

"Title Company" shall have the meaning set forth in Section 4(a).
"Title Company Indemnity" shall have the meaning set forth in Section 4(a).
"Title Objections" shall have the meaning set forth in Section 4(a).
"Title Policy" shall have the meaning set forth in Section 4(e).
"Tree Lawns" shall have the meaning set forth in Exhibit C, Section 4.
"Uncontrollable Event" shall have the meaning set forth in Section 12(e).
"Utility Deposit" shall have the meaning set forth in Section 3(a).

CONTRACT FOR PURCHASE
AND SALE OF REAL ESTATE

THIS CONTRACT FOR PURCHASE AND SALE OF REAL ESTATE (this "**Contract**") is entered into as of the Effective Date (as hereinafter defined) by and between PCY HOLDINGS, LLC, a Colorado limited liability company ("**Seller**"), and MELODY HOMES, INC., a Delaware corporation ("**Purchaser**").

RECITALS:

A. Seller is developing a master planned residential community known as '**Sky Ranch**" which is located in Arapahoe County, Colorado ("**County**"). The Sky Ranch master planned residential community may also be referred to herein as the "**Development**". The conceptual development plan and lotting diagram for Phase B of the Development (the "**Lotting Diagram**") are attached hereto as **Exhibit A** and incorporated herein by this reference. The Development is being platted in several subdivision filings and developed in phases. Each subdivision filing is hereinafter sometimes respectively referred to as a "**Filing**" and collectively as "**Filings**".

B. Seller desires to sell to Purchaser, and Purchaser desires to purchase and obtain from Seller, approximately 236 platted and finished (as provided in this Contract) single family residential lots (individually referred to as a "**Lot**" and collectively as the "**Lots**") in the Development which will be finished in accordance with this Contract and which will be used for the construction of single family residential dwellings upon the terms and conditions set forth in this Contract.

C. Seller is selling residential lots within the Development to multiple homebuilders, including Purchaser. The Lots to be sold by Seller and acquired by Purchaser that are located within the Development shall be hereinafter collectively referred to as the "**Property**." The Lots will be conveyed at one or more Closings as more particularly provided herein and each such Closing may be referred to herein as a "**Takedown.**" The Lots which are to be conveyed at the first Closing shall be sometimes hereinafter collectively referred to as the "**Takedown 1 Lots**"; the Lots which are to be conveyed at the second Closing shall be sometimes hereinafter collectively referred to as the "**Takedown 2 Lots**"; the Lots which are to be conveyed at the third Closing shall be sometimes hereinafter collectively referred to as the "**Takedown 3 Lots**"; and the Lots which are to be conveyed at the fourth Closing shall be sometimes hereinafter collectively referred to as the "**Takedown 4 Lots**".

D. As of the Effective Date, the Lots have not been subdivided pursuant to a recorded final subdivision plat. The number and location of the Lots to be acquired by Purchaser are generally depicted on the Lotting Diagram. The precise number, dimension and location of the Lots will be established by the Final Plat (hereafter defined) for such Lots at the time it is approved by the County and/or any other relevant governmental authority (collectively, the "**Authorities**" and each an "**Authority**"). As of the Effective Date, the parties anticipate that Purchaser will acquire approximately 236 Lots, of which approximately:

- Seventy-Seven (77) Lots that are approximately 45 feet wide by approximately 100 feet deep for the construction of detached single family alley load homes ("**45' Alley Load Lots**"); and

- One Hundred Fifty-Nine (159) Lots that are approximately 50 feet wide by approximately 110 feet deep for the construction of detached single family homes ("**SFD 50' Lots**").

E. The Lots which are acquired at each Closing will be finished lots and Seller will construct or cause to be constructed certain infrastructure improvements for the Lots as described on **Exhibit C** attached hereto (the "**Finished Lot Improvements**").

NOW, THEREFORE, in consideration of the mutual promises and covenants of the parties as hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

AGREEMENT:

1. Purchase and Sale. The Property shall be purchased at four (4) Closings. Subject to the terms and conditions of this Contract, Seller agrees to sell to Purchaser, and Purchaser agrees to purchase from Seller, on or before the dates set forth in Section 8(b) below, the Lots in each Takedown, as generally depicted on the Lotting Diagram and as follows:

- At the Takedown 1 Closing ("**First Closing**"), Twenty-One (21) 45' Alley Load Lots and Forty-Six (46) SFD 50' Lots;

- At the Takedown 2 Closing ("**Second Closing**"), Sixteen (16) 45' Alley Load Lots and Twenty-Seven (27) SFD 50' Lots;

- At the Takedown 3 Closing ("**Third Closing**"), Twenty (20) 45' Alley Load Lots and Forty-Two (42) SFD 50' Lots; and

- At the Takedown 4 Closing ("**Fourth Closing**"), Twenty (20) 45' Alley Load Lots and Forty-Four (44) SFD 50' Lots.

Notwithstanding the foregoing, however, the parties acknowledge and agree that the Parties shall negotiate during the Due Diligence Period to reach agreement on a mutually acceptable site plan for the Lots ("**Final Lotting Diagram**") and that the exact number and location of the Lots within each Takedown are subject to adjustment based upon the approval by the Authorities of the Final Plat (as hereinafter defined) that includes the Lots to be acquired by Purchaser at each Takedown. The precise number, dimension (subject to the provisions of this Contract), location and legal description of the Lots will be established at the time the Final Plat for such Lots is approved by the County and/or any other Authority, and upon approval of each such Final Plat the parties shall execute an amendment to this Contract setting forth the legal description of those Lots included in the approved Final Plat. Notwithstanding anything in this Contract to the contrary, if, for any Takedown anticipated hereunder the Final Approval of the Final Plat therefor establishes a total number of Lots to be acquired at such Takedown which is ten percent (10%) less than the total Lot count identified for such Takedown in the Final Lotting Diagram approved by Purchaser prior to the expiration of the Due Diligence Period, then Purchaser may terminate this Contract by delivery of written notice to Seller, in which event that portion of the Deposit not previously applied at a Closing shall be returned to Purchaser, and neither party shall have any further rights or obligations under this Contract, except those that expressly survive such termination.

2 . Purchase Price. The purchase price to be paid by Purchaser to Seller for each Lot (the **Purchase Price**") shall consist of the Closing Purchase Price Payment (as hereinafter defined). The Purchase Price for each Lot shall be calculated as provided in the following Section 2(a) and shall be subject to adjustment as provided in Section 2(b) below:

(a) Purchase Price Payments. For each Lot the Purchase Price shall be the "**Closing Purchase Price Payment**" of Ninety-Five Thousand and 00/100 Dollars ($95,000.00) for each 45' Alley Load Lot and One Hundred Eight Thousand and 00/100 Dollars ($108,000.00) for each SFD 50' Lot, to be paid by Purchaser to the Title Company as escrow agent for the benefit of Seller at the applicable Closing by wire transfer or other immediately available and collectible funds ("**Good Funds**") (subject to adjustment as hereinafter provided in Section 2(b) of this Contract);

(b) Purchase Price Escalator. The Purchase Price of each Lot that is acquired at any Closing after the First Closing will increase by an amount equal to the amount of simple interest that would accrue on the Purchase Price for a Lot for the period elapsing between the date that the First Closing occurs until the date the applicable Closing occurs, at a per annum rate equal to four percent (4.0%) (the "**Escalator**"). By way of example and for clarification purposes only, if the Purchase Price of a Lot at the Closing of the Takedown 1 Lots is $95,000.00, then at a subsequent Closing occurring 24 months after the date of the closing of the Takedown 1 Lots, the Purchase Price for a Lot at such subsequent Closing will be $102,600.00, which is calculated as follows: $95,000 + ($95,000 x .040) + ($95,000 x .040) = $102,600.00. The Escalator shall not accrue or be calculated during extension periods requested by Seller.

3. Payment of Purchase Price. The Purchase Price for each of the Lots, as determined pursuant toSection 2 above, shall be payable as follows:

(a) Earnest Money Deposit. Within seven (7) business days following the Effective Date, Purchaser shall deliver to the Title Company (as defined in Section 4(a) hereof) an earnest money deposit in the amount of Twenty-Five Thousand and 00/100ths Dollars ($25,000.00) ("**Initial Deposit**"). Within five (5) business days following the expiration of the Due Diligence Period and Purchaser's delivery of the Continuation Notice, Purchaser shall deliver to Title Company an additional earnest money deposit in the amount of Seventy-Five Thousand and 00/100ths Dollars ($75,000.00) ("**Additional Deposit**"). Provided that Purchaser has delivered its Continuation Notice and this Contract is then in full force and effect, within seven (7) business days after the date that Seller commences grading of the Property (to include physical moving of earth) and provides Purchaser written notice thereof, Purchaser shall deliver to the Title Company an amount equal to One Million and 00/100ths Dollars ($1,000,000.00) (the "**Grading Deposit**") and provided that Purchaser has delivered the Continuation Notice and this Contract is then in full force and effect, within seven (7) business days after the date Seller commences installation of wet utilities (to include installation of water and/or sewer pipes) for the Property and provides Purchaser written notice thereof, Purchaser shall deliver to the Title Company an amount equal to One Million and 00/100ths Dollars ($1,000,000.00) (the "**Utility Deposit**"). The Initial Deposit, the Additional Deposit, the Grading Deposit, and the Utility Deposit and all interest earned thereon shall be collectively referred to as, the "**Deposit**". The Deposit shall be paid in Good Funds and applied pro rata to the Purchase Price due at each Closing, based on the percentage of the total Purchase Price (not including the Escalator) due under this Contract. The Title Company will act as escrow agent and invest the Deposit in a federally insured institution on terms reasonably agreed to by Purchaser and Seller. If this Contract is terminated prior to the expiration of the Due Diligence Period for any reason, the Initial Deposit shall be refunded to Purchaser. If this Contract is terminated after the Due Diligence Period and prior to the Deposit being fully applied to the Purchase Price at the last Closing, the unapplied portion of the Deposit shall be paid to Seller, except as otherwise set forth in this Contract.

(b) Closing Purchase Price Payment. That portion of the Purchase Price for each Lot that is identified as the Closing Purchase Price Payment in Section 2 above shall be paid by Purchaser to Seller at the Closing of the applicable Lot.

4. Seller's Title.

(a) Preliminary Title Commitment. Within ten (10) business days after the Effective Date, Seller shall furnish to Purchaser, at Seller's expense, a current commitment for a Title Policy (as defined below) for the Property (the "**Master Commitment**") issued by Land Title Guarantee Company ("**Title Company**") as agent for First American Title Insurance Company, together with copies of the instruments listed in the schedule of exceptions in the Master Commitment. If the Master Commitment or Survey discloses any matters which are unacceptable to Purchaser, then Purchaser shall object to the condition of the Master Commitment in writing within seventy-five (75) days after the later of the Effective Date and Purchaser's receipt of the Master Commitment together with copies of all documents constituting exceptions to title (the "**Title Objections**"). Upon receipt of the Title Objections, Seller may, at its option and at its sole cost and expense, clear the title to the Property of the Title Objections. In the event Seller fails, or elects not to clear the title to the Property of the Title Objections on or before the date that is ten (10) days before the expiration of the Due Diligence Period, the Purchaser, as its sole remedy, may elect before the expiration of the Due Diligence Period either: (i) to terminate this Contract, in which event the Initial Deposit shall be promptly returned to Purchaser, Purchaser shall deliver to Seller all information and materials received by Purchaser from Seller pertaining to the Property and any non-confidential and non-proprietary information otherwise obtained by Purchaser pertaining to the Property (but specifically excluding any environmental reports related to the Property), and thereafter the parties shall have no further rights or obligations under this Contract except as otherwise provided in Section 12(c) below; or (ii) to waive such objections and proceed with the transactions contemplated by this Contract, in which event Purchaser shall be deemed to have approved the title matters as to which its Title Objections have been waived. If Purchaser fails to provide the Title Objections prior to the expiration of the seventy-five (75) day period required by this Section 4(a), Purchaser shall be deemed to have elected to waive its objections as described in the preceding clause. If Purchaser fails to notify Seller of its election to terminate this Contract or waive it objections, Purchaser shall be deemed to have elected to waive its objections to any title matter that Seller has failed or elected not to cure. Seller shall release at or prior to the applicable Closing any monetary lien that Seller or affiliate of Seller caused or created against the Property with respect to that portion of the Property to be acquired at a particular Closing other than non-delinquent real estate taxes and assessments and Permitted Exceptions, and such monetary liens shall not constitute Permitted Exceptions (as hereinafter defined). At each Closing, without the need for Purchaser to object to the same in Purchaser's Title Objections, Seller shall execute and deliver the Title Company's standard form mechanic's lien affidavit (the "**Lien Affidavit**") in connection with the standard printed exception for liens arising against the Lots purchased at the Closing for work or materials ordered or contracted for by Seller, and to the extent required by the Title Company a commercially reasonable indemnity agreement (the "**Title Company Indemnity**"), provided, however, if Purchaser determines during the Due Diligence Period that the Title Company refuses or is unwilling to delete the standard printed exception for liens as part of extended coverage despite Seller's offer to execute and deliver the Lien Affidavit and Title Company Indemnity, then Purchaser will have the right to terminate this Contract on or before the expiration of the Due Diligence Period whereupon the Initial Deposit will be returned to Purchaser, or Purchaser may proceed with the Closing in which event the Title Policy will contain, and the Lots will be conveyed subject to, the standard printed exception for liens unless the Title Company agrees thereafter to delete such lien exception, however, the Purchaser shall have no further termination rights if the Title Company does not agree to do so. If the Title Company agrees during the Due Diligence Period to delete the standard printed exception for liens as part of extended coverage and thereafter the Title Company refuses to delete the exception for liens based on Seller's offer to execute and deliver the Lien Affidavit and Title Company Indemnity, then such exception shall be deemed a Non-Seller Caused Exception (as hereinafter defined) to which Purchaser shall have the right to object pursuant to Section 4(b). Seller shall request that the Takedown Commitment (as hereinafter defined) provide for the deletion of the other standard printed exceptions from the Title Policy (provided that Seller's only obligations with respect thereto shall be: (i) to provide a copy of Seller's existing survey ("**Survey**"), if any, of the land that contains the Lots; (ii) to obtain and furnish, at Purchaser's sole cost and expense, a plat certification issued by a licensed surveyor in a form acceptable to the Title Company in order to delete the standard survey exceptions ("**Plat Certificate**") if and only to the extent a Plat Certificate is required by the Title Company to delete such standard survey exceptions; (iii) to execute the Title Company's standard form seller-owner final affidavit and agreement as reasonably modified by Seller and as to Seller's acts only if such affidavit is required by the Title Company for the purpose of deleting any exception for parties in possession or other standard exceptions ("**Owner's Affidavit**"); and (iv) to execute the Lien Affidavit with respect to Seller's acts, in form and substance reasonably acceptable to Seller). Seller has no obligation to update the Survey or to provide a new survey.

(b) Subsequently Disclosed Exceptions. Not less than fifteen (15) days prior to each Closing, Purchaser may request that the Title Company issue an updated title commitment for that portion of the Property to be acquired at such Closing (each a "**Takedown Commitment**"), together with copies of any additional instruments listed in the schedule of exceptions which are not reflected in the Master Commitment furnished pursuant to Section 4(a) above or in any prior Takedown Commitment. Additional items disclosed by a Takedown Commitment that affect title to the Property are referred to as "**New Exceptions**". New Exceptions affecting title to the Property that are expressly permitted or contemplated by the provisions of this Contract are referred to as "**Permissible New Exceptions**" and all other New Exceptions are referred to as "**Other New Exceptions**". Purchaser has no right to object to any Permissible New Exception. Other New Exceptions which do not materially adversely affect title to the Lots or the construction or use of a Home (as hereinafter defined) thereon, shall also be Permissible New Exceptions. Purchaser shall have a period of seven (7) business days from the date of its receipt of such Takedown Commitment and a copy of the New Exceptions (the "**New Exception Review Period**") to review and to approve or disapprove any Other New Exceptions. If the Other New Exception is unacceptable to Purchaser, Purchaser shall object to the Other New Exception in writing within seven (7) business days from the date of Purchaser's receipt of the Takedown Commitment, together with a copy of the New Exceptions (the "**New Exception Objection**"). Upon receipt of the New Exception Objection, Seller shall cure the New Exception Objection (by deletion, insuring over, or endorsement) to the extent that such Other New Exception was caused or created by Seller or affiliates of Seller and is not otherwise permitted or contemplated by this Contract ("**Seller Caused Exception**"). If the New Exception Objection relates to an Other New Exception that was not caused by Seller ("**Non-Seller Caused Exception**"), Seller may, at its sole discretion, cure the New Exception Objection, within fifteen (15) days of receipt of the New Exception Objection ("**Seller Cure Period**") and the applicable Closing Date will be extended to accommodate the Seller Cure Period. In the event Seller fails, or elects not to cure a Non-Seller Caused Exception within such fifteen (15) day period, the Purchaser, as its sole remedy, may elect within seven (7) business days after the end of the Seller Cure Period either: (i) to terminate this Contract, in which event that portion of the Deposit not previously applied to the Purchase Price at a Closing shall be refunded to Purchaser and the parties shall have no further rights or obligations under this Contract, or (ii) to waive such objection and proceed with the acquisition of the Lots in such Takedown, in which event Purchaser shall be deemed to have approved the New Exception. If Purchaser fails to notify Seller of its election to terminate this Contract as to the applicable Lots in accordance with the foregoing sentences within seven (7) business days after the expiration of the Seller Cure Period (i) Purchaser shall be deemed to have elected to waive its objections as described in the preceding sentences (ii), and all such items shall be deemed to be Permitted Exceptions.

(c) Permitted Exceptions; Additional Easements. Seller shall convey title to the Lots included in each Takedown of the Property to Purchaser at the Closing for such Takedown subject to the Permitted Exceptions described in Section 9 hereof. Prior to each Closing, Seller shall have the right, subject to the limitations set forth below, and those Reservations and Covenants (as hereinafter defined) as set forth on **Exhibit B**, attached hereto, and provided Seller shall advise and provide copies of same to Purchaser promptly after Seller becomes aware of same, to convey additional easements as Permissible New Exceptions to utility and cable service providers, governmental or quasi-governmental Authorities, metropolitan, water and sanitation districts, homeowners associations or property owners associations or other entities that serve the Development or adjacent property for construction of utilities and other facilities to support the Development or such adjacent property, including but not limited to sanitary sewer, water lines, electric, cable, broad-band and telephone transmission, storm drainage and construction access easements across the Property not yet acquired by Purchaser, allowing Seller or its assignees the right to install and maintain sanitary sewer, water lines, cable television, broad-band, electric, telephone and other utilities on the Property and on the adjacent property owned by Seller and/or its affiliates, and further, to accommodate storm drainage from the adjacent property. Such easements shall require the restoration of any surface damage or disturbance caused by the exercise of such easements, shall not be located within the building envelope of any Lot, shall not materially adversely affect the building envelope, value, use, or enjoyment of (i) the Lots affected or the remaining portion of the Property on which such easements are to be located, or (ii) any adjoining property of Purchaser.

(d) Master Covenants; Regional Improvements Authority.

(i) The Lots to be acquired pursuant to this Contract shall be, prior to each Closing, made subject to the Covenants, Conditions and Restrictions for Sky Ranch recorded in the County Records on August 10, 2018, at Reception No. D8079588 (the "**Master Declaration**"). The Master Declaration, together with any supplemental declarations which have been, or may in the future be, recorded against the Property, shall be collectively referred to as the "**Master Covenants**". The Master Covenants are administered by the Sky Ranch Community Authority Board ("**CAB**") and shall be a Permitted Exception (as hereinafter defined). Seller shall provide to Purchaser for its review, a copy of the Master Covenants as part of the Seller Documents (as hereinafter defined). Seller shall be permitted to revise or supplement the Master Covenants at any time before the First Closing under this Contract without the consent of Purchaser but with prior notice and copies of same to Purchaser; provided, that any such revision has no material adverse effect on the Lots acquired or to be acquired by Purchaser.

