

CONSTRUCTION FUNDING AND REIMBURSEMENT AGREEMENT

THIS CONSTRUCTION FUNDING AND REIMBURSEMENT AGREEMENT ("**Agreement**") is made and entered into to be effective as of the 7 day of JUN, 2006 by and between **HEADWATERS METROPOLITAN DISTRICT (formerly SolVista Metropolitan District No. 1)** (the "**District**"), a quasi-municipal corporation and a political subdivision of the State of Colorado, and **GRANBY REALTY HOLDINGS, L.L.C.**, a Colorado limited liability company, its successors and assigns (collectively "**Developer**").

RECITALS

WHEREAS, the District was duly and validly created as a quasi-municipal corporation and political subdivision of the State of Colorado, in accordance with the provisions of Title 32, Colorado Revised Statutes ("**Act**"), and with the power to provide services, programs and facilities, including the construction, completion, maintenance and operation of public infrastructure within and without the boundaries of the District, including within the boundaries of Granby Ranch Metropolitan District (collectively, the "**Public Infrastructure**"), as authorized pursuant to the Service Plan for Sol Vista Metropolitan District No. 1 dated March 2003, and as otherwise authorized under applicable law; and

WHEREAS, the Developer is the owner of a project located in the Town of Granby, Colorado, commonly known as Granby Ranch, including the property within the boundaries of the District and Granby Ranch Metropolitan District ("**Granby Ranch**"); and

WHEREAS, the Developer intends to undertake certain development activities with respect to property included within the boundaries of Granby Ranch, which depend upon the timely delivery of the Public Infrastructure and related services by the District; and

WHEREAS, the District has incurred and will incur costs in furtherance of the District's permitted purposes, including but not limited to costs related to the provision of Public Infrastructure in the nature of capital costs ("**Capital Costs**" or "**Costs**"); and

WHEREAS, for the purpose of financing certain Capital Costs, Granby Ranch will issue or has issued certain limited tax general obligation bonds (the "**Granby Ranch Bonds**"), a portion of the proceeds from which Bonds are to be made available to the District pursuant to a District Facilities and Construction Agreement (the "**District IGA**") between the District and Granby Ranch; and

WHEREAS, the District has determined that the timing and/or availability of the proceeds of the Granby Ranch Bonds may not be sufficient to fund the Public Infrastructure on the schedule anticipated to be necessitated by the development within Granby Ranch; and

WHEREAS, the District has determined that delay in the provision of certain Public Infrastructure will impair the District's ability to meet its financial and service obligations on a timely basis; and

WHEREAS, the Developer has loaned funds to the District previously, and, at such time as proceeds of the Granby Ranch Bonds are not sufficient for the District to continue with the provisions of Public Infrastructure, the Developer is willing to loan additional funds to the District, from time to time, on the condition that the District agrees to repay such loaned funds, in accordance with the terms set forth herein; and

WHEREAS, the board of directors of the District has determined that the best interests of the District and its residents and property owners would be served by entering into this Agreement for the funding of Capital Costs; and

WHEREAS, the District anticipates repaying moneys advanced by the Developer hereunder with the proceeds of bonds, ad valorem taxes, or other revenues determined to be available therefor, in accordance with the terms hereof; and

WHEREAS, the District's Board of Directors has authorized its officers to execute this Agreement and to take all other actions necessary and desirable to effectuate the purposes of this Agreement; and

WHEREAS, those employees and/or affiliates of the Developer who serve on the District's Board of Directors have each disclosed potential conflicts of interest in connection with this Agreement, as required by law.

NOW THEREFORE, in consideration of the mutual covenants and promises expressed herein, the Developer and the District hereby agree as follows:

COVENANTS AND AGREEMENTS

1. Loan Amount and Term. The Developer agrees to loan to the District one or more sums of money, not to exceed the aggregate of \$2,700,000 (as the same may be subsequently increased by agreement of the parties hereto and execution of a supplement or addendum to this Agreement, but which amount shall be decreased by the amount of all Granby Ranch Bonds proceeds that are available to fund the Capital Costs, the "**Maximum Capital Loan Amount**"), which constitutes the maximum amount which may be borrowed under this Agreement, notwithstanding any payment or prepayment of any portion of such advanced amount pursuant to the terms hereof, unless this Agreement is further supplemented or amended. These funds shall be loaned to the District in one or a series of installments and shall be available to the District through December 31, 2006 (as same may be amended pursuant to an annual review evidenced by supplement or amendment hereto, the "**Loan Obligation Termination Date**"). The District agrees to first apply all legally available Granby Ranch Bonds proceeds to Capital Costs prior to requesting a loan advance hereunder. The Developer may agree to renew its obligations hereunder on an annual basis by providing written notice thereof to the District no later than December 1 immediately prior to the then effective Loan Obligation Termination Date, in which case the Loan Obligation Termination Date shall be amended to the date provided in such notice, which date shall not be earlier than December 31 of the succeeding year.

