

CASTLE PINES

NORTH
METROPOLITAN DISTRICT

Date: June 11, 2009

To: Members of the Board

From: James C. McGrady
General Manager



RE: Rueter Hess

I wanted to make all of you aware of an article that was in the Parker Chronicle and Douglas County News Press regarding Parker's financial difficulties regarding debt service for Rueter Hess. Apparently Parker used a very optimistic growth projection to show their ability to pay the debt service associated with Rueter Hess. Given the fact that this issue is starting to be discussed, I thought it might be wise to share this article with you for informational purposes. Secondly, I wanted to remind you of several other critical components of the Rueter Hess transaction. Given the fact Parker did not want the three partners, Castle Rock, Stonegate and Castle Pines North Metropolitan District to place money in escrow, Parker elected to give the three partners storage easement deeds in the existing reservoir. Paragraph 6 of the Storage Easement Deed states "the Storage Easement is not conditioned upon the construction or establishment of the Reservoir at any prescribed capacity. Accordingly, the Storage Easement shall not be impaired or extinguished if the expansion of the Reservoir referred to in the IGA as the "Reservoir Expansion" is not undertaken or completed."

It is also important to note that Parker Water and Sanitation (PWSD) has 42 months to complete this Reservoir from August 26, 2008, which is the official date of execution of the agreement. In the event Parker does not complete the reservoir, the partners can withdraw the money remaining in the Outlet Structures Escrow Account and "enter upon the Reservoir Property, and cause to be constructed the Outlet Structures and/or related elements of the Reservoir construction necessary to render the Reservoir operational."

Clearly the three partners will be monitoring this situation closely and notify the Board of any stoppage of work that would lengthen the construction timeline beyond the 42 months agreed to.