(ii) The Seller may petition the County for the organization of a public improvement district pursuant to C.R.S. Title 30, Article 20 (the "**Public Improvement District**" or "**PID**"), or one or more public entities, including without limitation, the Sky Ranch Districts, CAB, and County may enter into an intergovernmental agreement pursuant to C.R.S. §§ 29-1-203 and – 203.5 to create a public authority (the "**Regional Improvements Authority**") to provide a source of funding for the construction and operation of certain regional public improvements serving the Development and other properties, including without limitation, the freeway interchange at Interstate I-70/Airpark Frontage Road adjacent to the Development and other regional improvements (collectively, the "**Regional Improvements**"). The PID, if formed, may pledge revenues and/or issue general obligation indebtedness, revenue bonds or special assessment bonds and will have the power to levy and collect ad valorem taxes on and against all taxable property within the PID in accordance with the provisions of part 5 of C.R.S. Title 30, Article 20. If and to the extent that Seller petitions the County and the County organizes a PID that includes the Development, Purchaser agrees that it will not object to the County's organization of any such PID. Seller agrees to keep Purchaser reasonably notified with respect to any petitions and/or submissions related to the PID and agrees to provide Purchaser, upon request therefor, with copies of any such petitions and submissions.

(iii) The Regional Improvements Authority, if created, may use revenue generated by the Sky Ranch Districts' imposition of a mill levy that is a subset of the Sky Ranch Districts' operations and maintenance mill levy to plan, design, acquire, construct, install, relocate and/or redevelop, and the administration, overhead and operations and maintenance costs incurred with respect to the Regional Improvements (the "**Regional Improvements Mill Levy**"). The Regional Improvements Mill Levy shall be calculated as the difference between the overlapping mill levies of property subject to the Aurora Public Schools mill levy ("**APS Mill Levy**") and the overlapping mill levies of property not subject to the APS Mill Levy. Notwithstanding the foregoing, (i) Purchaser may object if any proposal may exceed the Maximum Mills Limitation (hereafter defined) and (ii) regardless of whether or not Purchaser objects, Purchaser shall not be deemed to consent to or approve, and all PID documentation, coupled and aggregated with any and all other documentation relating to the District (hereafter defined), the other Sky Ranch Districts (hereafter defined), and the Regional Improvements Authority (such documentation being collectively referred to as, the "**District Documentation**") shall only be permitted to levy and collect in the aggregate amounts that do not exceed the lesser of: (i) the total mill levy assessed against a residential lot that is subject to the APS Mill Levy; and (ii) up to 55.664 mills (subject to "**Gallagher Adjustments**") commencing with the residential assessment rate as of January 1, 2021 for debt service, and up to 11.133 mills for operation and maintenance (also subject to Gallagher Adjustments) (collectively, the "**Maximum Mills Limitation**"). Seller shall be solely liable for and shall pay (i) any ad valorem taxes levied by any district or other entity in excess of the Maximum Mills Limitation, and (ii) any other rates, tolls, fees or charges adopted by any such district or other entity and this obligation of Seller shall survive all Closings for the benefit of Purchaser and all successor Lot owners.

(e) Title Policy. Within a reasonable time after each Closing, Seller, at its expense, shall cause the Title Company to deliver an insurance policy insuring Purchaser's title to the Property conveyed at such Closing, pursuant to the applicable Takedown Commitment and subject only to the Permitted Exceptions (the "**Title Policy**"), and shall pay the premium for the basic policy at such Closing. The Title Policy shall provide insurance in an amount equal to the Purchase Price for all Lots purchased at such Closing. At each Closing, Seller shall offer to execute and deliver a Lien Affidavit, an Owner's Affidavit, and shall obtain and furnish, at Purchaser's expense, a Plat Certification, if necessary, at least one (1) business day prior to such Closing. Purchaser shall pay any fees charged by the Title Company to delete the standard pre-printed exceptions. Purchaser shall pay for the premiums for any endorsements requested by Purchaser, except that Seller shall pay for any endorsements that Seller agrees to provide in order to cure a Title Objection.

5. Seller Obligations.

Seller shall have the following obligations:

(a) Entitlements.

(i) Platting and Entitlements. Seller shall be responsible, at Seller's sole cost and expense, for preparing and processing in a commercially reasonable manner and timeframe, and diligently pursuing and obtaining Final Approval (as defined below) from the County and any other appropriate Authority and recording in the records of the Clerk and Recorder of the County (the "**County Records**"), as may be required, the following: (A) a preliminary plat; (B) a general development plan ("**GDP**"); (C) a specific development plan that includes the Property ("**SDP**"); (D) an administrative site plan ("**ASP**") and final subdivision plat (or plats) for each Filing within the Property (each a "**Final Plat**"); (E) the public improvement construction plans for all improvements relating to each Final Plat ("**CDs**"); (F) one or more development or subdivision improvement agreements associated with the Final Plats and other similar documentation required by the Authorities in connection with approval of the Final Plat(s) and CDs; and (G) any other document required for the Finished Lot Improvements, but not related to construction of any Homes on the Lots (collectively, the "**Entitlements**"). The Entitlements shall substantially comply with the Final Lotting Diagram, and shall provide that Phase B of the Development contains approximately 834 lots with the Lots to be acquired by Purchaser being of the number, type, and dimension as set forth above in the Recitals (after taking into consideration applicable setbacks), and the Entitlements shall not impose new or additional requirements upon Purchaser the cost of which is expected to exceed $3,000 for any Lot or limit or materially adversely affect the use of any Lot for the construction of a Residence thereon. Seller shall use commercially reasonable efforts to have the Entitlements for each Takedown, respectively, approved by the Authorities and recorded as necessary in the County Records with all applicable governmental or third-party appeal and/or challenge periods applicable to an approval decision of the County Board of Commissioners or County Planning Commission having expired without any appeal then-pending prior to the respective Closing ("**Final Approval**"). Seller shall use commercially reasonable efforts to obtain Final Approval of the Entitlements applicable to the Takedown 1 Lots on or before that date which is nine (9) months after the expiration of the Due Diligence Period, as such period may be extended pursuant to this Section 5(a)(i), or as a result of delays resulting from Uncontrollable Events. If Final Approval of the Entitlements applicable to the Takedown 1 Lots has not been achieved as aforesaid on or before nine (9) months after the expiration of the Due Diligence Period (subject to delays resulting from Uncontrollable Events), then Seller, in its discretion, shall have the right to extend the date for obtaining such Final Approval for a period not to exceed an additional six (6) months by providing written notice to Purchaser prior to the expiration of such nine (9) month period (or such later date as the same may have been previously extended). If Seller has not secured such Final Approval of the Entitlements applicable to the Takedown 1 Lots by the expiration of the initial nine (9) month period (subject to delays resulting from Uncontrollable Events) and shall fail to exercise such extension, this Contract shall terminate, each party shall thereupon be relieved of all further obligations and liabilities under this Contract, except as otherwise provided herein, and the Deposit shall be returned to Purchaser. If Seller extends the time period for obtaining Final Approval of the Takedown 1 Lots, then during such extended time period Seller shall use commercially reasonable efforts to obtain Final Approval of such Entitlements, and failing which, Seller shall not be in default of its obligations under this Contract (unless Seller failed to use commercially reasonable efforts to obtain Final Approval of such Entitlements), but this Contract shall terminate in which case each party shall thereupon be relieved of all further obligations and liabilities under this Contract, except as otherwise provided herein, and the Deposit shall be returned to Purchaser. The timing for Final Approval of the Entitlements for Takedowns after Takedown 1 is as set forth in Section 8(a) hereof. During the Entitlement process, Seller shall keep Purchaser reasonably informed of the process and the anticipated results therefrom and, upon written request, Seller will provide Purchaser with copies of those Entitlement documents as submitted to the County and other reasonable documentation relating to same. Purchaser, at no material cost to Purchaser, shall cooperate with Seller in Seller's efforts to obtain Final Approval of the Entitlements.

(ii) Lot Minimums for each Takedown. The Final Plat(s) for the Property and the Lots shall be in a form which is substantially consistent with the Final Lotting Diagram, subject to changes made necessary by the Authorities and/or final engineering decisions which are necessary to properly engineer, design, and install the improvements in accordance with the requirements of the County and other applicable Authorities.

(b) Interchange Obligations. As of the Effective Date, the existing entitlements for the Development state that no more than 774 building permits may be issued for the Development until the freeway interchange is upgraded ("**BP Restriction**"). If not rescinded, the BP Restriction may affect the ability of Purchaser and the other builders within Phase B to obtain building permits on the Lots acquired after the First Closing under this Contract and after the initial closings under the other builder contracts. Seller is currently working with the County, CDOT, and other stakeholders to identify interim upgrades to the freeway interchange that, if implemented, would increase the number of building permits available within the Development to accommodate all Lots subject to this Contract and the other building contracts within Phase B (the "**Interchange Upgrades**").

(c) Finished Lot Improvements.

(i) Seller shall cause to be Substantially Completed (as hereinafter defined) prior to each applicable Closing the Finished Lot Improvements (as defined in **Exhibit C**), with the exception of Punch-List Items (hereafter defined), for the Lots being purchased and acquired by Purchaser at each Closing Notwithstanding the foregoing and the agreement that Seller only need to Substantially Complete the Finished Lot Improvements prior to each applicable Closing all of the Finished Lot Improvements remain Seller's responsibility and same are to be completed by Seller in accordance with applicable laws, codes, regulations and governmental requirements for the Property. Seller will notify Purchaser when the Finished Lot Improvements have been Substantially Completed. Seller shall give Purchaser fifteen (15) days written notice ("**Completion Notice**") when Seller believes that it has Substantially Completed the Finished Lot Improvements for the Lots to be acquired at a Takedown, and the parties shall then conduct a walk-through inspection of the applicable Lots to confirm whether or not the Finished Lot Improvements are Substantially Complete and can be used for their intended purpose, and prepare a punch-list of any non-material items that have not been Substantially Completed and the effect of which the County will not withhold building permits for the Lots to be acquired at such Closing due to failure of the same to have been completed (the "**Punch-List Items**"). Seller shall use good faith efforts to complete any unfinished Punch-List Items before the scheduled Closing. Notwithstanding the foregoing or anything to the contrary set forth herein, Seller may elect to Substantially Complete such unfinished Punch-List Items within sixty (60) days after the applicable Closing. Seller's obligation to Substantially Complete any Punch-List Items (as well as Seller's obligation to complete all Finished lot Improvements), shall survive the Closings. After obtaining Final Approval of all necessary Entitlements for the applicable Lots, Seller agrees to commence and diligently pursue Substantial Completion of the Finished Lot Improvements, subject to delays resulting from Uncontrollable Events, and so long as Purchaser is not otherwise in material default under this Contract beyond the applicable cure periods set forth herein. Notwithstanding anything to the contrary including any Punch-List Items, if an Authority grants preliminary approval or construction acceptance to any of the Finished Lot Improvements, and if the engineer issues a certification with respect to the grading, fill and compaction in accordance with item 1(g) of **Exhibit C**, then for the purposes of the walk-through inspection and preparation of the Punch List Items, the Finished Lot Improvements for which an Authority grants preliminary approval or construction acceptance and for which the engineer issues a certification with respect to the grading, fill and compaction in accordance with Section 1(g) of **Exhibit C** will be presumed to have been Substantially Completed in accordance with applicable laws, codes, regulations and governmental requirements for the Property, subject to completion of any punch list provided by the approving Authority and both the Governmental Warranty and Non-Government Warranty as described in Section 5 of **Exhibit C**.

(ii) Substantial Completion of Improvements. The term "**Substantially Complete**" or "**Substantial Completion**" means that the Finished Lot Improvements have been completed in accordance with the applicable CDs and all other requirements of this Contract such that Purchaser will not be precluded from obtaining building permits for Homes on all of the Lots. Following Substantial Completion, Seller shall complete the remainder of the Finished Lot Improvements such that Purchaser will not be precluded from obtaining certificates of occupancy following completion of Homes as a result of the degree of completion of such Finished Lot Improvements.

(d) Over Excavation. Prior to the expiration of the Due Diligence Period, Purchaser shall, at Purchaser's expense: (1) investigate whether Purchaser will require any "over excavation" or comparable preparation or mitigation of the soil (the "**Overex**"), and (2) cause a licensed reputable geotechnical engineer of Purchaser's selection (the "**Engineer**") to prepare any plans necessary to achieve such Overex (the "**Overex Plans**"), such Overex Plans to be in substantial conformance with Purchaser's Geotechnical Reports (as hereinafter defined). Upon completion of the Overex Plans, Purchaser shall provide the Overex Plans to Seller and Seller shall solicit bids and contract to complete the Overex with respect to such Lots in conjunction with Seller's Substantial Completion of the Finished Lot Improvements; provided, however, that such Overex shall not be part of the budget for the Finished Lot Improvements. Seller and Purchaser shall agree upon the bid (including budget for the Overex) prior to expiration of the Due Diligence Period. At Purchaser's cost, the Engineer shall review and test the Overex as it progresses and again upon completion thereof, thereafter certifying to Purchaser and Seller that the Overex conforms to the Overex Plans and Purchaser's Geotechnical Reports. Any and all costs expended by Seller with respect to completion of the Overex shall be payable from the Grading Deposit upon written request by Seller together with copies of all invoices substantiating such costs, lien waivers in a form reasonably acceptable to Purchaser and Seller from all parties set forth in such invoices, and certification from the Engineer that the work set forth in such invoices has been duly performed (the "**Overex Diligence Amount**"). The Overex Diligence Amounts shall be non-refundable to Purchaser in all instances other than a default by Seller and shall not be applied to the Purchase Price. Purchaser hereby acknowledges, represents, warrants, covenants and agrees that as a material inducement to Seller to execute and accept this Contract and in consideration of the performance by Seller of its duties and obligations under this Section 5(d), that the sale of the Lots is and will be made on an "AS IS, WHERE IS" basis with respect to the Overex, and that Seller has not made, does not make and specifically negates and disclaims any representations, warranties or guaranties of any kind or character whatsoever, whether express or implied, oral or written (including any statements made in any Seller Documents), past, present, future or otherwise, of, as to, concerning or with respect to the Overex. Notwithstanding anything to the contrary in this Contract, Seller shall have no liability to Purchaser and Purchaser waives any claims against Seller with respect to such soil conditions, grading, drainage and Overex matters pertaining to Lots acquired by Purchaser and Purchaser will be entitled to pursue claims related to or arising out of soil conditions, grading, drainage and Overex only against any contractors, sub-contractors and service providers who performed the grading or Overex work on the Lots or who prepared the Purchaser's Geotechnical Reports or Plans for the Lots, and Seller will reasonably cooperate, including without limitation executing a written assignment of Seller's rights against such contractors and subcontractors in a form reasonably acceptable to the Parties, at no material cost or expense to Seller in Purchaser's pursuit of such claims against any such contractors and service providers. Except for those contractors and sub-contractors performing the Overex, Purchaser, for and on behalf of itself, its successors, and assigns (excluding Purchaser's homebuyers) hereby releases Seller, Seller's affiliates, divisions and subsidiaries and their respective managers, members, partners, officers, directors, shareholders, affiliates, employees, consultants and agents (the "**Seller Parties**" and each as a "**Seller Party**") with respect to any claims related to or arising out of soil conditions, grading, drainage and Overex as provided in Section 10(h) of this Contract and hereby agrees to indemnify, defend (with counsel reasonably selected by Purchaser with Seller approval) and hold harmless the Seller Parties (except for those contractors and sub-contractors performing the Overex) of, from, and against, any and all claims, demands, liabilities, losses, expenses, damages, costs and reasonable attorneys' fees that any of the Seller Parties may at any time after the applicable Closing incur by reason of or arising out of: (i) any work performed in connection with or arising out of any Overex; (ii) personal injuries or property damage by reason of or arising out of the geologic, soils or groundwater conditions on the Property; (iii) Purchaser's or its successor's development, construction, use, ownership, management, marketing or sale activities associated with the Lots (including, without limitation, land development, Overex, grading, excavation, trenching, soils compaction and construction on the Lots performed by or on behalf of Purchaser (including, but not limited to, by all subcontractors and consultants engaged by Purchaser); (iv) the soils, subsurface geologic, groundwater conditions or the movement of any Home constructed on the Lots after a Closing; or (v) any claim asserted by Purchaser's homebuyers or their successors in interest, including without limitation, claims for construction defects related to any Overex work performed by, or on behalf of, Purchaser, or related to any soils, subsurface geologic or groundwater conditions affecting the Lots. In consideration of the performance by Seller of its obligations under this Section 5(d), Purchaser acknowledges that the provisions of this Contract for inspection and investigation of the Lots are adequate to enable Purchaser to make Purchaser's own determination with respect to the physical condition of the Lots and the soil conditions of the Lots for any specific or general use or purpose. Purchaser represents that it is an experienced residential developer and builder and is well-qualified to independently evaluate the Lots and independently conduct the reviews and investigations conducted by Purchaser. The release and waiver set forth in this Section 5(d) shall not apply to any cost, loss, liability, damage, expense, demand, action or cause of action arising from or related to any claim against contractors or subcontractors for construction defects in the Overex. Seller shall cause Purchaser to be a third-party beneficiary to any Overex contract with respect to any construction defect or warranty provisions contained therein and Purchaser shall look solely to such contractors and/or subcontractors conducting such work. If for any reason other than a default by Seller or the termination of this Contract by Seller for failure of a Seller's Condition Precedent (unless such Seller's Condition Precedent fails as a result of Purchaser's acts or omissions) Purchaser does not acquire Lots for which Overex has been performed, Purchaser shall relinquish and release any rights related thereto and shall assign, without representation and warranty, any contracts with its Engineer. The terms of this Section 5(d) shall, without limitation, survive each Closing.

6. Pre-Closing Conditions.

(a) Seller's Conditions. The following shall be conditions precedent to Seller's obligation to close certain Takedowns, as more specifically set forth below (each, a "**Seller's Condition Precedent**"):

(i) Purchaser and other homebuilders are under contract to purchase at least 236 of the Lots in Phase B, and close the initial purchase of lots under some or all of such purchase and sale agreements as determined by Seller simultaneously (the "**Initial Purchase Condition**"); provided, that once such Initial Purchase Condition has been satisfied, it shall be considered satisfied at each subsequent Closing. As of the Effective Date, Seller represents that such purchase and sale agreements are in full force and effect.

(ii) Seller shall have satisfied its obligations with respect to the Interchange Upgrades, on or before the Substantial Completion Deadline for each Takedown after the initial Takedown, such that Purchaser shall not be prevented from obtaining building permits to construct Houses on Lots acquired at any such Takedown no later than the applicable Substantial Completion Deadline (the "**Interchange Condition**") and will not be prevented from obtaining building permits and certificates of occupancy for such Houses, solely as a result of Seller's failure to timely satisfy the Interchange Condition.

Seller agrees to use commercially reasonable, good faith efforts to timely satisfy each Seller's Condition Precedent. If for any reason other than Seller's fault or exercise of its reasonable discretion, either Seller's Condition Precedent is not satisfied on or before a Closing Date, Seller may elect to: (1) terminate this Contract by giving written notice to Purchaser at least ten (10) days prior to such Closing; (2) waive the unsatisfied Seller's Condition Precedent and proceed to the applicable Closing (provided, however, that such waiver shall not apply to any subsequent Closings); or (3) extend the applicable Closing Date for a period not to exceed ninety (90) days by giving written notice to Purchaser on or before the applicable Closing Date, during which time Seller shall use commercially reasonable efforts to cause such unsatisfied Seller's Condition Precedent to be satisfied. If Seller elects to extend any Closing Date and the unsatisfied Seller's Condition Precedent is not satisfied on or before the last day of the 90-day extension period for any reason other than Seller's fault or exercise of its discretion, then Seller shall elect within five (5) business days after the end of such extension period to either terminate this Contract or waive the unsatisfied Seller's Condition(s) Precedent and proceed to the applicable Closing. In the event Seller terminates this Contract pursuant to this Section 6(a), that portion of the Deposit made by Purchaser that has not been applied to the Purchase Price for Lots already acquired by Purchaser shall be returned to Purchaser. Failure to give a termination notice as described above shall be an irrevocable waiver of Seller's right to terminate this Contract as to the affected Takedown pursuant to this Section 6.