2. Use of Funds. The District agrees that it shall apply all funds loaned by the Developer under this Agreement solely to Capital Costs of the District as set forth from time to time in the annual adopted budget for the District. It is understood that the District has budgeted or will budget as revenue from year to year the entire aggregate amount of which may be borrowed hereunder to enable the District to appropriate revenues to pay the expenses set forth in its Budget during the term of this Agreement. The Developer shall be entitled to a quarterly accounting of the expenditures made by the District, and otherwise may request specific information concerning such expenditures at reasonable times and upon reasonable notice to the District (reports other than quarterly may be subject to an administrative charge by the District).

3. Manner for Requesting Loan Advances.

a. The District shall from time to time determine the amount of revenue required to fund budgeted expenditures for Capital Costs by the District on a monthly basis. Such determination shall be made based upon the expenditures contained in the adopted budget for the District and upon the rate of expenditures estimated for the next succeeding month. Not less than sixty (60) days before the beginning of each month, the District shall notify the Developer of the requested advances for the next month for Capital Costs, and the Developer shall deposit such advances on or before the first business day of that month.

b. Within three (3) days of receipt of such funds, the District shall notate the same on schedules to be maintained by the District for such purpose, showing the amount of funds received, the date of receipt, and the total amount of loan advances accumulated under this Agreement, and shall execute such schedules acknowledging its receipt of such loan advance. The District shall retain such records of the date and amount of each advance made by the Developer under this Agreement, which records shall be made available to the Developer upon reasonable request and shall constitute the agreed upon loan amounts to be repaid by the District in accordance with the terms of this Agreement. The Developer agrees to promptly acknowledge, or cause the acknowledgment of, any payment of any amounts advanced hereunder on such records maintained by the District.

c. Following any repayment in whole or in part of amounts advanced under this Agreement, loan advances shall continue to be made and noted as described above in accordance with the provisions hereof, provided that the total of all loan advances made under this Agreement, regardless of whether repaid, shall not exceed the Maximum Capital Loan Amount.

4. Limited Defenses to Payments; Specific Performance. It is understood and agreed by the District and the Developer that their obligations hereunder are absolute, irrevocable, and unconditional except as specifically stated herein, and so long as a loan advance request substantially conforms to the terms and conditions hereof, the Developer agrees that it shall not take any action which would delay payment of any loan made to the District or impair the District's ability to receive additional loans hereunder in a timely manner.

5. Interest. With respect to loan advances made under this Agreement, such advances shall bear simple interest at a rate of 8% per annum from the date any such advance is made to the date of repayment of such amount.

6. Terms of Repayment.

a. The District intends to repay any advance made under this Agreement from the proceeds of any revenues determined by the District to be available therefore, including but not limited to fees, rates, tolls charges and revenues resulting from ad valorem taxes imposed by or caused to be imposed by the District (e.g., taxes imposed by Granby Ranch and paid to the District in accordance with the intergovernmental agreement between the District and Granby Ranch), net of any current operating and maintenance costs of the District; provided, however, that any such repayment, to the extent constituting an obligation of Granby Ranch, or other similar taxing district, is subject to the terms and conditions of, and such repayment obligations shall be subordinate to, the Granby Ranch Bonds, or bonds issued by such other taxing district, and the provisions of any bond resolution, indenture or other document related thereto. *Any mill levy certified by the District or any other taxing entity for the purposes of repaying advances made hereunder shall not exceed 50 mills and shall be further subject to any restrictions provided in the District's Service Plan, electoral authorization, the provisions of any bond resolution, indenture or other document related to Granby Ranch's issuance of Granby Ranch Bonds now or hereafter, or any applicable laws.*

b. The provision for repayment of advances made hereunder, as set forth in Section 6(a) hereof, shall be at all times subject to annual appropriation by the District, in its absolute discretion.

7. No Debt. It is hereby agreed and acknowledged that this Agreement evidences the District's intent to repay the Developer for advances made hereunder in accordance with the terms hereof. However, this Agreement shall not constitute a debt or indebtedness by the District within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple-fiscal-year financial obligation. Further, the provision for repayment of advances made hereunder, as set forth in Section 6 hereof shall be at all times subject to annual appropriation by the District, in its absolute discretion.

8. Indemnification. The Developer hereby agrees to indemnify and save harmless the District from all claims and/or causes of action, including mechanic's liens, arising out of the performance of any act or the nonperformance of any obligation with respect to the Public Infrastructure, any filings made with the Internal Revenue Service in connection with this Agreement, and any challenges made by the Internal Revenue Service to the federally tax exempt nature of interest on advances made hereunder, and in that regard agrees to pay any and all costs incurred by the District as a result thereof, including settlement amounts, judgments and reasonable attorneys' fees.

