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SUBDIVISION IMPROVEMENTS AGREEMENT
(Dove Ranch, Unit 3)

THIS AGREEMENT, dated this 12th day of ~~August~~ ^{January}, 2006 ^{BB} by and between the TOWN OF BAYFIELD, (hereinafter referred to as "Town"), Dove Ranch III, LLC (hereinafter referred to as "Developer").

WITNESSETH

WHEREAS, Developer has submitted to the Town for approval, a plan to construct 70 multifamily lots known as the Dove Ranch, Unit 3 in the Town of Bayfield, Colorado (the "Subdivision"); and

WHEREAS, the Town has approved the construction conditioned upon the agreement of Developer to the matters hereinafter described; and

WHEREAS, the Town requires certain monetary assurances that the matters hereinafter agreed to will be performed by Developer.

NOW, THEREFORE, in consideration of the premises, the mutual covenants herein contained, and the execution and acceptance of the plat for recordation by the Town, IT IS HEREBY AGREED AS FOLLOWS:

Section 1.
IMPROVEMENTS TO BE COMPLETED BY DEVELOPER

Developer hereby agrees for itself and its successors or assigns, that it shall construct at its sole cost, as its sole responsibility, and in accord with the terms hereof, all of the improvements set forth in Sections 1 and 2.

A. All on-site streets, curbs, gutters, sidewalks, pans, water mains, drainage improvements, signs and off-site drainage improvements necessary for the Subdivision as shown on the construction documents and as itemized on the Schedule of Values (SOV) prepared by the Developer as approved by the Bayfield Public Works Department and the Town Engineer, copies of which are attached hereto as Exhibit A, and made a part hereof by this reference, and the park improvements described in the Development and Annexation Agreement shall be constructed and improved by Developer according to the applicable standards, rules, and regulations of the Town and the approved plans and profiles submitted by Developer. The Developer shall assure the ability to extend and connect all utilities to adjoining properties in platted roadway extensions. In the event funds are available at the time the park improvements described in the Annexation and Development Agreement are completed, then the Developer shall complete the trail improvements from Dove Ranch Road south to Sossaman Road in accordance with plans and specifications approved by the Town.

B. No Building permits shall be issued for any parcel of real property or lot contained within the plat for the Subdivision that are to be serviced by the improvements secured by the

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performance guarantee until the Developer is in compliance with all terms of this agreement and until the following have been approved by the Town:

1. Installation of water mains and services to the property line;
2. Installation of sewer mains and service lines to the property line;
3. Streets, including Dove Ranch Road and the County Road 501 connection, must be completed to final grade (not including pre-paving finish gravel) to an all weather street standard in a manner sufficient to allow all traffic, including all potential construction traffic, to pass over the street without causing damage to the streets.
4. Installation of electric lines to serve the Subdivision.

Those seeking a building permit pursuant to this provision must execute a waiver to the Town establishing their acknowledgment that some improvements or utility services may not be installed at the time of the issuance of the permit and that they hold the Town harmless and agree to address all inquiries and complaints to the Developer. Further such waivers must be recorded and executed by any successors in title so long as such improvements have yet to be installed. The Developers agree to provide notice of this provision to any purchaser of any lot within the subdivision that is sold prior to the completion of all improvements. Notwithstanding the foregoing, Willow Brook Homes, which is a subsidiary of the Developer, may request and receive building permits for the construction of 4 homes upon recordation of the final plat, which may not be conveyed to third parties until a Certificate of Occupancy (CO) is issued.

C. No CO shall be issued for any structure on any parcel within the Subdivision until all of the improvements (on-site and off-site) required to be constructed for the Subdivision under this Agreement, under the Annexation Agreement or by the terms of any other approval are completed and approved by the Town. The parties agree that asphalt and concrete require proper temperature and soil conditions to ensure proper installation and longevity of the improvement. The Developer shall utilize every opportunity to install asphalt and concrete before weather conditions make such installation undesirable. In the event of adverse weather or soil conditions due to temperature or moisture make installation of concrete for sidewalks impossible or undesirable, the Developer or an Owner may request a Certificate of Occupancy so long as all other on site and off site improvements are complete and accepted by the Town. Such requests shall be addressed on a case by case basis. The Town Manager shall have the authority to make such determinations at his sole discretion. Those seeking a Certificate of Occupancy must execute a waiver to the Town establishing their acknowledgment that such improvements can not reasonably be installed at the time of the issuance of the Certificate of Occupancy and that they hold the Town harmless and agree to address all inquiries and complaints to the Developer. Further such waivers must be recorded and executed by any successors in title so long as such improvements have yet to be installed. The Developers agree to provide notice of this provision to any purchaser of any lot within the subdivision that is sold prior to the completion of all improvements.

Section 2.

