

WATER SERVICE AGREEMENT BETWEEN THE CITY OF RAPID CITY AND RED ROCKS GOLF CLUB LLC.

This agreement is made and entered into by and between the City of Rapid City, a municipal corporation of the State of South Dakota, located at 300 Sixth Street, Rapid City, South Dakota 57701 (the "City") and Red Rock Golf Club LLC, a South Dakota corporation, located at 6520 Birkdale Dr., Rapid City, South Dakota 57702 ("Red Rocks").

1. Purpose. The purpose of this agreement is to set forth the terms and conditions whereby the City shall provide water from the city owned well known as Red Rock Well No. 13 to Red Rock Golf Club LLC, for irrigating purposes only, and to establish the rates to be charged for such water service.
2. Service area. The area upon which the irrigation water may be used shall consist of the Red Rock Golf Course as it exists at the time of this agreement, as well as the following townhome properties:

Lots 1A, 1B, 2A, 2B, 3A, 3B, 4A, 4B, 5A, 5B, 6A, 6B, 7A, 7B, 8, 9A, 9B, 10A, 10B, 11A, 11B, 12A and 12B in Block 6; and Lots 1A, 1B, 2A, 2B, 3A, 3B, 4A, 4B, 5A and 5B in Block 13; and Lots 1A, 1B, 2A, 2B, 3A, 3B, 4A, 4B, 5A, 5B, and 6 in Block 14; and Lots 1, 2A, 2B, 3A, 3B, 4A, 4B, 5, 6A, 6B, Block 19; and Lots 1A, 1B, 2A, 2B, 3B, 3A, 4, 5, 6, 7, and 8 in Block 20, Red Rock Estates, City of Rapid City, Pennington County, South Dakota

No other property shall be served pursuant to this agreement without the express written consent of the City.

3. Connection. All water provided pursuant to this agreement shall be delivered to Red Rocks from Well No. 13. Red Rocks shall be responsible for providing, at its sole expense, a suitable means of connecting to the City's water system at the meter located on the Well No. 13 lot.
4. Term. This agreement shall be in effect for calendar year 2009 through the end of 2013 and shall be subject to annual renewal thereafter by the agreement of both parties, and subject to the rate adjustment prescribed in city ordinance. It is specifically understood that it is contemplated that this agreement shall be renewed, with rate adjustments, for an indefinite number of annual terms and that the City will not unreasonably refuse to renew the agreement.
5. Payments. All water taken from the City system shall be metered and billing shall be presented to Red Rocks monthly. Red Rocks shall promptly make all payments due hereunder to the City within thirty (30) days after the billing date. Failure by Red Rocks to make such payment shall be sufficient cause for the City to terminate water service upon five (5) days notice to Red Rocks.
6. Rates. The amounts to be paid by Red Rocks to the City in 2009 shall be calculated as follows: for the first 55 million gallons, Red Rocks shall pay 0.28 cents per unit. For each unit of water taken from Well No. 13 beyond 55 million gallons, Red Rocks shall pay 0.38 cents. For each unit of water taken beyond 55 million gallons not supplied by Well No. 13, Red Rocks shall pay for such water at the wholesale rate established by the City then in

effect. Additionally, Red Rocks shall pay a monthly meter charge of \$111.67 for each month water is delivered from the City.

The amounts to be paid by Red Rocks to the City in 2010 shall be calculated as follows: for the first 55 million gallons, Red Rocks shall pay 0.30 cents per unit. For each unit of water taken from Well No. 13 beyond 55 million gallons, Red Rocks shall pay 0.40 cents. For each unit of water taken beyond 55 million gallons not supplied by Well No. 13, Red Rocks shall pay for such water at the wholesale rate established by the City then in effect. Additionally, Red Rocks shall pay a monthly meter charge of \$111.68 for each month water is delivered from the City.

The amounts to be paid by Red Rocks to the City in 2011 shall be calculated as follows: for the first 55 million gallons, Red Rocks shall pay 0.32 cents per unit. For each unit of water taken from Well No. 13 beyond 55 million gallons, Red Rocks shall pay 0.42 cents. For each unit of water taken beyond 55 million gallons not supplied by Well No. 13, Red Rocks shall pay for such water at the wholesale rate established by the City then in effect. Additionally, Red Rocks shall pay a monthly meter charge of \$113.89 for each month water is delivered from the City.

The amounts to be paid by Red Rocks to the City in 2012 shall be calculated as follows: for the first 55 million gallons, Red Rocks shall pay 0.35 cents per unit. For each unit of water taken from Well No. 13 beyond 55 million gallons, Red Rocks shall pay 0.45 cents. For each unit of water taken beyond 55 million gallons not supplied by Well No. 13, Red Rocks shall pay for such water at the wholesale rate established by the City then in effect. Additionally, Red Rocks shall pay a monthly meter charge of \$113.90 for each month water is delivered from the City.

The amounts to be paid by Red Rocks to the City in 2013 shall be calculated as follows: for the first 55 million gallons, Red Rocks shall pay 0.38 cents per unit. For each unit of water taken from Well No. 13 beyond 55 million gallons, Red Rocks shall pay 0.48 cents. For each unit of water taken beyond 55 million gallons not supplied by Well No. 13, Red Rocks shall pay for such water at the wholesale rate established by the City then in effect. Additionally, Red Rocks shall pay a monthly meter charge of \$113.90 for each month water is delivered from the City.

These rates are based on the ordinance currently in effect at the time this agreement was entered into. The City adopted by ordinance rates covering a five year period. The parties anticipate renegotiating this agreement in approximately five years when the current rates expire and the City knows what the rates for the next five years will be. If this agreement has not been renewed by 2014, the rates for raw water and wholesale water as established by ordinance shall apply to the water taken under this agreement.

7. Well Failure. Notwithstanding anything else contained in this agreement, The City shall have no liability to Red Rocks in the event the City is unable to provide water to Red Rocks from Well No. 13 which is caused by a mechanical failure in the well or a failure of the City's water system which prevents the City from fulfilling its obligations under this agreement.
8. Restriction on Water Use. Use by Red Rocks of water pursuant to this agreement shall be subject to such watering restrictions as the City may impose; provided, nonetheless, restrictions imposed by the City shall not be more stringent than the restrictions imposed by the City upon itself for irrigation of municipally owned golf courses.

