

<<DRAFT 1-3-2014>>

Warrior Acquisitions, LLC  
Attn: Walter Bolen  
15 Mason  
Irvine, CA 92618

Re: Lakota Canyon Ranch PUD – Road Repair Work

Dear Walter:

As you know, Section 13 of the 2013 Amendment to Development Agreements for Lakota Canyon Ranch PUD (the “2013 Amendment”) required the Developer to submit plans and specifications last summer for certain repair work relating to roads and other public improvements regarding Faas Ranch Road, Spur Drive (Filing 4), and Filing 5. The Town Engineer has received and reviewed plans from Colorado River Engineering and has developed cost estimates for this scope of work. Please see the enclosed letter from Jeff Simonson dated December 17, 2013.

Pursuant to the 2013 Amendment, the Developer is required to post security “in amount equal to the estimated costs of construction, plus additional amounts sufficient to cover contingencies as well as the estimated costs of oversight and inspection by the Town, all in a sufficient amount as determined by the Town Engineer.”

The work is to be completed and ready for final inspection no later than September 1, 2014.

The security was due to be posted by July 1, 2013, but the Town will extend that deadline because of the delay in receiving the plans and determining the estimated costs.

The enclosed letter from Mr. Simonson describes various contingencies and provides a range of possible cost estimates. Of course, we hope that the actual work will come in at the lower end of these estimates, but the 2013 Amendment requires the amount of the security to account for a worst-case scenario. Therefore, the required security amounts are as follows:

Faas Ranch Road Warranty Work	\$238,802.32
Spur Drive/Filing 4 Warranty Work	\$136,233.26
Deer Valley/Filing 5 Warranty Work	\$347,227.60

TOTAL:

\$722,263.18

The 2013 Amendment provides that the “form of security may include cash, bonds, letters of credit, or a first deed of trust on real property, or a combination thereof, subject to approval of the Town Attorney.” The Town is open to your proposal as to how to meet this requirement. We would like to see the security in place prior to the Town Council meeting on February 18, 2014. The Council would then pass a motion acknowledging compliance notwithstanding the July 1, 2013 deadline.

Please contact me upon your review of this letter. Thank you.

Very truly yours,

GARFIELD & HECHT, P.C.

David H. McConaughy

Cc: Stephen Connor, Esq.

December 17, 2013

Mr. Tom Baker, Town Administrator  
Town of New Castle  
P.O. Box 90  
New Castle, Colorado 81647

**RE: Warrior Warranty Cost Estimates**

Dear Tom,

Please note that the Town is in receipt of the following drawings prepared by Colorado River Engineering to identify, quantify and direct the warranty repairs that exist for Faas Ranch Road, Spur Drive (Filing 4) and Filing 5 improvements within Lakota Canyon Ranch. As you recall, these three work areas were the subject of warranty repair items identified in the 2009/2010 time frame as deferred by the prior and original developer of Lakota Canyon Ranch. Since the identification and cost estimates made in 2010 for the warranty work, the deferred maintenance for the improvements, now re-quantified in 2013 have obviously resulted in additional damage to adjacent improvements. It is the intent of this letter to identify the estimated costs of the warranty work in 2013/2014 dollars and to transmit the drawings prepared by Colorado River Engineering (with Town concurrence) as submitted and reviewed. Please note the following:

**Faas Ranch Road Warranty Work:** \$109,523.57 base cost without stabilization costs included.

Note that subgrade stabilization is anticipated and identified in the patch areas by CRE. Until work is actually performed and proof rolling and testing can be performed to identify the extent of stabilization necessary, we have identified the base cost as noted. If, in the worst case, it is determined that full stabilization is required as detailed, the stabilization could add \$89,478.36 in cost for a total of \$199,001.93. Additionally, the Construction bidding, testing and management for the work (at 20% of project cost) would add \$21,904.71 for the base cost and an additional \$17,895.68 if full stabilization is needed. This results in an anticipated total cost to fall in the range of \$131,428.28 to \$238,802.32. This compares to the 2010 estimate of \$53,189.65.

**Spur Drive/Filing 4 Warranty Work:** \$70,071.57 base cost without stabilization costs included.

Again, note that subgrade stabilization is anticipated and identified in the patch areas by CRE. Until work is actually performed and proof rolling and testing can be performed to identify the extent of stabilization necessary, we have identified the base cost as noted. If, in the worst case, it is determined

that full stabilization is required as detailed, the stabilization could add \$43,456.15 in cost for a total of \$113,527.72. Additionally, the Construction bidding, testing and management for the work (at 20% of project cost) would add \$14,014.31 for the base cost and an additional \$22,705.54 if full stabilization is needed. This results in an anticipated total cost to fall in the range of \$84,085.88 to \$136,233.26. This compares to the 2010 estimate of \$116,530.39 for the same work.

**Deer Valley/Filing 5 Warranty Work:** \$189,046.35 base cost without stabilization costs included.

Again, note that subgrade stabilization is anticipated and identified in the patch areas by CRE. Until work is actually performed and proof rolling and testing can be performed to identify the extent of stabilization necessary, we have identified the base cost as noted. If, in the worst case, it is determined that full stabilization is required as detailed, the stabilization could add \$100,309.98 in cost for a total of \$289,356.33. Additionally, the Construction bidding, testing and management for the work (at 20% of project cost) would add \$37,809.27 for the base cost and an additional \$57,871.27 if full stabilization is needed. This results in an anticipated total cost to fall in the range of \$226,855.62 to \$347,227.60. This compares to the 2010 estimate of \$133,877.45.

We have attached the cost estimates and the drawings prepared by CRE for this work and would encourage you to call with any questions or concerns upon your receipt and review.

Respectfully,  
**SGM-Inc.**

Jefferey S. Simonson, PE  
Principal

Cc: John Wenzel  
David McConaughy  
Tim Cain