9. Termination.

a. The Developer's obligations to loan funds to the District in accordance with this Agreement shall terminate on the Loan Obligation Termination Date, except to the extent loan requests have been made to the Developer that are pending by this termination date, in which case said pending request(s) will be honored notwithstanding passage of the termination date.

b. The District's repayment obligations hereunder are subject to annual appropriation as provided in Section 7 hereof and, as a result, will terminate on December 31 of each calendar year unless the District's Board of Directors resolves to continue its obligations under this Agreement for the succeeding year (such action to be taken, if at all, in connection with the District's approval of its annual budget for the succeeding year).

c. Notwithstanding anything contained herein, this Agreement shall terminate upon the District's receipt of sums from Granby Ranch Bonds proceeds equal to the Maximum Capital Loan Amount.

10. Accredited Investor Status. Developer hereby represents and warrants to and for the benefit of the District that the Developer is an "accredited investor" as that term is defined in Sections 3(b) and 4(2) of the federal Securities Act of 1933, as amended, and regulations promulgated thereunder by the Securities and Exchange Commission. This representation and warranty is made as of the date hereof and shall be deemed continually made by the Developer to the District for the entire term of this Agreement.

11. Time Is of the Essence. Time is of the essence hereof; provided, however, that 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 extended to the next succeeding business day, unless otherwise expressly stated.

12. Notices and Place for Payments. Any notices, demands, or other communications required or permitted to be given by any provision of this Agreement shall be given in writing, delivered personally, sent by facsimile with a hard copy sent immediately thereafter by first class mail, or sent by first class mail, postage prepaid and return receipt requested, addressed to the parties at the addresses set forth below, or at such other address as either party may hereafter or from time to time designate by written notice to the other party given in accordance herewith. Notice shall be considered given when personally delivered, transmitted by facsimile or mailed by first class mail, return receipt requested, and shall be considered received on the earlier of the day on which such notice is actually received by the party to whom it is addressed, or the third day after such notice is mailed.

To District:

Headwaters Metropolitan District
Robertson & Marchetti
28 Second Street, Suite 213
Edwards, Colorado 81632
Attention: Ken Marchetti

With a copy to: White, Bear & Ankele
Professional Corporation
Attn: Gary R. White, Esq.
1805 Shea Center Drive, Suite 100
Highlands Ranch, CO 80129

To the Developer: Marise Cipriani, President/CEO
Granby Realty Holdings, L.L.C.
999 Village Road
Post Office Box 1110
Granby, Colorado 80446

With a copy to: Paul V. Timmins, Esq.
Holme Roberts & Owen, LLP
1700 Lincoln Street, Suite 4100
Denver, Colorado 80203

13. Amendments. This Agreement and its exhibits contain all of the terms agreed upon by and between the parties. This Agreement may only be amended or modified by a writing executed by each Party.

14. Severability. If any clause or provision of this Agreement is found to be invalid or unenforceable by a court of competent jurisdiction or by operation of any applicable law, such invalid or unenforceable clause or provision shall not affect the validity of the Agreement as a whole, and all other clauses or provisions shall be given full force and effect.

15. Applicable Laws. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado.

16. Assignment. This Agreement may not be assigned without the express prior written consent of the parties hereto, and any attempt to assign this Agreement in violation hereof shall be null and void.

17. No Third Party Beneficiaries. The provisions of this Agreement are for the exclusive benefit of the parties to this Agreement and no other party (including without limitation, any creditor of the District or Manager) shall have any right or claim against the District or Manager by reason of those provisions or be entitled to enforce any of those provisions against the District or Manager.

18. Authority. By execution hereof, each party hereto represents and warrants that its representative signing hereunder has full power and lawful authority to execute this Agreement and to bind the respective party to the terms hereof.

19. Miscellaneous. This Agreement:

- a. Incorporates the entire, integrated agreement of the parties hereto;

b. Shall be construed and be enforceable in accordance with the laws of the State of Colorado;

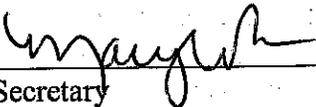
c. May not be assigned without the prior written consent of the parties hereto prior to funding of the amounts to be loaned by the Developer hereunder except to a purchaser of all or a substantial portion of that property within the District owned by the Developer as of the date hereof, or to a purchaser of a majority interest in the Developer who makes the representation set forth in Section 10 hereof; and

d. Shall be effective upon full execution hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date and year first above written.

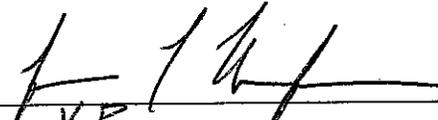
HEADWATERS METROPOLITAN DISTRICT

ATTEST:


Secretary

By: 
President

GRANBY REALTY HOLDINGS, L.L.C.

By: 
Its: F.V.P.