(b) Purchaser's Conditions. It shall be a condition precedent to Purchaser's obligation to close each Takedown, that the following conditions ("**Purchaser's Conditions Precedent**") have been satisfied:

(i) Final Approval of the Entitlements for the applicable Takedown by the County and all other applicable Authorities and recordation in the County Records of the Final Plat for the Lots to be acquired at such Takedown and such other Entitlements, as may be required by the County, on or before the applicable Closing Date, as the same may be extended.

(ii) For each Takedown after the initial Takedown, Seller shall have satisfied the Interchange Condition with respect to the Lots to be acquired at such Takedown and Purchaser will not be prevented from obtaining building permits for Houses or certificates of occupancy for Houses on such Lots solely as a result of Seller's failure to timely satisfy such Interchange Condition.

(iii) Substantial Completion of the Finished Lot Improvements for the Lots to be acquired at such Closing.

(iv) All leases and possessory interests affecting the applicable Lots shall be terminated and all tenants or occupants shall have vacated the Property and removed all personal property.

(v) As of the applicable Closing Date, and with respect only to the Lots to be acquired at such Takedown, there shall be no moratorium, prohibition, or any other measure, rule, regulation, restriction or limitation imposed by any Authority restricting the availability of gas, sanitary sewer, water, telephone or electricity to the applicable Lots or restricting or precluding any inspections, or the issuance of any building or other permits and approvals, or other right or entitlement whose effect would be to preclude or materially delay the construction or sale of, or materially increase the cost of the construction for, Purchaser's Houses on each of the Lots in such Takedown.

(vi) Seller's representations and warranties set forth herein shall be materially true and correct as of the date of such Closing.

(vii) Title Company shall be irrevocably and unconditionally committed (subject only to Purchaser's obligation to pay the portion of the Title Policy premium for which Purchaser is responsible under this Contract and satisfaction of any Title Company requirements applicable to Purchaser) to issue to Purchaser the applicable Title Policy with the endorsements as Purchaser may request and the Title Company agrees in writing to issue prior to the expiration of the Due Diligence Period, subject only to the Permitted Exceptions accepted by Purchaser in accordance with the provisions of this Contract.

If the foregoing Purchaser's Conditions Precedent are not satisfied on or before the respective Closing Date, Purchaser may: (1) waive the unfulfilled Purchaser's Condition Precedent and proceed to Closing, (2) extend the applicable Closing Date for up to sixty (60) days to allow more time for Seller to satisfy the unfulfilled Purchaser's Condition Precedent, or (3) as its sole remedy hereunder terminate this Contract as to such Takedown and any subsequent Takedowns by written notice to Seller, delivered within five (5) business days after the Closing Date for the applicable Takedown, in which case each party shall thereupon be relieved of all further obligations and liabilities under this Contract, except as otherwise provided herein, and the Deposit made by Purchaser that has not been previously applied to the Purchase Price for Lots already acquired by Purchaser shall be returned to Purchaser. If Purchaser elects to extend the Closing Date under (2), above, and the unsatisfied Purchaser's Condition Precedent is not satisfied as of the last day of the sixty (60) day extension period, then Purchaser shall, as its sole remedy, elect to waive or terminate under (1) or (3). Failure to give notice as described above shall be an irrevocable waiver of Purchaser's right to terminate this Contract as to the affected Takedown pursuant to this Section 6(b).

If Purchaser terminates the Contract pursuant to this paragraph, Seller may negate such termination by giving notice to Purchaser that Seller has elected to extend the applicable Closing Date by ninety (90) days for the purpose of continuing its efforts to satisfy the unfulfilled Purchaser's Condition(s) Precedent, so long as such notice is given within five (5) business days after Seller's receipt of Purchaser's notice of termination, and Purchaser shall again have a termination right pursuant to this Section if such condition is not satisfied prior to the last day of such extended period and Seller shall not have any right to negate such termination. Seller shall continue to diligently pursue satisfaction of such unsatisfied condition(s) during all extension periods.

7 . Closing. "**Closing**" shall mean the delivery to the Title Company of all applicable documents and funds required to be delivered pursuant to Section 8 hereof, and authorization of the Title Company to disburse, deliver and record the same in the County Records. The purchase of Lots at the Closing of a Takedown shall be deemed to be "**Closed**" when the documents and funds required to be delivered pursuant toSection 8 hereinafter have been delivered to the Title Company, and the Title Company agrees to disburse, deliver and record the same in the County Records.

8. Closings; Closing Procedures.

(a) On each respective Closing Date, Purchaser shall purchase the number of Lots that Purchaser is obligated to acquire hereunder in the applicable Takedown.

(b) Closing Dates. The date of the First Closing of the purchase and sale of the Takedown 1 Lots (the "**Takedown 1 Closing**") shall be the date that is ten (10) business days after Purchaser receives Seller's Completion Notice for the Takedown 1 Lots. If Substantial Completion of the Finished Lot Improvements for the Takedown 1 Lots has not been achieved by the date that is twelve (12) months after the date that the Final Approval of the Entitlements is obtained (the "**Takedown 1 Finished Lot Improvement Deadline**"), then the Closing Date of the First Closing (the "**Takedown 1 Closing Date**") may be extended by Seller up to six (6) months after the Takedown 1 Finished Lot Improvement Deadline by written notice from Seller to Purchaser issued prior to the initial Takedown 1 Finished Lot Improvement Deadline. The Second Closing of the purchase and sale of the Takedown 2 Lots shall occur on that date which is ten (10) business days after the later to occur of (i) Final Approval of the Entitlements applicable to the Takedown 2 Lots and (ii) that date which is twelve (12) months after the Takedown 1 Closing Date (the "**Takedown 2 Closing Date**"); provided, however, that Purchaser shall have the right to terminate this Contract as to the Second Takedown and all subsequent Takedowns and receive a refund of any undisbursed portion of the Deposit, in the event that Seller does not obtain Final Approval of the applicable Entitlements within eighteen (18) months after the date of the First Closing, subject to extensions resulting from delays caused by Uncontrollable Events. The Third Closing of the purchase and sale of the Takedown 3 Lots shall occur on that date which is ten (10) business days after the later to occur of (i) Final Approval of the Entitlements applicable to the Takedown 3 Lots and (ii) that date which is twelve (12) months after the Takedown 2 Closing Date (the "**Takedown 3 Closing Date**"); provided, however, that Purchaser shall have the right to terminate this Contract as to the Third Takedown and all subsequent Takedowns and receive a refund of any undisbursed portion of the Deposit, in the event that Seller does not obtain Final Approval of the applicable Entitlements within eighteen (18) months after the date of the Second Closing, subject to extensions resulting from delays caused by Uncontrollable Events. The Fourth Closing of the purchase and sale of the Takedown 4 Lots shall occur on that date which is ten (10) business days after the later to occur of (i) Final Approval of the Entitlements applicable to the Takedown 4 Lots and (ii) that date which is twelve (12) months after the Takedown 3 Closing Date (the "**Takedown 3 Closing Date**"); provided, however, that Purchaser shall have the right to terminate this Contract as to the Fourth Takedown and receive a refund of any undisbursed portion of the Deposit, in the event that Seller does not obtain Final Approval of the applicable Entitlements within eighteen (18) months after the date of the Third Closing, subject to extensions resulting from delays caused by Uncontrollable Events. The term "**Closing Date**" may be used to refer to each of the Takedown 1 Closing Date, the Takedown 2 Closing Date, the Takedown 3 Closing Date, and the Takedown 4 Closing Date. If Purchaser desires to accelerate any Closing Date, Purchaser may request that such Closing Date be accelerated, and if Seller is willing to do so in its sole and absolute discretion, the parties will work together to prepare a mutually acceptable amendment to this Contract to accommodate such request. The Finished Lot Improvements for the Takedown 2 Lots, the Takedown 3 Lots, and the Takedown 4 Lots shall be Substantially Complete on or before ten (10) business days prior to the applicable Closing (such dates with the Takedown 1 Finished Lot Improvements Deadline are referred to as a "**Finished Lot Improvement Deadline**"). The Takedown 2 Closing Date, the Takedown 3 Closing Date, and the Takedown 4 Closing Date, are each subject to extension by Seller, inclusive of extensions resulting from Uncontrollable Events, of up to six (6) months in the same manner as provided above for the Takedown 1 Closing Date. Notwithstanding any other provision herein, any Closing under this Contract must occur on a Tuesday, Wednesday or Thursday that is a business day (a "**Permitted Closing Day**"), and may be extended no more than an additional five (5) days in order to be scheduled on one of those days of the week. Furthermore, if any Closing is scheduled to occur on any date from September 15 through September 30, it shall automatically be extended to the next Permitted Closing Day in October, and if any Closing is scheduled to occur on any date from December 18 through January 5, it shall automatically be extended to the next Permitted Closing Day in January.

(c) Closing Place and Time. Each Closing shall be held on the applicable Closing Date at the offices of the Title Company or at such other time and place as Seller and Purchaser may mutually agree.

(d) Closing Procedures. Each purchase and sale transaction shall be consummated in accordance with the following procedures:

(i) All documents to be recorded and funds to be delivered hereunder shall be delivered to the Title Company to hold, deliver, record and disburse in accordance with closing instructions approved by Purchaser and Seller;

(ii) At each Closing, Seller shall deliver or cause to be delivered in accordance with the closing instructions the following:

(1) A special warranty deed conveying the applicable portion of the Property to be acquired at such Closing to Purchaser. The special warranty deed shall contain a relinquishment of surface rights, reservation of easements, minerals, mineral rights and water and water rights, as well as other rights, as set forth on **Exhibit B** (the "**Reservations and Covenants**"). The special warranty deed shall also be subject to non-delinquent general real property taxes for the year of such Closing and subsequent years, District assessments and the Permitted Exceptions.

(2) Payment (from the proceeds of such Closing or otherwise) sufficient to satisfy any encumbrance relating to the portion of the Property being acquired at such Closing, required to be paid by Seller at or before the time of Closing.

(3) A tax certificate or other evidence sufficient to enable the Title Company to ensure the payment of all general real property taxes and installments of District assessments then due and payable for the portion of the Property being acquired at such Closing.

(4) An affidavit, in a form sufficient to comply with applicable laws, stating that Seller is not a foreign person or a foreign corporation subject to the Foreign Investment in Real Property Tax Act, and therefore not subject to its withholding requirements.

(5) A certification or affidavit to comply with the reporting and withholding requirements for sales of Colorado properties by non-residents (Colorado Department of Revenue Form DR-1083).

(6) A Lien Affidavit and Title Company Indemnity.

(7) A partial assignment of declarant rights or builder rights under the Master Covenants (a "**Builder Designation**"), assigning only the following declarant rights (to the extent such rights are not automatically granted to Purchaser as a "builder" by the terms of the Master Covenants) from Seller to Purchaser: to maintain sales offices, construction offices, management offices, model homes, store and stage building materials and post signs advertising the Development and/or Lots (in accordance with rules established by Seller and uniformly applied to all builders within the Development), and such other rights to which the parties may mutually agree, such Builder Designation shall be materially in the form attached hereto and incorporated herein as **Exhibit G**, subject to changes agreed upon by the Parties prior to the end of the Due Diligence Period.

(8) The Tap Purchase Agreement (as defined herein).

(9) A general assignment to Purchaser in the form attached hereto as**Exhibit D** ("**General Assignment**") with respect to the applicable Lots.

(10) Such other documents as may be required to be executed by Seller pursuant to this Contract or the closing instructions.

(iii) At each Closing, Purchaser shall deliver or cause to be delivered in accordance with the closing instructions the following:

(1) The Purchase Price payable at such Closing, computed in accordance withSection 2 above, for the Lots being acquired at such Closing, such payment to be made in Good Funds.

(2) The Tap Purchase Agreement.

(3) All other documents required to be executed by Purchaser pursuant to the terms of this Contract or the closing instructions.

(4) Payment of any amounts due pursuant to Section 16 hereof.

(iv) At each Closing, Purchaser and Seller shall each deliver an executed settlement statement, which shall set forth all prorations, disbursements of the Purchase Price and expenses applicable to such Closing;

(v) The following adjustments and prorations shall be made between Purchaser and Seller as of each Closing:

(1) Real property taxes and installments of assessments, if any, for the applicable portion of the Property for the year in which the Closing occurs shall be prorated based upon the most recent known rates, mill levy and assessed valuations; and such proration shall be final.

(2) Seller shall pay real property taxes for years prior to the year in which the Closing occurs.

(3) Purchaser shall pay any and all recording costs and documentary fees required for the recording of the deed.

(4) Seller shall pay the base premium for the Title Policy and for any endorsement Seller agrees to provide to cure a Title Objection, and Purchaser shall pay the premium for any other endorsements requested by Purchaser in accordance with Section 4 above, including an extended coverage endorsement.

(5) Each party shall pay one-half (1/2) of any closing or escrow charges of the Title Company.

(6) All other costs and expenses not specifically provided for in this Contract shall be allocated between Purchaser and Seller in accordance with the customary practice of commercial real estate transactions in Arapahoe County, Colorado.

(vi) Possession of the applicable portion of the Property being acquired at each Closing shall be delivered to Purchaser at such Closing, subject to the Permitted Exceptions.

9. Seller's Delivery of Title. At each Closing, Seller shall convey title to the applicable portion of the Property, subject to the following items, to the extent that they have been approved, or are deemed to have been approved, by Purchaser pursuant to the terms of this Contract (collectively, the "**Permitted Exceptions**"):

(a) all easements, agreements, covenants, restrictions, rights-of-way and other matters of record that affect title to the Property as disclosed by the Master Commitment or any Takedown Commitment, or otherwise, to the extent that such matters are approved or deemed approved by Purchaser in accordance with Section 4 above or otherwise approved by Purchaser (unless otherwise identified herein as an obligation, fee or encumbrance to be assumed by Purchaser or which is otherwise identified herein as a Purchaser obligation which survives such Closing, the foregoing items, however, shall not include any mortgages, deeds of trust, mechanic's liens or judgment liens arising by, through or under Seller, which monetary liens Seller shall cause to be released or fully insured over by the Title Company, to the extent they affect any portion of the Property, on or prior to the date that such portion of the Property is conveyed to Purchaser);

(b) the Entitlements, including without limitation, the Final Plat applicable to the Property being acquired at such Closing and all easements and other terms, agreements, provisions, conditions and obligations as shown thereon;

(c) the Master Covenants;

(d) the inclusion of the Property into the Sky Ranch Metropolitan District No. 3 (the "**District**"), the PID, and such other special improvement districts or metropolitan districts as may be disclosed by the Master Commitment or any Takedown Commitment delivered to Purchaser pursuant to this Contract;

(e) the inclusion of the Property into that certain Declaration of Covenants Imposing and Implementing the Sky Ranch Public Improvement Fee recorded in the County Records on August 13, 2018, at Reception No. D8079674 (the "**PIF Covenant**");

(f) A relinquishment of surface rights and reservation of water and mineral rights as set forth in the Reservations and Covenants attached hereto as **Exhibit B**;

(g) applicable zoning and governmental regulations and ordinances;

(h) title exceptions, encumbrances, or other matters created by, through or under Purchaser or otherwise approved by Purchaser in writing;

(i) items apparent upon an inspection of the Property or shown or that would be shown on an accurate and current survey of the Property; and

(j) any Permissible New Exception, any Other New Exception approved or deemed approved by Purchaser, and any other document required or permitted to be recorded against the Property in the County Records pursuant to the terms of this Contract.

10. Due Diligence Period; Acceptance of Property; Release and Disclaimer.

(a) Feasibility Review. Within five (5) business days following the Effective Date, Seller shall deliver or make available (via electronic file share or other means) to Purchaser the following listed items to the extent in Seller's actual possession; if an item listed below is not in Seller's actual possession and not delivered or made available to Purchaser but is otherwise readily available to Seller, then Purchaser may make written request to Seller to provide such item and Seller will use its reasonable efforts to obtain and deliver or make such item available to Purchaser, but Seller will have no obligation otherwise to obtain any item not in Seller's actual possession: (i) any environmental reports, soil reports and certifications pertaining to the Lots, (ii) a copy of any subdivision plat for the Property and the current version of all Entitlements, (iii) engineering and construction plans pertaining to the Lots, (iv) biological, grading, drainage, hydrology and other engineering reports and plans and engineering and constructions plans for offsite improvements (if any) that are required to obtain building permits/certificates of occupancies for single-family detached homes constructed on the Lots; (v) any PUD, Development Agreement, Site Development Plans and other approvals pertaining to the Lots particularly and the Development generally (including the most recent drafts thereof; (vi) the Master Covenants; (vii) any Special District Service Plans; (viii) any existing ALTA or other boundary Survey of the Property; and (ix) copies of any subdivision bonds or guarantees applicable to the Lots (collectively, the "**Seller Documents**"). Purchaser shall have a period expiring ninety (90) calendar days following the Effective Date of this Contract within which to review the Seller Documents (the "**Due Diligence Period**"). During the Due Diligence Period, Purchaser shall have an opportunity to review and inspect the Property, all Seller Documents provided, or made available, to Purchaser and any and all factors deemed relevant by Purchaser to its proposed development and the feasibility of Purchaser's intended uses of the Property in Purchaser's sole and absolute discretion (the "**Feasibility Review**"). The Feasibility Review shall be deemed to have been completed to Purchaser's satisfaction if Purchaser gives written notice to Seller of its election to continue this Contract ("**Continuation Notice**") prior to the expiration of the Due Diligence Period. If Purchaser fails to timely give a Continuation Notice, and such failure continues for five (5) days after written notice thereof to Purchaser from Seller, or if Purchaser gives a notice of its election to terminate (which may be given at any time prior to the end of the Due Diligence Period, for any reason or no reason), the Deposit shall be promptly returned to Purchaser, Purchaser shall deliver to Seller all information and materials received by Purchaser from Seller pertaining to the Property and any non-proprietary and non-confidential information otherwise obtained by Purchaser (but specifically excluding any environmental reports or information) and thereafter the parties shall have no further rights or obligations under this Contract except as otherwise provided in Section 25 below.

(b) Approval of Property. If Purchaser gives a Continuation Notice on or before the expiration of the Due Diligence Period, except as otherwise provided in this Section 10, Purchaser shall be deemed to have waived Feasibility Review and elected to continue this Contract and proceed as provided hereunder.

(c) Radon. Purchaser acknowledges that radon gas and naturally occurring radioactive materials ("**NORM**") each naturally occurs in many locations in Colorado. The Colorado Department of Public Health and Environment and the United States Environmental Protection Agency (the "**EPA**") have detected elevated levels of naturally occurring radon gas in residential structures in many areas of Colorado, including the County and all of the other counties along the front range of Colorado. The EPA has raised concerns with respect to adverse effects on human health from long-term exposure to high levels of radon and recommends that radon levels be tested in all Residences. Purchaser acknowledges that Seller neither claims nor possesses any special expertise in the measurement or reduction of radon or NORM. Purchaser further acknowledges that Seller has not undertaken any evaluation of the presence or risks of radon or NORM with respect to the Property nor has it made any representation or given any other advice to Purchaser as to acceptable levels or possible health hazards of radon and NORM. SELLER HAS MADE NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE PRESENCE OR ABSENCE OF RADON, NORM OR OTHER ENVIRONMENTAL POLLUTANTS WITHIN THE PROPERTY OR THE RESIDENCES TO BE CONSTRUCTED ON THE LOTS OR THE SOILS BENEATH OR ADJACENT TO THE PROPERTY OR THE RESIDENCES TO BE CONSTRUCTED ON THE LOTS PRIOR TO, ON OR AFTER THE APPLICABLE CLOSING DATE. Purchaser, on behalf of itself and its successors and assigns, hereby releases the Seller from any and all liability and claims with respect to radon gas and any NORM, except claims arising as a result of fraud or other willful misconduct of any Seller Party.