IMPROVEMENTS NOT REGULATED BY THE TOWN

A. It is acknowledged, understood and agreed by Developer that certain Subdivision improvements necessary to provide sewer, telephone, electrical (including street lighting

provided by La Plata Electric), gas and cable television service to the Subdivision are utilities or services which are not operated or controlled by the Town. Nevertheless, the Town requires the construction of all utility services and other improvements necessary for the Subdivision. Any reference in this Agreement to the Town, the Town's Engineer, the Town's Public Works Manager or any other agent of the Town shall be deemed a reference to the appropriate utility service provider, its engineer, manager or agents, for purposes of approving plans, inspecting completed improvements or accepting completed improvements. It shall be the Developer's sole responsibility to obtain and provide to the Town the written approvals and acceptances of the various utility providers and failure to do so or notice from the utility providers of any defaults in completing the required utility improvements shall constitute a default under this Agreement. It is understood and agreed by those utility providers acknowledging this Agreement in writing on Exhibit "B" that the Town shall have no obligation or responsibility for approving, inspecting or accepting plans for construction of utility improvements.

B. It is acknowledged, understood and agreed by Developer that the construction of certain off-site improvements is required to serve the Subdivision. Developer shall obtain a permit from La Plata County authorizing the connection of Dove Ranch Road to County Road 501 and shall construct a paved street and intersection connecting the Subdivision to CR 501 in accordance with that permit and in accordance with plans for the intersection as approved by the Town. In addition, the Developer shall install all required on site and off site drainage improvements from the Subdivision to the Pine River in accordance with permits from the County and any other entity with jurisdiction over such drainage improvements. In the event the said off-site drainage improvements are not completed for any reason prior to the improvements completion date provided for herein, the Developer shall make the on-site drainage improvements permanent in accordance with plans and specifications approved by the Town Engineer at that time.

Section 3.

TIME OF COMPLETION

All improvements herein described and all matters herein agreed, shall be installed, constructed, completed, or performed by Developer, to the satisfaction of the Town, or as otherwise specifically provided herein, no later than July 15, 2006. All improvements shall be completed as stated on the attached SOV and as otherwise provided herein. All construction shall be performed in a good and workmanlike manner and in accord with the applicable standards, rules, and regulations of the Town or the appropriate utility provider governing such construction, as determined by the Town's Engineer, Public Works Manager and/or appropriate utility. Except for force majeure conditions (delays caused by weather, strikes, inability to obtain materials, labor shortages, acts of God, war, casualty, contractor's breach of contract, governmental regulations, court decree or order, or any occurrence or condition beyond the Developers control), the failure of Developer to construct the public improvements by the time set forth in this Section, or any written extension agreement, shall be deemed prima facie evidence of default.

Section 4.

OWNERSHIP/MAINTENANCE OF IMPROVEMENTS

The Town shall assume ownership and normal and usual maintenance responsibility for on-site improvements to be dedicated to the Town upon acceptance of all those improvement(s) by the Town. The Developer shall warrant the improvements for a period of one (1) year from the date of the acceptance of the improvements. The one (1) year period provided for herein shall be deemed to be a warranty period which shall allow the Town to determine whether the improvements are installed properly and in a manner which will not cause an undue maintenance burden to the Town. In the event the said improvements are not performing satisfactorily during or at the end of the warranty period, then the Developer shall make such repairs or amendments as are reasonably required by the Town to cause such improvements to comply with the reasonable requirements of the Town. The Developer shall be responsible for any defects in the installation, materials and workmanship of the improvements during the warranty period.

Section 5.

PERFORMANCE GUARANTEE

The cost of constructing and installing the public improvements which will be dedicated to the Town is estimated at Five Hundred Ninety-two Thousand Four Hundred Eighty-Eight dollars (\$592,488) based on the SOV which the Town finds reasonable and hereby approves and accepts. Notwithstanding the SOV, Developer shall be liable for the full costs of all improvements listed in this Agreement at the time of construction thereof, and the cost of any reasonable maintenance, improvements or repairs required during the warranty period, regardless of whether the performance guarantee shall then be adequate for such full costs. In order to secure the performance of the construction and installation of improvements herein agreed by Developer, the Developer shall provide the Town with a performance guarantee in the form of a cash escrow, bond or letter of credit. The terms of the performance guarantee shall provide that said performance guarantee shall not be released, other than partial releases set forth below, or expire prior to the end of the warranty period. In the event that any portion of work and improvements has not been made, installed or performed within the date specified in Section 3 above, or as otherwise required by the Town, then, and in that event, the Town may cause such remaining work and improvements to be completed within a reasonable time by such means and in such manner, by contract, or otherwise, as it may deem advisable, and Town shall be entitled to, but not required to draw against said performance guarantee to provide funds for the costs and expenses incurred in contracting for said work and improvements.

Section 6

PARTIAL AND COMPLETE RELEASE

PARTIAL RELEASE

From time to time, as work to be performed and improvements to be constructed hereunder progresses, Developer may request in writing that the Town inspect such work and improvements, and release a portion of the performance guarantee to pay for such work that has been installed and accepted. The amount of the performance guarantee to be released shall be the amount shown on the approved SOV for specific line items that have been completed, inspected and accepted by the Town, with 20% retainage held until a complete release has been issued as set forth below. Owner agrees to make requests for partial releases only when a line item in the SOV has been completed. To expedite the inspections for such releases, Owner agrees to pay the