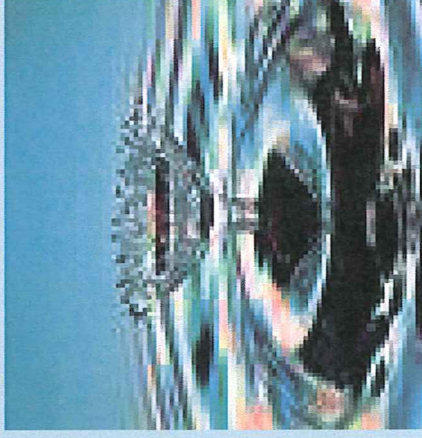


GP Water Group



Water Acquisition & Development Plan For Stonegate Metropolitan District

1/18/2012

GP Water Group

What Is The GP Water Plan?

- The GP Water Plan will supply high priority, high quality, renewable water to Stonegate at a highly attractive, all inclusive cost to replace non-renewable water sources.

Why Renewable Water

- Renewable water will stabilize and potentially decrease water rates. This is because **once the water is paid for it never has to be paid for again**, unlike non-renewable or leased water sources
- No well depletion or efficiency issues
- Lock in today's water prices which are sure to increase over time due to scarcity
- Stabilize and increase home values in service area
- Ability to sell or lease current water sources to offset overall system costs
- Potential service area expansion

Important Cost Control Considerations For Stonegate's Renewable Water Project

- Start with a plan that has the water; GP owns its water outright and does not need to count on option contracts or the purchase of water rights to supply your water.
- GP will finance the purchase of water over a 40 year period for Stonegate or lease water on a long-term basis.
- Our plan eliminates financial risk - Stonegate only pays when we perform and deliver water.

The Plan

- GP owns a large senior priority water holding on the Lamar Canal in Southeastern Colorado.
- The water will be taken at the current farm head gates, eliminating the need for controversial and increasingly unattainable upstream transfers.
- The water will be treated on site, in Prowers County to finished drinking water standards, creating a financial windfall for the county of origin through increased property taxes and increased employment base, thereby decreasing local opposition to the change case.

The Plan, Continued

- The water will be transmitted to the Front Range through a pipeline easement and distributed to the east side of Denver at a cost substantially below other potential alternatives.
- The plan includes raw storage, treated storage and treatment on site in Prowers County.
- The Plan will provide actual water production within 3 to 5 years with a decision on the change of use case expected within 12 to 24 months.

The Team

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The Water

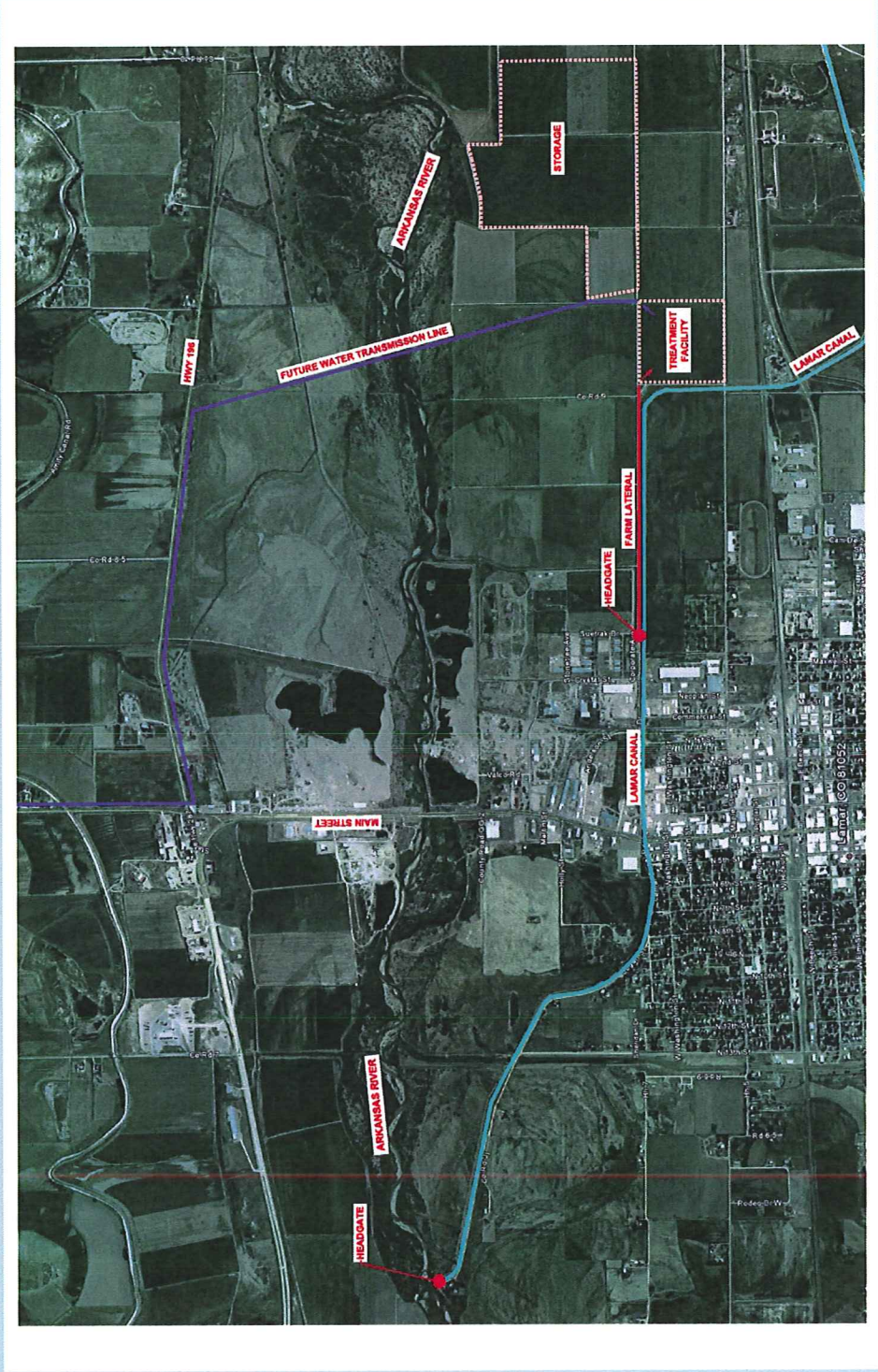
- Lamar Canal is a senior surface water canal in the lower valley on the Arkansas River.
- It has very high priority (with resulting dry year reliability)
- Our engineers can accurately estimate consumptive use (CU) using the H-I model developed in *Kansas vs. Colorado*
- Other Lamar Canal shares have previously been changed to municipal and industrial use, setting a favorable precedent for our proposed change case.
- Because of the H-I model, the Lower Arkansas is one of the few basins in the State where change of use is possible without years of litigation as illustrated by the Tri-State and LAWMA cases which were each completed in approximately one year.