(d) Soils. Purchaser acknowledges that soils within the State of Colorado consist of both expansive soils and low-density soils, and certain areas contain potential heaving bedrock associated with expansive, steeply dipping bedrock, which will adversely affect the integrity of a dwelling unit constructed on a Lot if the dwelling unit and the Lot on which it is constructed are not properly maintained. Expansive soils contain clay mineral, which have the characteristic of changing volume with the addition or subtraction of moisture, thereby resulting in swelling and/or shrinking soils. The addition of moisture to low-density soils causes a realignment of soil grains, thereby resulting in consolidation and/or collapse of the soils. Purchaser agrees it shall obtain a current geotechnical report for the Property and individual lot soils report for each Lot containing design recommendations for all structures to be placed upon the Lot ("**Purchaser's Geotechnical Reports**"). Purchaser shall require all Homes to have engineered footing and foundations consistent with results of the individual lot soils report for each Lot and shall take reasonable action as shall be necessary to ensure that the homes to be constructed upon the Lots shall be done in accordance with proper design and construction techniques. Purchaser shall also provide a copy of Purchaser's Geotechnical Report for each Lot to Seller within seven (7) days after Seller's request for the same. SELLER HAS MADE NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, CONCERNING THE PRESENCE OR ABSENCE OF EXPANSIVE SOILS, LOW-DENSITY SOILS OR DIPPING BEDROCK UPON THE PROPERTY AND PURCHASER SHALL UNDERTAKE SUCH INVESTIGATION AS SHALL BE REASONABLE AND PRUDENT TO DETERMINE THE EXISTENCE OF THE SAME. Purchaser shall provide all disclosures required by C.R.S. Section 6-6.5-101 in every home sales contract entered in to by Purchaser with respect to subsequent sales of a Lot to a homebuyer. Purchaser, on behalf of itself and its successors and assigns, hereby releases the Seller from any and all liability and claims with respect to expansive and low-density soils and dipping bedrock located within the Property. Purchaser shall also indemnify, defend and hold all Seller Parties harmless from and against any claims asserted by all subsequent owners of the Lots relating to geotechnical or soils conditions on the Lots; provided that Purchaser is not required to indemnify consultants, contractors and subcontractors who contract with Seller and who perform services or supply labor, materials, equipment, and other work relating to geotechnical or soils conditions on the Lots that is necessary for the Lots to satisfy the requirements set forth herein.

(e) Reserved.

(f) No Reliance on Documents. Except for and subject to the representations, warranties, covenants and agreements of Seller expressly stated in this Contract and/or expressly set forth in the documents executed by Seller at Closing (collectively, the "**Seller's Express Representations**"), Seller makes no representation or warranty as to the truth, accuracy or completeness of any materials, data or information (including, without limitation, the Seller Documents) delivered by Seller or its brokers or agents to Purchaser in connection with the transactions contemplated hereby. Except for and subject to Seller's Express Representations, all materials, data and information delivered by Seller to Purchaser in connection with the transaction contemplated hereby are provided to Purchaser as a convenience only and any reliance on or use of such materials, data or information by Purchaser shall be at the sole risk of Purchaser. The Seller Parties shall not be liable to Purchaser for any inaccuracy in or omission from any such reports, except for Seller's Express Representations. Purchaser hereby represents to Seller that, to the extent Purchaser deems the same to be necessary or advisable for its purposes, and without waiving the right to rely upon the Seller's Express Representations: (i) Purchaser has performed or will perform such independent inspection and investigation of the Lots and has also investigated or will investigate the operative or proposed governmental laws, ordinances and regulations to which the Lots may be subject, as Purchaser deems necessary, and (ii) Purchaser shall acquire the Lots solely upon the basis of its own or its experts' independent inspection and investigation, including, without limitation; (A) the quality, nature, habitability, merchantability, use, operation, value, fitness for a particular purpose, marketability, adequacy or physical condition of the Lots or any aspect or portion thereof, including, without limitation, any appurtenances, access, landscaping, parking facilities, electrical, plumbing, sewage, and utility systems, facilities and appliances, soils, geology, or groundwater; (B) the dimensions or sizes of the Lots; (C) the development or income potential, or rights of or relating to, the Lots; (D) the zoning or other legal status of the Lots or any other public or private restrictions on the use of the Lots; (E) the compliance of the Lots with any and all applicable codes, laws, regulations, statutes, ordinances, covenants, conditions and restrictions; (F) the ability of Purchaser to obtain any necessary governmental permits for Purchaser's intended use or development of the Lots; (G) the presence or absence of Hazardous Materials on, in, under, above or about the Lots or any adjoining or neighboring property; (H) the condition of title to the Lots; or (I) the economics of, or the income and expenses, revenue or expense projections or other financial matters, relating to the Lots, except as provided in Seller's Express Representations.

(g) As Is. Except for and subject to Seller's Express Representations Purchaser acknowledges and agrees that it is purchasing the Property based on its own inspection and examination thereof, and Seller shall sell and convey to Purchaser and Purchaser shall accept the Property on an "AS IS, WHERE IS, WITH ALL FAULTS, LIABILITIES, AND DEFECTS, LATENT OR OTHERWISE, KNOWN OR UNKNOWN" basis in an "AS IS" physical condition and in an "AS IS" state of repair (subject to the Finished Lot Improvements obligation set forth in Section 5(c) hereof), including with respect to each of the Lots, the geological conditions of the Lots (including, without limitation, subsidence, subsurface conditions, water table, underground water reservoirs, and limitations regarding the withdrawal of water and faulting), and that Seller has not made, does not make and specifically negates and disclaims any representations, warranties or guaranties of any kind or character whatsoever, whether express or implied, oral or written (including any statements made in any Seller Documents), past, present, future or otherwise, of, as to, concerning or with respect to the geological conditions of the Lots, including, without limitation, subsidence, subsurface conditions, water table, underground water reservoirs, limitations regarding the withdrawal of water and faulting. Except for and subject to Seller's Express Representations, to the extent not prohibited by law the Purchaser hereby waives, and Seller disclaims all warranties of any type or kind whatsoever with respect to the Property, whether express or implied, direct or indirect, oral or written, including, by way of description, but not limitation, those of habitability, fitness for a particular purpose, and use. Without limiting the generality of the foregoing, Purchaser expressly acknowledges that, except for and subject to Seller's Express Representations, Seller makes no representations or warranties concerning, and hereby expressly disclaims any representations or warranties concerning the following: (i) the value, nature, quality, or condition of the Property; (ii) any restrictions related to development of the Property; (iii) the applicability of any governmental requirements; (iv) the suitability of the Property for any purpose whatsoever; (v) the presence in, on, under or about the Property of any Hazardous Material or any other condition of the Property which is actionable under any Environmental Law (as such terms are defined in this Section 10); (vi) compliance of the Property or any operation thereon with the laws, rules, regulations or ordinances of any applicable governmental body; or (vii) the presence or absence of, or the potential adverse health, economic or other effects arising from, any magnetic, electrical or electromagnetic fields or other conditions caused by or emanating from any power lines, telephone lines, cables or other facilities, or any related devices or appurtenances, upon or in the vicinity of the Property. EXCEPT FOR SELLER'S EXPRESS REPRESENTATIONS, SELLER SHALL NOT BE LIABLE TO PURCHASER FOR ANY CONSTRUCTION DEFECT, ERRORS, OMISSIONS, OR ON ACCOUNT OF SOILS CONDITIONS OR ANY OTHER CONDITION AFFECTING THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, THOSE MATTERS DESCRIBED ABOVE, AND PURCHASER AND ANYONE CLAIMING BY, THROUGH OR UNDER PURCHASER (EXCEPT PURCHASER'S HOMEBUYERS) HEREBY FULLY RELEASES SELLER, ITS PARTNERS, EMPLOYEES, OFFICERS, DIRECTORS, REPRESENTATIVES, ATTORNEYS AND AGENTS (BUT NOT INCLUDING ANY THIRD PARTY PROFESSIONAL SERVICE PROVIDERS [E.G., ENGINEERS, ETC.], CONTRACTORS OR SIMILAR FIRMS OR PERSONS) FROM ANY CLAIM AGAINST ANY OF THEM FOR ANY COST, LOSS, LIABILITY, DAMAGE, EXPENSE, DEMAND, ACTION OR CAUSE OF ACTION (INCLUDING, WITHOUT LIMITATION, ANY RIGHTS OF CONTRIBUTION) ARISING FROM OR RELATED TO ANY CONSTRUCTION DEFECTS, ERRORS, OMISSIONS, OR OTHER CONDITIONS AFFECTING THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, THOSE MATTERS DESCRIBED ABOVE AND INCLUDING ANY ALLEGED NEGLIGENCE OF SELLER. The release and waiver set forth in this Section 10(g) shall not apply to any cost, loss, liability, damage, expense, demand, action or cause of action arising from or related to (i) fraud, gross negligence or other willful misconduct of any Seller Party or (ii) any claims against contractors or subcontractors for construction defects in the Finished Lot Improvements; provided, however, that Purchaser shall first seek to enforce claims against such contractors and/or subcontractors conducting the work and only if Purchaser is unable to achieve full satisfaction of their claims after filing and pursuing through final judgment, litigation, then Purchaser shall have the right to seek relief from the Seller Parties.

As used herein, "**Hazardous Materials**" shall mean, collectively, any chemical, material, substance or waste which is or hereafter becomes defined or included in the definitions of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "pollutant" or "contaminant," or words of similar import, under any Environmental Law, and any other chemical, material, substance, or waste, exposure to, disposal of, or the release of which is now or hereafter prohibited, limited or regulated by any governmental or regulatory authority or otherwise poses an unacceptable risk to human health or the environment.

As used herein, "**Environmental Claim**" shall mean any and all administrative, regulatory or judicial actions, suits, demands, demand letters, directives, claims, liens, investigations, proceedings or notices of noncompliance or violation, whether written or oral, by any person, organization or agency alleging potential liability, including without limitation, potential liability for enforcement, investigatory costs, cleanup costs, governmental response costs, removal costs, remedial costs, natural resources damages, property damages, including diminution of the market value of the Property or any part thereof, personal injuries or penalties arising out of, based on or resulting from the presence or release into the environment of any Hazardous Materials or resulting from circumstances forming the basis of any violation or alleged violation of any Environmental Laws, and any and all claims by any person, organization or agency seeking damages, contribution, indemnification, costs, recovery, compensation or injunctive relief relating to same.

As used herein, "**Environmental Laws**" shall mean all applicable local, state and federal environmental rules, regulations, statutes, laws and orders, as amended from time to time, including, but not limited to, all such rules, regulations, statutes, laws and orders regarding the storage, use and disposal of Hazardous Materials and regarding releases or threatened releases of Hazardous Materials to the environment.

(h) Release. Purchaser agrees that, except for and subject to Seller's Express Representations, Seller shall not be responsible or liable to Purchaser for any defects, errors or omissions, or on account of geotechnical or soils conditions or on account of any other conditions affecting the Property, because Purchaser is purchasing the Property AS IS, WHERE-IS, and WITH ALL FAULTS. Purchaser, or anyone claiming by, through or under Purchaser (except for Purchaser's homebuyers), hereby fully releases the Seller Parties from, and irrevocably waives its right to maintain, any and all claims and causes of action that it or they may now have or hereafter acquire against the Seller Parties for any cost, loss, liability, damage, expense, demand, action or cause of action arising from or related to any defects, errors, omissions, soils conditions or other conditions affecting the Property or the suitability or fitness of the Property, except to the extent that such loss or other liability derives or results from a breach of the Seller's Express Representations. Purchaser hereby waives any Environmental Claim (as defined in this Section) which it now has or in the future may have against Seller, provided however, such waiver of any Environmental Claim shall not apply to the activities of any Seller Parties, including without limitation activities to be performed by the Seller hereunder to Substantially Complete the Finished Lot Improvements. The foregoing release and waiver shall be given full force and effect according to each of its express terms and provisions, including, but not limited to, those relating to unknown and suspected claims, damages and causes of action. The release and waiver set forth in this paragraph shall not apply to any cost, loss, liability, damage, expense, demand, action or cause of action arising from or related to (i) fraud or other willful misconduct of any Seller Party or (ii) any claims against contractors or subcontractors for construction defects in the Finished Lot Improvements; provided, however, that Purchaser shall first seek to enforce claims against such contractors and/or subcontractors conducting the work and only if Purchaser is unable to achieve full satisfaction of their claims after filing and pursuing through final judgment, litigation, then Purchaser shall have the right to seek relief from the Seller Parties.

(i) Indemnification. Purchaser shall indemnify, defend (with counsel reasonably selected by Purchaser with Seller approval) and hold harmless the Seller Parties of, from and against any and all claims, demands, liabilities, losses, expenses, damages, costs and reasonable attorneys' fees that any of the Seller Parties may at any time incur by reason of or arising out of: (A) any work performed in connection with or arising out of Purchaser's acts or omissions; (B) Purchaser's failure to perform its work on the Property in accordance with applicable laws; (C) either personal injuries or property damage by reason of or arising out of the geologic, soils or groundwater conditions on the Property; (D) Purchaser's or its successor's development, construction, use, ownership, management, marketing or sale activities associated with the Lots (including, without limitation, land development, grading, excavation, trenching, soils compaction and construction on the Lots performed by or on behalf of Purchaser (including, but not limited to, by all subcontractors and consultants engaged by, or on behalf of, Purchaser); (E) the soils, subsurface geologic, groundwater conditions or the movement of any Home constructed on the Lots after a Closing by Purchaser, its successors or assigns; (F) the design, engineering, structural integrity or construction of any Homes constructed on a Lot after a Closing by Purchaser; or (G) any claim asserted by Purchaser's homebuyers or their successors in interest, including without limitation, claims for construction defects related to any work performed by, or on behalf of, Purchaser, or related to any soils, subsurface geologic or groundwater conditions affecting the Lots. The foregoing indemnity obligations of Purchaser include any acts and omissions of Purchaser, its agents, consultants and other parties acting for or on behalf of Purchaser ("**Purchaser Parties**"). Notwithstanding the foregoing, Purchaser is not required by this indemnification provision to indemnify the Seller against (1) Seller's failure to perform its obligations under this Contract or under any of the Closing documents, (2) Seller's gross negligence or willful misconduct, (3) Seller's breach of any Seller's Express Representation, or (4) claims arising directly from the decisions, actions or omissions of Seller acting in its capacity as declarant under the Master Declaration; and further provided that Purchaser is not required to indemnify consultants, contractors and subcontractors who contract with Seller and who perform services or supply labor, materials, equipment, and other work relating to geotechnical or soils conditions on the Lots that is necessary for the Lots to satisfy the requirements set forth herein.

(j) The provisions of this Section 10 shall survive each Closing and the delivery of each respective deed to the Purchaser.

11. Seller's Representations. Seller hereby represents and warrants to Purchaser as follows (the following Subsections collectively referred to herein as "**Seller's Representations**"):

(a) Organization. Seller is a limited liability company duly organized and validly existing under the laws of the State of Colorado.

(b) Litigation. There is no pending litigation, and to Seller's Actual Knowledge (as defined in this Section 11) there is no threatened litigation which could materially adversely affect the Property or Seller's ability to perform hereunder.

(c) Non-Foreign Person. Seller is not a "foreign person" as that term is defined in Section 1445 of the Internal Revenue Code of 1986, as amended, and applicable regulations.

(d) Condemnation. Seller has received no written notice of any pending or threatened condemnation or eminent domain proceedings which may affect the Property or any part thereof.

(e) Execution and Delivery. The execution, delivery and performance of this Contract by Seller does not and will not result in a breach of, or constitute a default under, any indenture, loan or credit agreement, mortgage, deed of trust or other agreement to which Seller is a party.

(f) Default. To Seller's Actual Knowledge, Seller has not defaulted under any covenant, restriction or contract affecting the Property, nor has Seller caused by its act or omission an event to occur which would with the passage of time constitute a breach or default under such covenant, restriction or contract.

(g) Violation of Law. Seller has not received any written notice of non-compliance, and to Seller's Actual Knowledge, there is no non-compliance of the Property with respect to any federal, state or local laws, codes, ordinances or regulations relating to the Property.

(h) Rights. Seller has not granted to any party, other than Purchaser hereunder, any option, contract, right of refusal or other agreement with respect to a purchase or sale of the Property.

(i) Environmental. Neither Seller nor, to Seller's Actual Knowledge, any third party, has used, generated, transported, discharged, released, manufactured, stored or disposed of any Hazardous Materials from, into, at, on, under or about the Property in any manner which violates federal, state, or local laws, ordinances, rules, regulations, or policies governing the use, storage, treatment, transportation, manufacture, refinement, handling, production, or disposal of Hazardous Material.

(j) Seller Documents. To Seller's Actual Knowledge, the Seller Documents are not false, incomplete or misleading.

(k) Bankruptcy. To Seller's Actual Knowledge, there are no attachments, executions, assignments for the benefit of creditors or voluntary or involuntary proceedings in bankruptcy or under any applicable debtor relief laws or any other litigation contemplated by or pending or threatened against Seller or the Property.

For purposes of the foregoing, the phrase "**Seller's Actual Knowledge**" shall mean the current, actual, personal knowledge of Mark Harding as President of Seller, without any duty of investigation or inquiry and without imputation of any other person's knowledge. Seller represents and warrants that Mr. Harding is the Seller Party most familiar with the Property and the Seller Representations. The fact that reference is made to the personal knowledge of the above identified individual shall not render such individual personally liable for any breach of any of the foregoing representations and warranties; rather, Purchaser's sole recourse in the event of any such breach shall be against Seller, and Purchaser hereby waives any claim or cause of action against the above identified individual arising from Seller's Representations. In the event that any information contained in the Seller Documents conflicts with Seller's Representations set forth in this Section, the Seller Documents shall govern and control and such inconsistency shall not constitute a breach by Seller of its Seller's Representations herein. Seller and Purchaser shall notify the other in writing immediately if any Seller's Representation becomes untrue or misleading in light of information obtained by Seller or Purchaser after the Effective Date. In the event that Purchaser has actual knowledge that any of Seller's Representations are untrue or misleading, or of a breach of any of Seller' Representations prior to a Closing, without the duty of further inquiry, and Purchaser elects to close, Purchaser shall be deemed to have waived any right of recovery, and Seller shall not have any liability in connection therewith.

Seller's Representations shall survive each respective Closing for a period of twelve (12) months, except that any claim for which legal action is filed within such time period shall survive until resolution of such action, and except to the extent of any matter that is waived by Purchaser pursuant to the previous paragraph (and any such matter waived pursuant to the previous paragraph shall not survive Closing).

Seller makes no promises, representations or warranties regarding the construction, installation or operation of any amenities within the Development, including without limitation, clubhouses, swimming pools and sports courts. To the extent that any development plans, site plans, renderings, drawings, marketing information or other materials related to the Development include, depict or imply the inclusion of any amenities in the Development, they are included only to illustrate possible amenities for the Development that may or may not be built and Purchaser shall not rely upon any such materials regarding the construction, installation or operation of any amenities within the Development.

12. Purchaser's Obligations. Purchaser shall have the following obligations, each of which shall survive each respective Closing for a period of 12 months and, where noted, termination of this Contract for a period of 12 months. Notwithstanding any contrary provision set forth in this Contract, Seller shall have the right to enforce said obligations by means of any legal or equitable proceedings including, but not limited to, suit for actual damages and injunctive relief, but excluding exemplary, consequential or punitive damages:

(a) Master Covenants; PID Service Plan. Purchaser shall comply with all obligations applicable to Purchaser under the Master Covenants and under the PID Service Plan.

(b) Compliance with Laws. Purchaser shall comply with and abide by all laws, ordinances, statutes, covenants, rules and regulations, building codes, permits, association documents and other recorded instruments (as they are from time to time amended, supplemented or changed) which regulate any activities relating to Purchaser's entry on the Property, or its use, ownership, construction, sale or investigation of any Lot or any improvements thereon.

(c) Entry Prior to Closing. From and after the Effective Date of this Contract until the Closing Date or earlier termination of this Contract, and so long as no default by Purchaser exists under this Contract, Purchaser and its agents, employees and representatives shall be entitled to enter upon the Property for purposes of conducting soil and other engineering tests and to inspect and survey any of the Property. If the Property is altered or disturbed in any material manner in connection with any of Purchaser's activities, Purchaser shall immediately return the Property to substantially the condition existing prior to such activities. Purchaser shall promptly refill holes dug and otherwise repair any damage to the Property as a result of its activities. Purchaser and its agents shall not have the right to conduct any invasive testing (e.g., borings, drilling, soil/water sampling, etc.), except standard geotech and environmental preliminary investigation, on the Lots, including, without limitation, any so-called "Phase II" environmental testing, without first obtaining Seller's written consent (and providing Seller at least seventy-two (72) hours' prior written notice), which consent may be withheld by Seller in its reasonable discretion and shall be subject to any terms and conditions imposed by Seller in its reasonable discretion. Purchaser shall not permit any lien to attach to the Property or any portion of the Property as a result of Purchaser's activities. Purchaser shall indemnify, defend and hold Seller, its officers, directors, shareholders, employees, agents and representatives harmless from and against any and all mechanics' and materialmen's liens, claims (including, without limitation, personal injury, death and property damage claims), damages, losses, obligations, liabilities, costs and expenses including, without limitation, reasonable attorneys' fees incurred by Seller, its officers, directors, shareholders, employees, agents and representatives or their property arising out of any breach of the provisions of this Section 12(c) by Purchaser, its agents, employees or representatives. The foregoing indemnity obligation of Purchaser includes acts and omissions of Purchaser and all agents, consultants and other parties acting for or on behalf of Purchaser. Purchaser shall maintain in effect (or cause its consultants to maintain in effect) during its inspection of the Property commercial general liability coverage for bodily injury and property damage in the amount of at least $2,000,000.00 combined single limit, and automobile liability coverage for bodily injury and property damage in the amount of at least $2,000,000.00 combined single limit, and the policy or policies of insurance shall be issued by a reputable insurance company or companies which are qualified to do business in the State of Colorado and shall name Seller as an additional insured. In addition, before entering upon the Property, Purchaser shall provide Seller with valid certificates indicating such insurance is in effect. The foregoing indemnity shall not apply to claims due to (i) Hazardous Materials or conditions that are not placed on the Property or caused by Purchaser or its agents, (ii) pre-existing matters, (iii) or Seller's actions or inactions. The indemnity and agreement set forth in this Section 12(c) shall survive the expiration or termination of this Contract for any reason.

(d) Architectural Approval. In order to assure that homes constructed by Purchaser are compatible with the other residential construction in the Development and the architectural, design, and landscaping criteria and guidelines included in the approved Administrative Site Plan applicable to the Property (the "**ASP Criteria**") and are otherwise acceptable to Seller, all construction and landscaping on the Lots shall be subject to the prior review and approval of Seller. The Master Covenants provide for the formation of an architectural review committee ("**Architectural Review Committee**") and for the promulgation and adoption of design guidelines ("**Design Guidelines**") to be applied by the Architectural Review Committee. The Master Covenants and the Design Guidelines provide for an exemption from obtaining Architectural Review Committee approval for the Seller and any other person whose House Plans (as hereinafter defined) has been reviewed and approved by the Seller.

(i) Purchaser shall submit to Seller the Purchaser's elevations, floor plans, typical landscape plans, exterior color palettes ('**House Plans**") for homes and other buildings, structures and improvements to be located on the Lots (herein "**Homes**", "**Houses**", or "**Residences**") within forty-five (45) days following delivery of the ASP to Purchaser. Seller will review the House Plans and Seller shall deliver notice to Purchaser of the Seller's approval or disapproval of the House Plans within ten (10) business days after receipt of the House Plans, with such approval not to be unreasonably withheld, conditioned or delayed, so long as such plans substantially comply and are generally consistent and compatible with the ASP Criteria. If Seller fails to so notify Purchaser of approval or disapproval within such 10-business day period, the House Plans shall be deemed approved and/or an appropriate exemption shall be given to Purchaser. In the event of disapproval, Purchaser shall revise and resubmit the House Plans to the Seller for reconsideration, addressing the matters disapproved by the Seller, and the procedure set forth above shall be repeated until the House Plans are approved by the Seller. After Seller approves the Purchaser's House Plans, and before Purchaser commences construction of Homes on the Lots, Purchaser shall submit to Seller any material changes in the approved House Plans. Seller shall review the material changes for general consistency and compatibility with the standards and criteria set forth in the ASP Criteria and if Seller approves such changes, Seller shall notify Purchaser within ten (10) business days of its approval, not to be unreasonably withheld, conditioned or delayed.

(ii) Purchaser shall perform all construction, development and landscaping in accordance with the approved House Plans and in conformity with the Master Covenants and the ASP Criteria and all other requirements, rules, regulations of any Authority. Purchaser and Seller acknowledge that the County will not conduct architectural review nor issue approval of Purchaser's House Plans, but rather requires the building permit applicant to comply with the ASP Criteria. Seller's approval of Purchaser's House Plans is only intended as a review for compatibility with other residential construction in the Development and the ASP Criteria and does not constitute a representation or warranty that Purchaser's House Plans comply with ASP Criteria and Purchaser shall be responsible for confirming such compliance.

(e) Disclosures to Homebuyers. Purchaser shall include in each contract for the sale of any Home constructed by Purchaser in the Development, any and all disclosures required by applicable laws, as well as disclosures related to: (i) District debt service assessments, (ii) District maintenance special assessments, (iii) expansive/low-density soils, (iv) oil, gas, and mineral activity in the area, and (v) other contiguous and nearby uses.

13. Uncontrollable Events. Notwithstanding any contrary provision of this Contract, the time for performance of any obligation of Seller or Purchaser under this Contract (except for any monetary obligation of either party) shall be extended if such performance is delayed due to any act, or failure to act, of any Authority, strike, riot, act of war, act of terrorism, act of violence, weather, act of God, epidemic/pandemic, or any other act, occurrence or non-occurrence beyond such party's reasonable control (each, an "**Uncontrollable Event**"). Any extension under the preceding sentence shall continue for a length of time reasonably necessary to satisfy such delayed obligation; provided, that in no event shall such extension be less than the duration of such Uncontrollable Event. If a party claims a delay due to an Uncontrollable Event, then such party shall provide written notice to the other party not more than thirty (30) days after the occurrence of a condition that constitutes an Uncontrollable Event, which notice shall reasonably detail the reason(s) giving rise to the Uncontrollable Event and a reasonable estimation of the duration (to the extent determinable at the time of such notice) of the delay that was caused by the Uncontrollable Event. Each party will make efforts to minimize the delay from any such Uncontrollable Event to the extent reasonably feasible; provided, however, that neither party shall be required to use extraordinary means and/or incur extraordinary costs in order to satisfy its obligations.

14. Cooperation. Purchaser shall reasonably cooperate with and require its agents, employees, subcontractors and other representatives to reasonably cooperate with Seller in construction within the Development, including, where applicable, the granting of a nonexclusive license to enter upon the Property conveyed to Purchaser. Purchaser shall execute documentation reasonably required by Seller to effectuate any desired modification or change in connection with Seller's activities in the Development including, without limitation, amendments or restatements of the Master Covenants, or any Final Plat; provided, however, Purchaser shall not be obligated to execute any such documentation if it will materially adversely affect the fair market value or use of the Property or Purchaser's ability to construct or to sell its proposed homes within the Property, or if it will materially increase the cost of ownership or construction or interfere with ownership or construction.

15. Fees. Subject to the provisions of Sections 16 and 18 below:

(a) FHA/VA. Seller shall not be required to obtain any approvals pursuant to FHA, VA or other governmental programs relating to the Lots or the financing of improvements thereon.

(b) Utility Company Refunds. Any refunds from utility providers relating to construction deposits for the Property shall be the exclusive property of Seller. Purchaser shall cooperate at no cost to Purchaser with Seller in turning over any such funds and directing those funds to Seller.

16. Water and Sewer Taps; Fees; and District Matters.

(a) Rangeview Metropolitan District. The water and sewer service provider for the Lots is the Rangeview Metropolitan District ("**Rangeview**") and Purchaser shall be required to purchase water and sewer taps for the Lots from Rangeview pursuant to the terms and provisions of a tap purchase agreement in a form substantially consistent with the one attached hereto and incorporated herein as **Exhibit E** (the "**Tap Purchase Agreement**"). Pursuant to the Tap Purchase Agreement, Rangeview will agree to sell to Purchaser, and Purchaser will agree to purchase from Rangeview, a water and sewer tap for each Lot in conjunction with the issuance of a building permit for a Lot. The Tap Purchase Agreement shall be executed by Rangeview and Purchaser on or before the date of the First Closing. If Rangeview and Purchaser are unable to agree on a Tap Purchase Agreement before the expiration of the Due Diligence Period, this Contract will terminate, the Initial Deposit shall be promptly returned to Purchaser, Purchaser shall deliver to Seller all information and materials received by Purchaser from Seller pertaining to the Property and any non-confidential and non-proprietary information otherwise obtained by Purchaser pertaining to the Property (but specifically excluding any environmental reports or information), and thereafter the parties shall have no further rights or obligations under this Contract except as otherwise provided in Section 25 below. The combined cost to purchase a water tap and sewer will be dependent on Lot size, house square footage, number of floors, driveway lanes, outdoor irrigated square footage, and xeriscape square footage. For example, based on Rangeview's rates and charges as of the Effective Date as set forth in the fee schedule attached hereto as **Exhibit F** (the "**Lot Development Fee Schedule**"), a 5,500 square foot lot with a 2,400 square foot house 2 story 2 car garage with 1,500 square feet of grass would have a computed tap fee equating to a .9 SFE (1 SFE equal to .4 acre feet of water demand per year) or $24,488.10, and a sewer tap fee of $4,752.

(b) District Governance and Financial Matters. The Property is included within the boundaries of the District and with water and sewer service provided by Rangeview. Persons affiliated with Seller have been elected or appointed to the board of directors ("**Board**") of the District and Rangeview and serve in that capacity. Purchaser shall not qualify any persons affiliated with Purchaser as its representative to serve on the Board of the District or Rangeview and this prohibition shall survive all Closings and delivery of deeds hereunder until no person affiliated with Seller serves on the Board; provided, however, that entering into a contract for sale or sale of any Lot with a Home thereon to any person affiliated with Purchaser shall not constitute a violation of this Section. The District has been formed for purposes that include, but are not limited to financing, owning, maintaining and/or managing certain tracts and infrastructure improvements ("**District Improvements**") to serve the Development, including the Lots. Purchaser acknowledges that: (i) the construction of District Improvements shall be without compensation or reimbursement to Purchaser; and (ii) any reimbursements, credits, payments, or other amounts payable by the District or Rangeview on account of the construction of District Improvements or any other matters related thereto ("**Metro District Payments**") shall remain the property of the Seller and shall not be conveyed to or otherwise be claimed by Purchaser. Upon request of Seller, the District, or Rangeview, Purchaser will execute documents that may be reasonably required to confirm Purchaser's waiver of any right to Metro District Payments. The provisions of this Section are material in determining the Purchase Price, and the Purchase Price would have been higher but for the provisions of this Section. This Section shall survive each Closing as set forth herein.

(c) Sky Ranch Community Authority Board. Pursuant to the Colorado Constitution, Article XIV, Sections 18(2)(a) and (b), and C.R.S. Sections 29-1-203 and -203.5, metropolitan districts may cooperate or contract with each other to provide any function, service or facility lawfully authorized to each, and any such contract may provide for the sharing of costs, the impositions of taxes, and the incurring of debt. Pursuant to the Modified Service Plans for Sky Ranch Metropolitan District Nos. 1, 3, 4 and 5 ("**Sky Ranch Districts**"), approved by Arapahoe County on September 14, 2004, as amended ("**Service Plans**"), and pursuant to statutory authority, the Sky Ranch Metropolitan District Nos. 1 and 5 have entered into a Sky Ranch Community Authority Board Establishment Agreement ("**CABEA**"), creating the CAB. It is anticipated that the Boards of Sky Ranch Metropolitan District Nos. 3 and 4 will elect to become parties to the CABEA in the future. The CABEA authorizes the CAB and the Sky Ranch Districts that are parties to the CABEA to cooperate and contract with each other regarding administrative and operational functions. One or more of the Sky Ranch Districts, the CAB or other governmental entity may enter into an intergovernmental agreement pursuant to C.R.S. §§ 29-1-203 and – 203.5 to create the Regional Improvements Authority to use revenue generated by the imposition of the Regional Improvements Mill Levy to plan, design, acquire, construct, installation, relocation and/or redevelopment, and the administration, overhead and operations and maintenance costs incurred with respect to the Regional Improvements serving the Development. The Regional Improvement Authority's authority may include, without limitation, (i) sharing or pledging revenue, including ad valorem taxes, to provide a source of funding to pay for specific regional improvements that serve the Development, (ii) the issuance of debt by the CAB or other governmental authority to pay for regional improvements, and (iii) the construction of regional improvements. If and to the extent that the District enters into such an IGA, Builder agrees that it will not object to the intergovernmental agreement creating the Regional Improvements Authority; provided that the total mill levy on a Lot does not exceed Maximum Mills Limitation.

(d) Fees.

(i) Seller shall pay any and all of the following to the extent imposed by any Authority in connection with the Property conveyed to Purchaser: (i) any parks and recreation fees (including park dedication requirements and/or cash-in-lieu payments related to the Property as part of the platting thereof); (ii) drainage fees; (iii) fees for payment-in-lieu of school land dedications.

(ii) Purchaser shall pay all costs, expenses, and fees that may be imposed by any Authority which are related to the construction, use or occupancy of the Homes to be constructed on the Lots and any ongoing or periodic maintenance and operations fees and charges levied or otherwise imposed on Lot owned by Purchaser by any Authority, including without limitation, those fees set forth on the Lot Development Fee Schedule set forth on **Exhibit F**; provided, however, that the fees set forth therein are reflective only of the assessment as of the Effective Date hereof and are subject to periodic increases as determined by the assessing Authority. Seller shall reasonably cooperate with Purchaser in providing updated fees and fee schedules during the Due Diligence Period and prior to Closing. Without limiting the foregoing, and except for the fees to be paid by Seller pursuant to Section 16(d)(i) above, Purchaser shall pay any and all of the following to the extent imposed in connection with the Property conveyed to Purchaser: (i) system development fees; (iii) any infrastructure (facility) fee, including, without limitation, any transportation/road fee, which may be imposed either by the County, the District or other Authority; (iv) any impact fees and payment-in-lieu of land dedication fees imposed for roads or other facilities that are payable at issuance of a building permit for a home constructed on a Lot; and (v) any excise fees.

(iii) As of the Effective Date, the District does not levy a system development fee ("**SDF**") against property within the District. If the District at any time before a Closing adopts a SDF, then at such Closing (and subsequent Closings) the Purchaser shall pay the District's SDF applicable to the Lots acquired at such Closings. In order to offset Purchaser's payment of the District's SDF for a Lot at a Closing, Purchaser shall receive a credit against the Purchase Price paid by Purchaser for such Lot at such Closing equal to the amount of the District's SDF paid by Purchaser for the Lot.

(iv) The covenants set forth in this Section 16 shall survive each respective Closing and shall represent a continuing obligation until the complete satisfaction or payment thereof.

17. Homeowners' Association. Certain alleys, walkways, landscape tracts, and other private improvements will serve the Property and may also serve lots acquired by other builders within Phase B. In order to address the maintenance obligations related to such private improvements, Seller shall establish a homeowners' association that will own and/or maintain such private improvements (the "**Homeowners' Association**") and cause the Lots to be annexed into such Homeowners' Association at Closing hereunder. Within thirty (30) days after the Effective Date, Seller will deliver to Purchaser (and the other builders) for its review and reasonable approval, a declaration with respect to the maintenance of those private improvements (the "**Maintenance Declaration**"). Purchaser shall have until fifteen (15) days before the end of the Due Diligence Period, as the same may be extended, to notify Seller in writing of any objection that Purchaser may have to the draft Maintenance Declaration. On or before the fifth (5^{th}) business day following Seller's receipt of Purchaser's objections to the draft Maintenance Declaration, Seller shall notify Purchaser, in writing, whether Seller elects to make such modifications to the draft Maintenance Declaration, with Seller not to unreasonably withhold its consent to Purchaser's request; provided, however, that if Seller does not elect to modify, or elects to modify and does not thereafter modify the Maintenance Declaration within such 5-business day period and such decision is made on a reasonable basis, Purchaser shall have the right to either: (i) terminate this Agreement by delivery of a written termination notice to Seller on or before the end of the Due Diligence Period, in which event the entire Initial Deposit shall be promptly returned to Purchaser, Purchaser shall return to Seller all information and materials received by Purchaser from Seller pertaining to the Property, and thereafter the Parties shall have no further rights or obligations under this Agreement except for those which expressly survive the termination hereof; or (ii) waive any objections to the Maintenance Declaration and proceed with the transaction contemplated by this Agreement, in which event Purchaser shall be deemed to have approved the Maintenance Declaration as to which its objections have been waived. Upon approval of the form of the Maintenance Declaration by the Parties, the Parties will cause such form to be attached to this Agreement by a mutually executed amendment hereto. The Maintenance Declaration shall be recorded in the County Records at or before the First Closing and shall constitute a Permitted Exception hereunder.

18. Reimbursements and Credits. Purchaser shall have no right to any reimbursements and/or cost-sharing agreements pursuant to any agreements entered into between Seller or any of Seller's affiliates and third parties which may or may not affect the Property. In addition, Purchaser acknowledges that Seller, its affiliates, the District, the PID, or other metropolitan district, has installed or may install certain infrastructure improvements ("**Infrastructure Improvements**"), the Interchange Upgrades, and/or donate, dedicate and/or convey certain rights, improvements and/or real property ("**Dedications**") to the County or other Authority which benefit all or any part of the Property, together with adjacent properties, and which entitle Seller or its affiliates and/or the Property or any part thereof to certain reimbursements by the County or other Authority or credits by the County or other Authority for park fees, open space fees, school impact fees, capital expansion fees and other governmental fees which would otherwise be required to be paid to the County or other Authority by the owner of the Property or any part thereof from time to time ("**Governmental Fees**"). If and to the extent that Purchaser is entitled to a credit or waiver of any Governmental Fees from the County and/or any other Authority as a result of Infrastructure Improvements constructed, or Dedications made, by Seller, its affiliates, the District, or any other Authority, then Purchaser shall pay to or reimburse Seller (or its designated affiliates) an amount equal to such credited or waived Governmental Fee(s) at the time such Governmental Fees would have otherwise been payable to the County or other such Authority by Purchaser or its assignees. In addition, Purchaser acknowledges that Seller or its affiliate(s) may have negotiated or may negotiate with the County or other Authority for reimbursements to Seller or its affiliates. Purchaser acknowledges that certain Governmental Fees which may be paid by Purchaser to the County or other Authority may be reimbursed to Seller and/or its affiliates pursuant to the terms of said agreement. The obligations and covenants set forth in this Section 18 shall survive the Closing of the purchase and sale of the Property and shall represent a continuing obligation of Purchaser until complete satisfaction thereof. Purchaser shall be released from the obligations in this Section 18 to the extent such obligations are assumed in writing by a subsequent owner of all or a portion of the Property and a copy of such written assumption is furnished to Seller. Each special warranty deed conveying the applicable portion of the Property at each Closing shall contain the foregoing reimbursement covenant, which reimbursement covenant shall expressly state that it automatically terminates as to any Lot upon issuance of a certificate of occupancy for a Home constructed on the Lot and conveyance of the Lot to a homebuyer.