Priority of the Water

TABULATION OF MAJOR DECREES, ARKANSAS RIVER, COLORADO DISTRICTS NUMBERS 14, 17 and 67

Date of Decree	District No. 67			District No. 17							District No. 14													
	Union Canal (C. F. & I.)	Essential	Expletor	Colorado Canal	Rocky Ford	Hightline	Oxford Farmers	Otero	Callin	Holbrook	Rocky Ford	Fort Lyon	Las Animas Consolidated	Koeseo	Fort Bent	Amity	Lamar	Hyde	Manvel	X Y	Graham	Buffalo		
Decreed Prior to 1824	118.00	70.65					56.60	13.40																
March 7, 1824					32.50								5.50				15.75							
April 15, 1824																								
December 3, 1824									248.00		164.64		22.30											67.50
January 20, 1825																								
June, 1825					30.00																			
March 11, 1826					2.00																			
April 1, 1826																								
November 4, 1826																								
February 21, 1827																								
February 25, 1827																								
February 25, 1827																								
March 1, 1827																								
March 1, 1827																								
April 15, 1827																								
May 1, 1827																								
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July 22, 1828																								
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December 24, 1831																								
January 1, 1833																								
April 1, 1833																								
August 20, 1833																								
August 21, 1833																								
September 3, 1833																								
September 21, 1900																								
February 2, 1922																								
Totals	118.00	392.65	64.00	786.28	501.60	128.40	457.92	346.00	600.00	208.30	933.00	107.20	28.50	229.01	783.50	285.75	23.44	54.00	69.00	61.00	61.00	67.50	67.50	

The Point of Diversion



Water and Delivery Costs

- The water price has been set at \$29,100 per acre foot delivered.
- Variable costs are estimated to range between \$1.46 and \$1.76 per thousand gallons based on current cost of power to run the pumps and the treatment plant.
- Option for “Lease to own” over a 40 year period. Pay \$8.01 per thousand gallons (includes variable cost estimate) for 1,800 acre feet for 40 years and own the water at the end.

Comparing the Alternatives

- The GP concept is substantially more cost effective than other alternatives.
- The GP plan provides a more reliable water source due to its high priority water rights.
- The plan provides an economic benefit to the rural county of origin and the municipal end user.
- The deal structure allows for the GP plan to be pursued with no risk to the contracting municipality.

GP Deal Structure

- Water purchase at \$29,100 per CU acre foot.
- Refundable contract deposit at \$200 per CU acre foot.
- Deposit will be collateralized by agricultural water shares in the Arkansas Valley, eliminating the financial risk of non-performance by GP Water.

Purchase Options

- Purchase water outright.
- Finance with a take or pay contract. This option will have a \$8.01 cost per 1,000 gallons including variable costs. At the end of 40 years the cost will revert to the variable costs only. Currently estimated at \$1.76 per 1,000 gallons.
- Combination of Purchase and Finance Options.