19. Name and Logo. The name and logo of "Sky Ranch" are wholly owned by Seller. Purchaser agrees that it shall not use or allow the use of the name "Sky Ranch" or any logo, symbol or other words or phrases which are names or trademarks used or registered by Seller or any of its affiliates in any manner to name, designate, advertise, sell or develop the Property or in connection with the operation or business located or to be located upon the Property without the prior written consent of Seller, which consent may be withheld for any reason. Any consent to the use of such names or logos may be conditioned upon Purchaser entering into a license agreement with Seller, as applicable, at no additional cost to Purchaser. Notwithstanding the foregoing, however, Purchaser shall have a non-exclusive, royalty-free license for so long as Purchaser is building and selling homes in the Development, without the need for any further consent or approval by Seller, to use the name and logo of "Sky Ranch" in connection with the use, marketing, sales, development and operation of the Property, provided that Purchaser shall comply with any requirements uniformly applicable to all homebuilders in Sky Ranch that Seller promulgates with respect to such usage.

20. Renderings. All renderings, plans or drawings of the Property or the Development locating landscaping, trees and any improvements are artists' conceptions only and may not accurately reflect their actual location. Purchaser waives any claims based upon any inaccuracy in the location of such items as depicted on the renderings, plans or drawings.

21. Communications Improvements. Seller may, but is not obligated to, enter into an agreement with a service provider for the development and installation of Communication Improvements in all or any portion of the Development. "**Communications Improvements**" means any equipment, property and facilities, if used or useful in connection with the delivery, deployment, provision or modification of (a) broadband Internet access service; (b) monitoring service, for the benefit of governmental entities, quasi-governmental entities, or utilities, regarding the usage of electricity, gas, water and other resources; (c) video programming or content, including Internet protocol television (a/k/a "IPTV") service; (d) voice over Internet protocol (a/k/a "VoIP") service; (e) telecommunications services, including voice; (f) any other service or services delivered by means of the Internet or otherwise delivered by means of digital signals; and (g) any other service or services based on technology that is similar to or is a technological extension of any of the foregoing ("**Service**"). Communications Improvements do not include any equipment, facilities or property located on (or in) the home of a person who receives services from the service provider, such as, but not limited to routers, wireless access points, in-house wiring, set-top boxes, game consoles, gateways and other equipment under the control of the owner or occupant of the home. Seller may grant to such service provider one or more permanent, non-exclusive, perpetual, assignable and recordable easements (collectively referred to as the "**Easement**") to access and use the Property and other property within the Development, as necessary, appropriate or desirable, to lay, install, construct, reconstruct, modify, operate, maintain, repair, enhance, upgrade, regulate, remove, replace and otherwise use the Communications Improvements. So long as any such Easement does not materially interfere with Purchaser's use of the Lot for its intended purpose or Purchaser's ability to construct a Home thereon, Purchaser shall not object to and shall cooperate with Seller in connection with the installation and operation of the Communications Improvements.

22. Soil Hauling. Purchaser shall be responsible for either relocating from the Property all surplus soil generated during Purchaser's construction of structures on the Property or to import any necessary fill required to complete Purchaser's construction activities. At the option of Seller, in its sole discretion, the surplus soil shall be transported at Purchaser's expense to a site designated by Seller within the Development; provided, that Seller has designated and made such a site available to Purchaser at the time Purchaser is ready to transport surplus soils, if any. If and to the extent that Seller establishes stock pile site within the Development, Seller may modify any such stock pile locations from time to time in Seller's reasonable discretion (but Purchaser shall not have any obligation to relocate any soil Purchaser previously delivered to the prior designated stock pile site). At Seller's request, Purchaser shall supply copies of any reports or field assessments in Purchaser's possession identifying the material characteristics of the excess soil prior to accepting such soil for fill purposes. Notwithstanding the foregoing, in the event that Seller does not establish a stock pile site or elects not to accept any surplus soils from Purchaser, then Purchaser shall, at its sole expense, find a purchaser or taker or otherwise transport and dispose of such surplus soil upon such terms as it shall desire, but such surplus soil must still be removed from the Property and may not be stockpiled on the Property or within the Development after construction has been completed. At the option of Developer, in its sole discretion, if Builder needs to import any necessary fill that is required to complete Builder's construction activities and Developer has fill dirt available on the Property, then Developer may make available to Builder, on terms and conditions determined by Developer, any such fill dirt for transport at Builder's expense.

23. Intentionally Deleted

24. Assignment.

(a) Seller's Assignment. Seller may assign its rights and obligations in whole or in part under this Contract without the consent of Purchaser: (i) to any entity that acquires all or substantially all of the Seller's interests in such Lots which Seller reasonably believes has the financial ability and experience to perform Seller's obligations under this Contract; or (ii) to an entity that controls, is controlled by, or is under common control with, Seller.

(b) Purchaser's Assignment. The obligations of the Purchaser under this Contract are personal in nature, and neither this Contract nor any rights, interests, or obligations of Purchaser under this Contract may be transferred or assigned without the prior written consent of Seller, which consent shall not be unreasonably withheld, conditioned or delayed, except that Purchaser may assign its rights or obligations under this Contract, without the prior written consent of Seller to: (i) any affiliate of Purchaser for the sole purpose of constructing Homes on the Lots, (ii) Purchaser affiliate Forestar (USA) Real Estate Group Inc., pursuant to a written "land-banking" agreement, or (iii) with conditions, another third-party with which Purchaser has a contractual right to acquire the Lots pursuant to an option agreement or similar arrangement therewith; provided, however, that, Purchaser shall not, following such assignment, be released from any obligations hereunder. Purchaser's right to assign its rights or obligations under this Contract pursuant to clause (ii) or (iii) above, shall be conditioned on such assignment being in a writing executed and ratified by Purchaser (and delivered to Seller) and shall provide that such assignee will sell the subject Lots to Purchaser or an affiliate of Purchaser (described in clause (i) above) or if Lots are sold to a third-party, any premium for such Lots in excess of the Purchase Price, shall be paid directly to Seller.

25. Survival. All covenants and agreements of either party which are intended to be performed in whole or in part after any Closing or termination of this Contract, and all representations, warranties and indemnities by either party to the other under this Contract shall survive such Closing or termination of this Contract and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns; provided, however, that Seller's Express Representations pursuant to this Contract shall survive each respective Closing for a period of twelve (12) months, and any action by Purchaser based on a breach of any of such Seller's Express Representations must be brought within such twelve (12) month period.

26. Condemnation. If a condemnation action is filed or either party receives written notice from any competent condemning authority of intent to condemn which directly affects any Lot or Lots which Purchaser has a right to purchase, either party may at its sole discretion by written notice to the other party within thirty (30) days following receipt of such condemnation notice terminate this Contract as to the Lots subject to the condemnation action and Purchaser shall receive a refund of the Deposit with respect to those Lots only (the Deposit being applied pro rata equally among all Lots for this purpose), and the parties shall have no further rights or obligations with respect to those Lots. If the right to terminate is not exercised by either party, this Contract shall remain in full force and effect with respect to the Lot in question and upon exercise of the right to purchase the Lot, the Closing shall proceed in accordance with the terms of this Contract, and condemnation award shall be paid to the party who is the owner of the affected Lot at the time the award is determined by the condemning authority.

27. Brokers. Each party does hereby represent that it has not engaged any broker, finder, or real estate agent in connection with the transactions contemplated by this Contract. Each party agrees to and does hereby indemnify and hold the other harmless from any and all fees, brokerage and other commissions or costs (including reasonable attorneys' fees), liabilities, losses, damages or claims which may result from any broker, agent or finder, licensed or otherwise, claiming through, under or by reason of the conduct of either of them respectively in connection with the purchase of the Lots by Purchaser. This Section survives the termination of this Contract and all Closings.

28. Default and Remedies. Time is of the essence hereof. If any amount received as a Deposit hereunder or any other payment due hereunder is not paid by Purchaser, honored or tendered when due and payable, or if each Closing is not consummated as required in accordance with Section 8 above, or if any other covenant, agreement, obligation or condition hereunder is not performed or waived as herein provided within five (5) business days (or such longer period as expressly provided under this Contract) after the party failing to perform the same has received written notice of such failure, there shall be the following remedies:

(a) Purchaser's Default. If Purchaser is in default under this Contract, Seller may terminate this Contract, in which event the Deposit shall be forfeited and retained on behalf of Seller, and both parties shall, except as otherwise provided herein, thereafter be released from all obligations hereunder. It is agreed that, except as otherwise provided in this subpart (a) and in subparts (c) and (d) below and except with respect to indemnification by Purchaser as set forth herein, such payments and things of value are LIQUIDATED DAMAGES and are SELLER'S SOLE AND ONLY REMEDY for Purchaser's failure to perform the obligations of this Contract prior to the Closing. Seller expressly waives all other remedies with respect to a default by Purchaser.

(b) Seller's Default. If Seller is in default under this Contract, Purchaser may elect AS ITS SOLE AND EXCLUSIVE REMEDY either: (i) to treat this Contract as canceled, in which case the Deposit and all sums paid by Purchaser related to Overex shall be returned to Purchaser, and Purchaser shall have the right to recover, as damages, all out-of-pocket expenses incurred by it in negotiating this Contract and in inspecting, analyzing or otherwise performing its rights and obligations pursuant to this Contract, but in no event will the amount of such damages exceed Fifty Thousand Dollars ($50,000.00); or (ii) Purchaser may elect to treat this Contract as being in full force and effect and Purchaser shall have a right to specific performance, provided that any such action for specific performance must be commenced within seventy-five (75) days after the expiration of the applicable notice and cure period provided herein, and, in the event specific performance is not available due to the fraud or willful misconduct of Seller, then Purchaser shall have the right to recover, as damages, all out-of-pocket expenses, and in the event specific performance is not available for any other reason, then Purchaser may pursue the remedy set forth in clause (i) above. Seller shall not be liable for and Purchaser shall not be entitled to recover exemplary, punitive, special, indirect, consequential, lost profits or any other damages (except for recovery of out-of-pocket expenses as set forth above).

(c) Indemnity. Notwithstanding any contrary provision of this Contract, any and all provisions of this Contract pursuant to which a party agrees to indemnify, hold harmless and defend the other party from and against any losses, costs, claims, causes of action or liabilities of any kind or nature, or pursuant to which a party waives any rights or claims that it may have against the other party, shall survive any termination of this Contract, and shall be and remain fully enforceable against a party in accordance with the terms of this Contract and applicable laws and is not limited by any other provisions set forth in this Section 28.

(d) Award of Costs and Fees. Anything to the contrary herein notwithstanding, in the event of any litigation arising out of this Contract including without limitation any litigation related to an action for specific performance brought by either party as permitted in accordance with the terms of this Contract, the court shall award the substantially prevailing party all reasonable costs and expenses, including attorneys' fees, incurred by the substantially prevailing party in the litigation or other proceedings.

(e) Post-Closing Defaults. With respect to post-closing defaults, the parties agree that the non-defaulting party shall be entitled to exercise all remedies available at law or in equity, except that damages shall be limited to actual out-of-pocket costs and expenses incurred as a result of such default. Neither party shall have the right to recover exemplary, punitive, special, indirect, consequential, lost profits or any other damages (except as set forth in subsection (b) and (c) above).

29. General Provisions. The parties hereto further agree as follows:

(a) Time of the Essence. Time is of the essence under this Contract. In computing any period of time under this Contract, the date of the act or event from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included unless it is a Saturday, Sunday, or federal legal holiday, in which event the period shall run until the end of the next day which is not a Saturday, Sunday, or federal legal holiday.

(b) Governing Law and Venue. This Contract shall be governed by and construed in accordance with the laws of the State of Colorado. Exclusive Venue for all actions arising out of this Contract shall be in the District Court for Arapahoe County, Colorado.

(c) Severability. Should any provisions of this Contract or the application thereof, to any extent, be held invalid or unenforceable, the remainder of this Contract and the application thereof, other than those provisions which shall have been held invalid or unenforceable, shall not be affected thereby and shall continue in full force and effect and shall be enforceable to the fullest extent permitted at law or in equity.

(d) Entire Contract. This Contract embodies the entire agreement between the parties hereto concerning the subject matter hereof and supersedes all prior conversations, proposals, negotiations, understandings and agreements, whether written or oral.

(e) Exhibits. All schedules, exhibits and addenda attached to this Contract and referred to herein shall for all purposes be deemed to be incorporated in this Contract by this reference and made a part hereof.

(f) Further Acts. Each of the parties hereto covenants and agrees with the other, upon reasonable request from the other, from time to time, to execute and deliver such additional documents and instruments and to take such other actions as may be reasonably necessary to give effect to the provisions of this Contract.

(g) Compliance. The performance by the parties of their respective obligations provided for in this Contract shall comply with all applicable laws and the rules and regulations of all governmental agencies, municipal, county, state and federal, having jurisdiction in the premises.

(h) Amendment. This Contract shall not be amended, altered, changed, modified, supplemented or rescinded in any manner except by a written agreement executed by both parties.

(i) Authority. Each of the parties hereto represents to the other that each such party has full power and authority to execute, deliver and perform this Contract, that the individuals executing this Contract on behalf of said party are fully empowered and authorized to do so, that this Contract constitutes a valid and legally binding obligation of such party enforceable against such party in accordance with its terms, that such execution, delivery and performance will not contravene any legal or contractual restriction binding upon such party or any of its assets and that there is no legal action, proceeding or investigation of any kind now pending or to the knowledge of each such party threatened against or affecting such party or affecting the execution, delivery or performance of this Contract. Each of the parties hereto represents to the other that each such party is a duly organized, legal entity and is validly existing in good standing under the laws of the jurisdiction of its formation.

(j) Notices. All notices, statements, demands, requirements, or other communications and documents (collectively, "**Communications**") required or permitted to be given, served, or delivered by or to either party or any intended recipient under this Contract shall be in writing and shall be deemed to have been duly given (i) on the date and at the time of delivery if delivered personally to the party to whom notice is given at the address specified below; or (ii) on the date and at the time of delivery or refusal of acceptance of delivery if delivered or attempted to be delivered by an overnight courier service to the party to whom notice is given at the address specified below; or (iii) on the date of delivery or attempted delivery shown on the return receipt if mailed to the party to whom notice is to be given by first-class mail, sent by registered or certified mail, return receipt requested, postage prepaid and properly addressed as specified below; or (iv) on the date and at the time shown on the electronic mail message if sent electronically to the address specified below, provided that any notice related to a default or termination sent electronically shall also be delivered via first class U.S. Mail, postage prepaid to the address set forth below:

To Seller:
PCY Holdings, LLC
Attn: Mark Harding
34501 E. Quincy Ave.
Bldg. 34, Box 10
Watkins, Colorado 80137
Telephone: (303) 292-3456
Facsimile: (303) 292-3475
Email: mharding@purecyclewater.com

with a copy to:
Fox Rothschild LLP
1225 17th Street, Suite 2200
Denver, CO 80202
Attn: Rick Rubin, Esq.
Telephone: (303) 292-1200
Email: rrubin@foxrothschild.com

To Purchaser:
Melody Homes, Inc.
9555 S. Kingston Court
Englewood, CO 80112-5943
Attn: Graham Silver and William Carlisle
Email: gsilver@drhorton.com
Email: wmcarlisle@drhorton.com

with a copy to:
Davis & Ceriani, P.C.
1600 Stout Street, Suite 1710
Denver, CO 80202
Attn: Nicholas A. Dooher, Esq.
Email: ndooher@davisandceriani.com
jbaker@davisandceriani.com

and

Robert Coltin, Esq.
Region Counsel
D.R. Horton, Inc.
9555 S. Kingston Court
Englewood, CO 80112-5943
Email: rcoltin@drhorton.com

(k) Place of Business. This Contract arises out of the transaction of business in the State of Colorado by the parties hereto.

(l) Counterparts; Copies of Signatures; DocuSign. This Contract may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one (1) and the same instrument, and either of the parties hereto may execute this Contract by signing any such counterpart. This Contract, any amendments hereto, and the Continuation Notice (if any) may be executed by hand-signatures or by electronic signatures using DocuSign or other similar technology. Such signatures may be transmitted by email. Any such electronic signatures or electronic transmissions of signatures shall be deemed to constitute originals. In addition, either party and/or the Escrow Agent may rely upon any electronic transmission of any document that is properly executed by the other party. The ratification of this Contract or any amendment hereto by any of the Authorized Officers on behalf of Purchaser also may be accomplished by either hand signature or by electronic signature using DocuSign or other similar technology.

(m) Captions; Interpretation. The section captions and headings used in this Contract are inserted herein for convenience of reference only and shall not be deemed to define, limit or construe the provisions hereof. Purchaser and Seller acknowledge that each is a sophisticated builder or developer, as applicable, and that each has had an opportunity to review, comment upon and negotiate the provisions of this Contract, and thus the provisions of this Contract shall not be construed more favorably or strictly for or against either party. Purchaser and Seller each acknowledges having been advised, and having had the opportunity, to consult legal counsel in connection with this Contract and the transactions contemplated by this Contract.

(n) Number and Gender. When necessary for proper construction hereof, the singular of any word used herein shall include the plural, the plural shall include the singular and the use of any gender shall be applicable to all genders.

(o) Waiver. Any one (1) or more waivers of any covenant or condition by a party hereto shall not be construed as a waiver of a subsequent breach of the same covenant or condition nor a consent to or approval of any act requiring consent to or approval of any subsequent similar act.

(p) Binding Effect. Subject to the restrictions on assignment contained herein, this Contract shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

(q) Recordation. Except as set forth herein below, Purchaser shall not cause or allow this Contract or any memorandum or other evidence thereof to be recorded in the County Records or become a public record without Seller's prior written consent, which consent may be withheld at Seller's sole discretion. Notwithstanding the foregoing to the contrary, upon Seller's receipt of Purchaser's Continuation Notice, Seller shall thereafter deliver to the Title Company, in recordable form and as set forth below, a memorandum of this Contract (the "**Memorandum of Contract**"), in substantially the form of **Exhibit H**, attached hereto and incorporated herein, together with an executed copy of escrow instructions to be agreed upon by Seller and Purchaser prior to the end of the Due Diligence Period (the "**Escrow Instructions**"). At Purchaser's option, the Memorandum of Contract shall be recorded in the County Records pursuant to the terms and conditions set forth in the Escrow Instructions; provided, however, that the parties acknowledge and agree that at the time of Seller's delivery of the Memorandum of Contract, as set forth in this Section 29(q), the Property will not be platted into the Lots and accurate metes and bounds legal descriptions of the Lots constituting the Property may not have been prepared. If Purchaser choses to record the Memorandum of Contract, it will initially include a graphical depiction of the Property (including the approximate location of the Lots), but may not initially include an actual legal description of the Property. The parties agree that by its recordation in the County Records, the Memorandum of Contract will not affect title to, or otherwise encumber any other portion of the Development, including any other lots located within the Development. Seller shall deliver the Memorandum of Contract and the Escrow Instructions no later than seven (7) business days after the later to occur of (i) Purchaser's deposit into escrow of the Additional Deposit (in accordance with Section 3(a) hereof) and (ii) Purchaser's delivery to the Title Company, in recordable form, of a release of said Memorandum of Contract (the "**Release**"), to be held and recorded in the County Records pursuant to the terms and conditions set forth in the Escrow Instructions. Upon receipt of written notice from Seller of Final Approval of each Final Plat, which shall be accompanied by a form of amendment to the Memorandum of Contract (a "**Memorandum Amendment**"), Purchaser shall within three (3) business days after receipt of such written notice, return to Seller, in recordable form, the Memorandum Amendment which shall reflect the legal description of the Lots as set forth on such Final Plat and such Memorandum Amendment shall be recorded in the County Records.

(r) No Beneficiaries. No third parties are intended to benefit by the covenants, agreements, representations, warranties or any other terms or conditions of this Contract.

(s) Relationship of Parties. Purchaser and Seller acknowledge and agree that the relationship established between the parties pursuant to this Contract is only that of a seller and a purchaser of single-family lots. Neither Purchaser nor Seller is, nor shall either hold itself out to be, the agent, employee, joint venturer or partner of the other party.

(t) Interstate Land Sales Full Disclosure Act and Colorado Subdivision Developers Act Exemptions. It is acknowledged and agreed by the parties that the sale of the Property will be exempt from the provisions of the federal Interstate Land Sales Full Disclosure Act under the exemption applicable to sale or lease of property to any person who acquires such property for the purpose of engaging in the business of constructing residential, commercial or industrial buildings or for the purpose of resale of such property to persons engaged in such business. Purchaser hereby represents and warrants to Seller that it is acquiring the Property for such purposes. It is further acknowledged by the parties that the sale of the Property will be exempt under the provisions of the Colorado Subdivision Developers Act under the exemption applicable to transfers between developers. Purchaser represents and warrants to Seller that Purchaser is acquiring the Property for the purpose of participating as the owner of the Property in the development, promotion and sale of the Property and portions thereof.

(u) Special Taxing District Disclosure. In accordance with the provisions of C.R.S. §38-35.7-101(1), Seller provides the following disclosure to Purchaser: **SPECIAL TAXING DISTRICTS MAY BE SUBJECT TO GENERAL OBLIGATION INDEBTEDNESS THAT IS PAID BY REVENUES PRODUCED FROM ANNUAL TAX LEVIES ON THE TAXABLE PROPERTY WITHIN SUCH DISTRICTS. PROPERTY OWNERS IN SUCH DISTRICTS MAY BE PLACED AT RISK FOR INCREASED MILL LEVIES AND TAX TO SUPPORT THE SERVICING OF SUCH DEBT WHERE CIRCUMSTANCES ARISE RESULTING IN THE INABILITY OF SUCH A DISTRICT TO DISCHARGE SUCH INDEBTEDNESS WITHOUT SUCH AN INCREASE IN MILL LEVIES. PURCHASERS SHOULD INVESTIGATE THE SPECIAL TAXING DISTRICTS IN WHICH THE PROPERTY IS LOCATED BY CONTACTING THE COUNTY TREASURER, BY REVIEWING THE CERTIFICATE OF TAXES DUE FOR THE PROPERTY, AND BY OBTAINING FURTHER INFORMATION FROM THE BOARD OF COUNTY COMMISSIONERS, THE COUNTY CLERK AND RECORDER, OR THE COUNTY ASSESSOR.**

(v) Common Interest Community Disclosure. In accordance with the provisions of C.R.S. §38-35.7-102(1), Seller provides the following disclosure to Purchaser: **IF SELLER ELECTS TO FORM A HOMEOWNERS ASSOCIATION UNDER THE MASTER COVENANTS FOR THE DEVELOPMENT, THEN THE PROPERTY IS, OR WILL BE PRIOR TO EACH RESPECTIVE CLOSING, LOCATED WITHIN A COMMON INTEREST COMMUNITY AND IS, OR WILL BE PRIOR TO SUCH CLOSING, SUBJECT TO THE DECLARATION FOR SUCH COMMUNITY. THE OWNER OF THE PROPERTY WILL BE REQUIRED TO BE A MEMBER OF THE OWNER'S ASSOCIATION FOR THE COMMUNITY AND WILL BE SUBJECT TO THE BYLAWS AND RULES AND REGULATIONS OF THE ASSOCIATION. THE DECLARATION, BYLAWS, AND RULES AND REGULATIONS WILL IMPOSE FINANCIAL OBLIGATIONS UPON THE OWNER OF THE PROPERTY, INCLUDING AN OBLIGATION TO PAY ASSESSMENTS OF THE ASSOCIATION. IF THE OWNER DOES NOT PAY THESE ASSESSMENTS, THE ASSOCIATION COULD PLACE A LIEN ON THE PROPERTY AND POSSIBLY SELL IT TO PAY THE DEBT. THE DECLARATION, BYLAWS, AND RULES AND REGULATIONS OF THE COMMUNITY MAY PROHIBIT THE OWNER FROM MAKING CHANGES TO THE PROPERTY WITHOUT AN ARCHITECTURAL REVIEW BY THE ASSOCIATION (OR A COMMITTEE OF THE ASSOCIATION) AND THE APPROVAL OF THE ASSOCIATION. PURCHASERS OF PROPERTY WITHIN THE COMMON INTEREST COMMUNITY SHOULD INVESTIGATE THE FINANCIAL OBLIGATIONS OF MEMBERS OF THE ASSOCIATION. PURCHASERS SHOULD CAREFULLY READ THE DECLARATION FOR THE COMMUNITY AND THE BYLAWS AND RULES AND REGULATIONS OF THE ASSOCIATION.**

(w) Source of Water Disclosure. In accordance with the provisions of C.R.S. §38-35.7-104, Seller provides the following disclosure to Purchaser:

THE SOURCE OF POTABLE WATER FOR THIS REAL ESTATE IS:

A WATER PROVIDER, WHICH CAN BE CONTACTED AS FOLLOWS:

NAME:	**Rangeview Metropolitan District**
ADDRESS:	**c/o Special District Management Services, Inc.** **141 Union Blvd., Suite 150** **Lakewood, Colorado 80228**
WEB SITE:	**www.rangeviewmetro.org**
TELEPHONE:	**303-987-0835**

SOME WATER PROVIDERS RELY, TO VARYING DEGREES, ON NONRENEWABLE GROUND WATER. YOU MAY WISH TO CONTACT YOUR PROVIDER TO DETERMINE THE LONG-TERM SUFFICIENCY OF THE PROVIDER'S WATER SUPPLIES.

(x) STORM WATER POLLUTION PREVENTION PLAN**.** Seller has previously filed a Notice of Intent ("**NOI**") and/or prepared a Stormwater Pollution Prevention Plan ("**SWPPP**") to satisfy its stormwater obligations arising from Seller's work on the Property. Seller covenants that prior to each Closing Date and until Closing of the Lots, Seller and/or its contractor shall comply with the SWPPP with respect to all of the Lots subject to this Contract which are owned by Seller, and shall comply with all local, state and federal environmental obligations (including stormwater) associated with the Seller's development work on the Property. Seller shall indemnify and hold Purchaser harmless from all claims and causes of action arising from breach of the foregoing covenants of Seller to the extent there is an uncured notice of violation issued with respect to any Lot prior to conveyance of such Lot to Purchaser. From and after conveyance of Lots, and until such time as such Lots are subject to Purchaser's SWPPP (as hereafter defined), Purchaser shall be solely responsible for complying with the SWPPP, installing and maintaining all required best management practices (**"BMPs**"), and conducting and documenting all required inspections. Such obligations include, without limitation, (i) complying with the SWPPP or the Purchaser's SWPPP, as applicable, (ii) installing and maintaining all required BMPs associated with Purchaser's ownership of, development of, and construction on the Lots (including without limitation silt fences), and (iii) conducting and documenting all required inspections. Purchaser covenants and Seller acknowledges that, with respect to Lots acquired by Purchaser, Purchaser shall, within ten (10) business days after conveyance of such Lots, at its sole cost and expense (subject to Seller's prior written approval) submit its own notice of intent for a new stormwater pollution prevention plan (the "**Purchaser's SWPPP**"). Subsequent to the applicable Closing Date, Purchaser shall comply with the Purchaser's SWPPP with respect to all of the Lots then owned by Purchaser, and shall comply with all local, state and federal environmental obligations (including stormwater) associated with its ownership of, development of, and construction on such Lots. Purchaser shall indemnify and hold Seller harmless from all third party claims and causes of action solely arising from breach of the foregoing covenants of Purchaser. Notwithstanding anything to the contrary, Seller is only responsible for complying with the SWPPP to the extent required to complete Seller's development work, including without limitation the Finished Lot Improvements, on the Property and is otherwise not obligated to install any other storm water management facilities on the Lots, as shown in the CDs, including without limitation, any SWPPP work to be conducted by Purchaser, its successors and assigns.

(y) Oil, Gas, Water and Mineral Disclosure. THE SURFACE ESTATE OF THE PROPERTY MAY BE OWNED SEPARATELY FROM THE UNDERLYING MINERAL ESTATE, AND TRANSFER OF THE SURFACE ESTATE MAY NOT NECESSARILY INCLUDE TRANSFER OF THE MINERAL ESTATE OR WATER RIGHTS.

THIRD PARTIES MAY OWN OR LEASE INTERESTS IN OIL, GAS, OTHER MINERALS, GEOTHERMAL ENERGY OR WATER ON OR UNDER THE SURFACE OF THE PROPERTY, WHICH INTERESTS MAY GIVE THEM RIGHTS TO ENTER AND USE THE SURFACE OF THE PROPERTY TO ACCESS THE MINERAL ESTATE, OIL, GAS OR WATER.

SURFACE USE AGREEMENT. THE USE OF THE SURFACE ESTATE OF THE PROPERTY TO ACCESS THE OIL, GAS OR MINERALS MAY BE GOVERNED BY A SURFACE USE AGREEMENT, A MEMORANDUM OR OTHER NOTICE OF WHICH MAY BE RECORDED WITH THE COUNTY CLERK AND RECORDER.

OIL AND GAS ACTIVITY. OIL AND GAS ACTIVITY THAT MAY OCCUR ON OR ADJACENT TO THE PROPERTY MAY INCLUDE, BUT IS NOT LIMITED TO, SURVEYING, DRILLING, WELL COMPLETION OPERATIONS, STORAGE, OIL AND GAS, OR PRODUCTION FACILITIES, PRODUCING WELLS, REWORKING OF CURRENT WELLS, AND GAS GATHERING AND PROCESSING FACILITIES.

ADDITIONAL INFORMATION. PURCHASER IS ENCOURAGED TO SEEK ADDITIONAL INFORMATION REGARDING OIL AND GAS ACTIVITY ON OR ADJACENT TO THE PROPERTY, INCLUDING DRILLING PERMIT APPLICATIONS. THIS INFORMATION MAY BE AVAILABLE FROM THE COLORADO OIL AND GAS CONSERVATION COMMISSION.

(z) Property Tax Disclosure Summary. PURCHASER SHOULD NOT RELY ON SELLER'S CURRENT PROPERTY TAXES AS THE AMOUNT OF PROPERTY TAXES THAT PURCHASER MAY BE OBLIGATED TO PAY IN THE YEAR SUBSEQUENT TO PURCHASE. A CHANGE IN OWNERSHIP OR PROPERTY IMPROVEMENTS TRIGGERS REASSESSMENTS OF THE PROPERTY THAT COULD RESULT IN HIGHER PROPERTY TAXES. IF PURCHASER HAS ANY QUESTIONS CONCERNING VALUATION, CONTACT THE COUNTY PROPERTY APPRAISER'S OFFICE FOR INFORMATION.

(a a) Waiver of Jury Trial. TO THE EXTENT PERMITTED BY LAW, THE PARTIES HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVE, RELINQUISH AND FOREVER FORGO THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THE PROVISIONS OF THIS CONTRACT.

(bb) Purchaser's Ratification. The "Effective Date" means the last of the following dates: (a) the date this Contract is executed by Purchaser, (b) the date this Contract is executed by Seller, or (c) the date of Purchaser's corporate ratification, as required by this Section. NOTWITHSTANDING ANY OTHER PROVISION HEREIN, NEITHER THIS CONTRACT NOR ANY AMENDMENT HERETO SHALL BE A VALID, BINDING OR ENFORCEABLE OBLIGATION OF PURCHASER UNLESS AND UNTIL SUCH DOCUMENT IS RATIFIED IN WRITING BY ONE OF THE FOLLOWING EXECUTIVE OFFICERS OF PURCHASER: DONALD R. HORTON, DAVID V. AULD, MICHAEL J. MURRAY, BILL W. WHEAT OR R. DOUGLAS BROWN. If Purchaser's corporate ratification of this Contract or any amendment hereto (as set forth in (c) above) is not obtained within fourteen (14) days after mutual execution thereof by Purchaser and Seller, then this Contract shall terminate and thereafter be of no further force and effect.

(cc) Each Party shall keep the existence and all terms of this Contract strictly confidential, provided that each Party may disclose the same to its attorneys, financial consultants and bona fide lenders on the condition that they agree in advance to be bound by and to observe this covenant and warranty of confidentiality, and provided that Seller shall be liable to Purchaser for any breach of this covenant by such parties.

(dd) Seller acknowledges receipt of One Hundred Dollars ($100.00) paid to Seller by Purchaser as a Binder/Option Fee, in consideration for which Seller shall be irrevocably bound by the terms of this Contract from and after the date of Seller's execution hereof. The Binder/Option Fee shall not be applied against the Purchase Price of the Property at Closing.

(ee) Survival. Obligations to be performed subsequent to a Closing shall survive each Closing.

[**SIGNATURE PAGE FOLLOWS**]

IN WITNESS WHEREOF, Seller and Purchaser have executed this Contract effective as of the day and year first above written.

SELLER:

PCY HOLDINGS, LLC,
a Colorado limited liability company

By: /s/ Mark W. Harding
Name: Mark W. Harding
Title: President
Date: 10/30/2020

PURCHASER:

MELODY HOMES, INC.,
a Delaware corporation

By: /s/ Bill Carlisle
Name: Bill Carlisle
Title: Vice President
Date: 10/30/2020

LIST OF EXHIBITS

EXHIBIT A:	CONCEPTUAL DEVELOPMENT PLAN AND LOTTING DIAGRAM
EXHIBIT B:	RESERVATIONS AND COVENANTS
EXHIBIT C:	FINISHED LOT IMPROVEMENTS
EXHIBIT D:	FORM OF GENERAL ASSIGNMENT
EXHIBIT E:	FORM OF TAP PURCHASE AGREEMENT
EXHIBIT F:	LOT DEVELOPMENT FEE SCHEDULE (CURRENT AS OF THE EFFECTIVE DATE)
EXHIBIT G:	FORM OF BUILDER DESIGNATION
EXHIBIT H:	MEMORANDUM OF CONTRACT

EXHIBIT A

CONCEPTUAL DEVELOPMENT PLAN AND LOTTING DIAGRAM

SKY RANCH - NEIGHBORHOOD'S A & D
BUILDER DISTRIBUTION
September 02, 2020

EXHIBIT B

RESERVATIONS AND COVENANTS

Reservation of Easements. Seller (referred to this paragraph as "Grantor") expressly reserves unto itself, its successors and assigns, the right to grant easements for construction of utilities and other facilities to support the development of the properties commonly known as "Sky Ranch," including but not limited to sanitary sewer, water lines, electric, cable, broad-band and telephone transmission, storm drainage and construction access easements across the Property allowing Grantor or its assignees the right to install and maintain sanitary sewer, water lines, cable television, broad-band, electric, and telephone utilities on the Property and on its adjacent property, and further, to accommodate storm drainage from its adjacent property. Such easements shall not allow above-grade surface installation of facilities and shall require the restoration of any surface damage or disturbance caused by the exercise of such easements, shall not be located within the building envelope of any Lot or otherwise interfere with the use of a Lot for construction of Grantee's homes, shall not materially detract from the value, use or enjoyment of (i) the remaining portion of the Property on which such easements are to be located, or (ii) any adjoining property of Grantee, and shall not require any reduction in allowed density for the Property or reconfiguration of planned lots or the building envelope on a lot. If possible, such easements shall be located within the boundaries of existing easement areas. Grantor, at its sole expense, shall immediately restore the land and improvements thereon to their prior condition to the extent of any damage incurred due to Grantor's utilization of the easements herein reserved.

Reservation of Minerals and Mineral Rights. To the extent owned by Grantor, Grantor herein expressly excepts and reserves unto itself, its successors and assigns, all right, title and interest in and to all minerals and mineral rights, including bonuses, rents, royalties, royalty interests and other benefits that may be payable as a result of any oil, gas, gravel, minerals or mineral rights on, in, under or that may be produced from the Property, including, but not limited to, all gravel, sand, oil, gas and other liquid hydrocarbon substances, casinghead gas, coal, carbon dioxide, helium, geothermal resources, and all other naturally occurring elements, compounds and substances, whether similar or dissimilar, organic or inorganic, metallic or non-metallic, in whatever form and whether occurring, found, extracted or removed in solid, liquid or gaseous state, or in combination, association or solution with other mineral or non-mineral substances, provided that Grantor expressly waives all rights to access, use or damage the surface of the Property to exercise the rights reserved in this paragraph and, without limiting such waiver, Grantor's activities in extracting or otherwise dealing with the minerals and mineral rights shall not cause disturbance or subsidence of the surface of the Property or any improvements on the Property.

Reservation of Water and Water Rights. To the extent owned by Grantor, Grantor herein expressly excepts and reserves unto itself, its successors and assigns, all water and water rights, ditches and ditch rights, reservoirs and reservoir rights, streams and stream rights, water wells and well rights, whether tributary, non-tributary or not non-tributary, including, but not limited to, all right, title and interest under C.R.S. 37-90-137 on, underlying, appurtenant to or now or historically used on or in connection with the Property, whether appropriated, conditionally appropriated or unappropriated, and whether adjudicated or unadjudicated, including, without limitation, all State Engineer filings, well registration statements, well permits, decrees and pending water court applications, if any, and all water well equipment or other personalty or fixtures currently used for the supply, diversion, storage, treatment or distribution of water on or in connection with the Property, and all water and ditch stock relating thereto; provided that Grantor expressly waives all rights to access, use or damage the surface of the Property to exercise the rights reserved in this paragraph and, without limiting such waiver, Grantor's activities in dealing with the water and water rights herein reserved shall not cause disturbance or subsidence of the surface of the Property or any improvements on the Property.

Reimbursements and Credits. Grantee shall have no right to any reimbursements and/or cost-sharing agreements pursuant to any agreements entered into between Grantor or any of Grantor's affiliates and third parties which may or may not affect the Property. In addition, Grantee acknowledges that Grantor, its affiliates, the District, the PID, or other metropolitan district, has installed or may install certain infrastructure improvements ("Infrastructure Improvements"), the Interchange Upgrades, and/or donate, dedicate and/or convey certain rights, improvements and/or real property ("Dedications") to Arapahoe County (the "County") or other governmental authority ("Authority") which benefit all or any part of the Property, together with adjacent properties, and which entitle Grantor or its affiliates and/or the Property or any part thereof to certain reimbursements by the County or other Authority or credits by the County or other Authority for park fees, open space fees, school impact fees, capital expansion fees and other governmental fees which would otherwise be required to be paid to the County or other Authority by the owner of the Property or any part thereof from time to time ("Governmental Fees"). If and to the extent that Grantee is entitled to a credit or waiver of any Governmental Fees from the County and/or any other Authority as a result of Infrastructure Improvements constructed, or Dedications made, by Grantor, its affiliates, the District, the PID, or other metropolitan district, then Grantee shall pay to or reimburse Grantor (or its designated affiliates) an amount equal to such credited or waived Governmental Fees at the time such Governmental Fees would have otherwise been payable to the County or other such Authority by Grantee or its assignees. In addition, Grantee acknowledges that Grantor or its affiliate(s) may have negotiated or may negotiate with the County or other Authority for reimbursements to Grantor or its affiliates and Grantee acknowledges that certain Governmental Fees which may be paid by Grantee to the County or other Authority may be reimbursed to Grantor and/or its affiliates pursuant to the terms of said agreement. The obligations and covenants set forth herein shall be binding on Grantee, its successors and assigns, and any subsequent owners of the Property, except that homeowners shall have no obligation for any reimbursements provided herein. The obligation for reimbursements described herein shall automatically terminate (without the necessity of recording any document) with respect to any residential lot as of the date of conveyance of such residential lot, together with a residence constructed thereon, to a homebuyer. Any title insurance company may rely on the automatic termination language set forth above for the purpose of insuring title to a home.

EXHIBIT C

FINISHED LOT IMPROVEMENTS

1. "**Finished Lot Improvements**" means the following improvements on, to or with respect to the Lots or in public streets or tracts in the locations as required by all approving Authorities, to obtain building permits and certificates of occupancy for home improvements for the Lots, and substantially in accordance with the CDs:

(a) overlot grading together with corner pins and T-posts on rears for each Lot installed in place, graded to match the specified Lot drainage template within the CDs (but not any Overex);

(b) water and sanitary sewer mains and other required installations in connection therewith identified in the CDs, valve boxes and meter pits, substantially in accordance with the CDs approved by the approving Authorities, together with appropriate markers;

(c) storm sewer mains, inlets and other associated storm drainage improvements pertaining to the Lots in the public streets as shown on the CDs;

(d) curb, gutter, asphalt, sidewalks, street striping, street signage, traffic signs, traffic signals (if any are required by the approving Authorities), and other street improvements, in the private and/or public streets as shown on the CDs; Seller will either have applied a final lift of asphalt or in Seller's discretion posted sufficient financial guarantees as required by the County for the Lots to qualify for issuance of building permits in lieu of such final lift of asphalt;

(e) sanitary sewer service stubs (in accordance with Rangeview's rules and regulations) connected to the foregoing sanitary sewer mains, installed into each respective Lot (stubbed to a point beyond dry utility easements), together with appropriate markers of the ends of such stubs, as shown on the CDs;

(f) water service stubs connected to the foregoing water mains installed into each Lot (stubbed to a point beyond dry utility easements), together with appropriate markers of the ends of such stubs, as shown on the CDs;

(g) Lot fill in compliance with the geotechnical engineer's recommendation, and with respect to any filled area or compacted area, provide from a Colorado licensed professional soils engineer a HUD Data Sheet 79G Certification (or equivalent) and a certification that the compaction and moisture content recommendations of the soils engineer were followed and that the grading of the respective Lots complies with the approved grading plans, with overlot grading completed in conformance with the approving Authorities approved grading plans within a +/- 0.2' tolerance of the approved grading plans; however, the Finished Lot Improvements do not include any Overex;

(h) all storm water management facilities as shown in the CDs to the extent required by Section 29(x) of the Agreement; and

2. Dry Utilities. Electricity, natural gas, television and telephone service will be installed by local utility companies. The installations may not be completed at the time of a Closing, and are not part of the Finish Lot Improvements; provided, however, that: (i) with respect to electric distribution lines and street lights, Seller will have signed an agreement with the electric utility service provider and paid all costs and fees for the installation of electric distribution lines and facilities to serve the Lots, and all sleeves necessary for electric, gas, telephone and/or cable television service to the Lots will be installed; (ii) with respect to gas distribution lines, Seller will have signed an agreement with the gas utility service provider, and paid all costs and fees for the installation of gas distribution lines and facilities to serve the Lots. Seller will take commercially reasonable efforts to assist Purchaser in coordinating with these utility companies to provide final electric, gas, telephone and cable television service to the residences on the Lots, however, Purchaser must activate such services through an end user contract. Purchaser acknowledges that in some cases the telephone and cable companies may not have pulled the main line through the conduit if no closings of residences have occurred. Notwithstanding the foregoing, if dry utilities have not been installed upon Substantial Completion of the Finished Lot Improvements, Seller shall be obligated to have contracted for same and paid all costs and fees payable for such installation. Unless Seller has contracted for such installation and paid such costs before the Effective Date, Seller will give Purchaser notice when such contracts have been entered and such costs paid. With respect to any other improvements that are required by the subdivision improvement agreement applicable to the Lots but which are not addressed as part of the Finished Lot Improvements, Seller shall complete such other improvements, to the extent required by the County, so as not to delay the issuance of certificates of occupancy for residences constructed by Purchaser on the Lots.

3. CO Required Improvements. The improvements which are not required for the issuance of building permits, but which are required by the Authorities so that dwellings and other home improvements constructed or to be constructed by Purchaser on the Lots are eligible for the issuance of certificates of occupancy for homes will be completed by Seller as required by the Authorities so that Purchaser is not delayed or prevented from obtaining certificates of occupancy for homes constructed by Purchaser on the Lots.

4. Tree Lawns/Sidewalks. Notwithstanding anything in this Contract to the contrary, Seller shall have no obligation to construct, install, maintain or pay for the maintenance, construction and installation of (i) any landscaping or irrigation for such landscaping behind the curb on any Lot that is to be maintained by the owner of such lot (collectively, "**Tree Lawns**"), but Seller shall be responsible for constructing and installing the detached sidewalks and ramps (collectively, "**Sidewalks**") that are located immediately adjacent to any Lot or on a tract as required by the approved CDs, County, or any other Authority and/or applicable laws as provided in this Contract. Purchaser shall be responsible for installing any other lead walks, pathways, and driveways and any other flatwork on the Lots. Purchaser shall install all Tree Lawns on or adjacent to the Lots in accordance with all applicable CDs, requirements, regulations, laws, development codes and building codes of all Authorities.

5. Warranty.

(a) Government Warranty Period. The Authorities require warranty periods (each a "**Government Warranty Period**") after the final completion that is applicable to those Finished Lots Improvements that are dedicated to or owned, and accepted for maintenance by the Authorities (the "**Public Improvements**"). In the event defects in the Public Improvements to which a governmental warranty (each a "**Governmental Warranty**") applies become apparent during the applicable Government Warranty Period, then Seller shall coordinate the repairs with the applicable Authorities and cause the service provider(s) who performed the work or supplied the materials in which the defect(s) appear to complete such repairs or, if such service providers fail to correct such defects, otherwise cause such defects to be repaired to the satisfaction of the Authorities. Any costs and expenses incurred pursuant to a Government Warranty in connection with any repairs or warranty work performed during the Government Warranty Period (including, but not limited to, any costs or expenses incurred to enforce any warranties against any service providers) shall be borne by Seller, unless such defect was caused by Purchaser or its contractors, subcontractors, employees, or agents, in which event Purchaser shall pay all such costs and expenses to the extent such defect was caused by Purchaser or its contractors, subcontractors, employees, or agents.

(b) Non-Government Warranty Period**.** Seller warrants ("**Non-Government Warranty**") to Purchaser that each Finished Lot Improvement, other than the Public Improvements, shall have been constructed in a good and workman like manner accordance with the CDs for one (1) year from the date of Substantial Completion of such Finished Lot Improvement (the "**Non-Government Warranty Period**"). If Purchaser delivers written notice to Seller of breach of the Non-Government Warranty during the Non-Government Warranty Period, then Seller shall coordinate the corrections with Purchaser and cause the contractors and service provider(s) who performed the work or supplied the materials in which the breach of Non-Government Warranty appears to complete such corrections or, if such contractors and service providers fail to make such corrections, otherwise cause such corrections to be made to the reasonable satisfaction of Purchaser. Any costs and expenses incurred in connection with a breach of the Non-Government Warranty shall be borne by Seller (including, but not limited to, any costs or expenses incurred to enforce any warranties against contractors and service providers), unless such breach was caused by Purchaser or its contractors, subcontractors, employees, or agents, in which event Purchaser shall pay all such costs and expenses to the extent the breach was caused by Purchaser or its contractors, subcontractors, employees, or agents.

(c) EXCEPT AS EXPRESSLY PROVIDED IN THIS SECTION 5 OF THIS EXHIBIT C, SELLER MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND TO PURCHASER IN RELATION TO THE FINISHED LOT IMPROVEMENTS, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF HABITABILITY, MERCHANTABILITY, OR FITNESS FOR ANY PARTICULAR PURPOSE, AND EXPRESSLY DISCLAIMS ALL OF THE SAME AND SHALL HAVE NO OBLIGATION TO REPAIR OR CORRECT AND SHALL HAVE NO LIABILITY OR RESPONSIBILITY WITH RESPECT TO ANY DEFECT IN IMPROVEMENTS FOR WHICH NO CLAIM IS ASSERTED DURING THE APPLICABLE WARRANTY PERIOD. If and to the extent C.R.S. 13.20-806(7) applies with respect to any claim arising out of residential property, nothing in this Agreement is intended to constitute a waiver of, or limitation on, the legal rights, remedies or damages provided by the Construction Defect Action Reform Act, C.R.S. 13-20-801 et seq., or provided by the Colorado Consumer Protection Act, Article 1 of Title 6, C.R.S., as described in the Construction Defect Action Reform Act, or on the ability to enforce such legal rights, remedies, or damages within the time provided by applicable statutes of limitation or repose.

EXHIBIT D

FORM OF GENERAL ASSIGNMENT

GENERAL ASSIGNMENT

Reference is hereby made to that certain Contract for Purchase and Sale of Real Estate dated as of _____, 2020 (the "**Agreement**"), pursuant to which PCY HOLDINGS, LLC, a Colorado limited liability company ("**Seller**"), has agreed to sell to MELODY HOMES, INC., a Delaware corporation ("**Purchaser**"), the Property as described in the Agreement.

For good and valuable consideration, the receipt of which is hereby acknowledged, Seller hereby assigns and transfers to Purchaser on a non-exclusive basis, Seller's right, title and interest (but not any obligations, all of same remaining with Seller) in the following as the same relate solely to that certain real property legally described on **Exhibit A**, attached hereto and incorporated herein by this reference the ("**Property**"), and to the extent the same are assignable: (i) all subdivision agreements, development agreements, and entitlements; (ii) all construction plans and specifications; (iii) all construction and other warranties and indemnities including any and all warranties from all contractors and service provider(s) who performed work or supplied materials for the Property and the Development; and (iv) all development rights benefiting the Property.

IN WITNESS WHEREOF, Seller has executed this General Assignment as of _____, 20__.

SELLER:

PCY HOLDINGS, LLC,
a Colorado limited liability company

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT E

FORM OF TAP PURCHASE AGREEMENT

To be inserted by agreement of the Parties prior to the expiration of the Due Diligence Period.

EXHIBIT F

SKY RANCH LOT DEVELOPMENT FEE SCHEDULE
(CURRENT AS OF __/__/20__)

Fee Description	Timing	Contact Information
System Development Fees (Tap Fees) (Issued to Rangeview Metropolitan District) Water Tap Fee per unit= $27,209 (for 1 SFE lot) Wastewater Tap Fee per unit= $4,752 Meter Set Fee (3/4") per unit or irrigated area = $408.23 Service Line Inspection Fee per meter= $75.00	Building Permit	Brent Brouillard 303-292-3456 bbrouillard@purecyclewater.com
Public Improvement Fee (Issued to Sky Ranch CAB) 2.75% of 50% of construction valuation per lot	Building Permit	Rick Dinkel 303-292-3475 rdinkel@purecyclewater.com
Fire Development Fee (Issued to Bennett-Watkins Fire) $1,500/lot	Building Permit	Life Safety Assistant/Fire Inspector Victoria Flamini 355 4th Street Bennett, CO 80102 303-644-3572
Operations & Maintenance Fee (Issued to Sky Ranch CAB) $50/month per lot (prorated to $25 for builder owned lots) $100 One-time turnover fee	Substantial Completion of Lot	Rick Dinkel 303-292-3475 rdinkel@purecyclewater.com
Stormwater Management Co-Op (Issued to Pure Cycle) $500/lot	Takedown Closing	Robert McNeill 303-292-3475 rmcneill@purecyclewater.com

Marketing Co-Op (Issued to Pure Cycle) $1,000/lot	Takedown Closing	Robert McNeill 303-292-3475 rmcneill@purecyclewater.com
Public Improvement District – TBD Additional mill levies for regional improvements such as I70 interchange, Schools, 1st Creek Bridges, Rec Center, etc. will be required Objective is for Phase 2 total mill levies not to exceed Phase 1 total mill levies	Building Permit	TBD

EXHIBIT G

FORM OF BUILDER DESIGNATION

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Attn:

DESIGNATION OF BUILDER

THIS DESIGNATION OF BUILDER (this "**Designation**") is made and entered into this ____ day of _____ 20__ (the "**Effective Date**"), by and between **PCY HOLDINGS, LLC**, a Colorado limited liability company ("**Developer**"), whose address is 34501 E. Quincy Ave, Bldg. 34, Box 10, Watkins, CO 80137, and **MELODY HOMES, INC.**, a Delaware corporation ("**Melody**"), whose legal address is 9555 S. Kingston Court, Englewood, CO 80112-5943.

RECITALS

A. Developer is a Developer under the Covenants, Conditions and Restrictions for Sky Ranch, recorded in the real property records of Arapahoe County, Colorado (the "**Records**") on August 10, 2018 at Reception No. D8079588 (the "**Covenants**").

B. On the Effective Date, Melody has acquired from Developer a portion of the Property (as defined in the Covenants) that is subject to the Covenants, which portion is more particularly described on **Exhibit A** attached hereto and incorporated herein by this reference (the "**Builder Property**").

C. Developer desires to designate Melody as a Builder under the Covenants in conjunction with Melody's purchase of the Builder Property from Developer, as set forth herein.

DESIGNATION

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Developer and Melody agree as follows:

1. Recitals. The foregoing Recitals are incorporated herein by this reference.

2. Defined Terms. Terms herein set in initial capital letters but not defined herein shall have the meanings given them in the Covenants.

3 . Designation of Builder. Developer hereby designates Melody as a Builder under the Covenants with respect to, but only with respect to, the Builder Property. Melody hereby accepts the foregoing Builder designation from Developer.

4. Miscellaneous. This Designation embodies the entire agreement between the parties as to its subject matter and supersedes any prior agreements with respect thereto. The validity and effect of this Designation shall be determined in accordance with the laws of the State of Colorado, without reference to its conflicts of laws principles. This Designation may be modified only in writing signed by both parties. This Designation may be executed in any number of counterparts and each counterpart will, for all purposes, be deemed to be an original, and all counterparts will together constitute one instrument.

5. Binding Effect. This Designation is binding upon and inures to the benefit of Developer and Melody and their respective successors and assigns, and shall be recorded in the Records.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

DEVELOPER:

PCY HOLDINGS, LLC,
a Colorado limited liability company

By: Pure Cycle Corporation,
a Colorado corporation,
its sole member

By: _____
Name: Mark Harding
Its: President

STATE OF COLORADO)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this ___ day of _____ 20__, by Mark Harding as President of Pure Cycle Corporation, a Colorado corporation, sole member of PCY HOLDINGS, LLC, a Colorado limited liability company.

Witness my hand and official seal.
My commission expires:

_____
Notary Public

MELODY:

MELODY HOMES, INC.,
a Delaware corporation

By:
Name:
Title:

STATE OF COLORADO)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 20__, by _____ as _____ of MELODY HOMES, INC., a Delaware corporation.

Witness my hand and official seal.
My commission expires:

Notary Public

EXHIBIT H

MEMORANDUM OF CONTRACT

After recording return to:
Davis & Ceriani, P.C.
Attn.: Edward R. Gorab, Esq.
1600 Stout Street, Suite 1710
Denver, CO 80202

Memorandum of Contract

THIS MEMORANDUM OF AGREEMENT ("**Memorandum**") is made as of the _____ day of _____ , 20__, by and between PCY HOLDINGS, LLC, a Colorado limited liability company ("**Seller**") and MELODY HOMES, INC., a Delaware corporation ("**Purchaser**").

WITNESSETH:

WHEREAS, Seller has, by that certain Contract of Purchase and Sale of Real Esate with an Effective Date of _____ (the "**Contract**"), agreed to sell to Purchaser that certain Property (the "**Property**") situate in Arapahoe County, Colorado, as described on **Exhibit A** attached hereto and incorporated herein by this reference, upon and subject to the terms, provisions, conditions and exceptions contained in the Contract; and

WHEREAS, Seller and Purchaser desire, through the execution and recordation of this Memorandum, to reaffirm and give notice of the Contract and the rights and interest created thereby.

NOW, THEREFORE, in consideration of the premises and for the aforesaid purposes, the parties do hereby state and agree as follows:

1. Seller has agreed to sell to Purchaser and Purchaser has agreed to acquire from Seller, the Property pursuant to the terms, provisions, conditions and exceptions set forth in the Contract.

2. Pursuant to the terms of the Contract and assuming proper exercise of Purchaser's right to purchase, Seller shall convey title to the Property to Purchaser on the dates set forth in the Contract.

3. Any interest, right or title acquired in the Property by virtue of any act or transaction subsequent to the date of the recordation of this Memorandum, or otherwise subsequent to the Effective Date of the Contract and/or recordation of this Memorandum by virtue of law or equity, shall be wholly subject to the right, title and equity of the Purchaser in the Property by virtue hereof and by virtue of the Contract.

4. This Memorandum is not a complete summary of the Contract and shall not be used in interpreting the provisions of the Contract, nor in any way or manner amend, modify or affect the terms, provisions, conditions and exceptions of the Contract and the Contract shall govern and control in all respects, the duties, obligations, covenants, warranties and agreements of Seller and Purchaser with respect to the Property. The termination of the record interest created by this Memorandum may be evidenced by, among other things, the recording of a Release of Memorandum or by the conveyance of title to the Property from Seller to Purchaser.

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the date first written above.

SELLER:

By: _____
Print Name: _____
Title: _____

STATE OF COLORADO)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 201__, by_____ as _____ of _____.

WITNESS my hand and official seal.
My commission expires:

_____
Notary Public

Melody Homes, Inc., a Delaware corporation

By: _____
Print Name: _____
Title: _____

STATE OF COLORADO)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 201__, by_____ as _____ of Melody Homes, Inc., a Delaware corporation.

WITNESS my hand and official seal.
My commission expires:

_____
Notary Public

Exhibit A to Memorandum of Contract
[Lots]
To be inserted by agreement of the Parties during the Due Diligence Period.

EXHIBIT 21.1

SUBSIDIARIES

PCY Holdings, LLC, a Colorado limited liability company
PCY-DT, LLC, a Colorado limited liability company

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Forms S-8 (Registration Nos. 333-115240 and 333-195733) of Pure Cycle Corporation of our report dated November 10, 2020 on the consolidated financial statements of Pure Cycle Corporation as of and for the year ended August 31, 2020.

/s/ Plante & Moran PLLC

Boulder, Colorado
November 10, 2020

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark W. Harding, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pure Cycle Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 10, 2020

/s/ MARK W. HARDING
Mark W. Harding
Principal Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin B. McNeill, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pure Cycle Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 10, 2020

/s/ KEVIN B. MCNEILL
Kevin B. McNeill
Principal Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark W. Harding, the Chief Executive Officer of Pure Cycle Corporation (the "Company"), hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that::

1. The Form 10-K of the Company for the fiscal year endedAugust 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ MARK W. HARDING
Mark W. Harding
Principal Executive Officer
November 10, 2020

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin B. McNeill, the Chief Financial Officer of Pure Cycle Corporation (the "Company"), hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that::

1. The Form 10-K of the Company for the fiscal year ended August 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ KEVIN B. MCNEILL
Kevin B. McNeill
Principal Financial Officer
November 10, 2020