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08/27/2004 10:49:39AM \$.00
Carol Snyder, Clerk \$26.00

No Doc. Fee
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8/12/04

SPECIAL WARRANTY DEED

THIS DEED is made this 11th day of August, 2004,

Between SHEA HOMES LIMITED PARTNERSHIP, a California limited partnership, whose street address is 9135 Ridgeline Blvd., Suite 100, Highlands Ranch, Colorado 80129, of the County of Douglas, State of Colorado, Grantor, and the CITY OF COMMERCE CITY, COUNTY OF ADAMS, STATE OF COLORADO, a Colorado municipal corporation, whose address is 5291 E. 60th Avenue, Commerce City, Colorado 80022, Grantee:

WITNESSETH, that Grantor, for and in consideration of ten dollars (\$10.00) and the covenants, conditions and restrictions contained herein, the receipt and sufficiency of which is hereby acknowledged, has granted, bargained, sold and conveyed, and by these presents does grant, bargain, sell, convey, and confirm unto Grantee, its successors and assigns forever, all the real property, together with improvements, if any, situate, lying and being in the City of Commerce City, County of Adams, State of Colorado (the "Property"), described as follows:

SEE EXHIBIT A, ATTACHED HERETO AND INCORPORATED HEREIN BY THIS REFERENCE.

SUBJECT TO any reservations, exceptions, easements, rights-of-way, restrictive covenants, conditions, and other matters of record, and further subject to the reservations set forth on EXHIBIT B, attached hereto and incorporated herein by this reference (the "Permitted Exceptions and Restrictions").

TOGETHER with all and singular the hereditaments and appurtenances thereto belonging, or in anywise appertaining, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof; and all the estate, right, title, interest, claim and demand whatsoever of Grantor, either in law or in equity, of, in and to the Property, with the hereditaments and appurtenances;

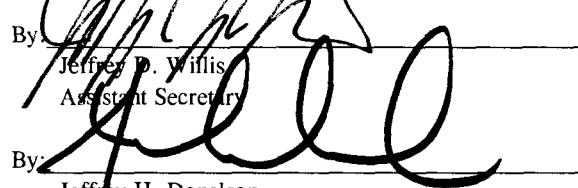
TO HAVE AND TO HOLD the Property with the appurtenances, unto Grantee, its successors and assigns forever. Grantor, for itself, its heirs and personal representatives or its successors and assigns, does covenant and agree that it shall and will WARRANT AND FOREVER DEFEND the Property in the quiet and peaceable possession of Grantee, its successors and assigns, against all and every person or persons claiming the whole or any part thereof, by, through or under Grantor.

IN WITNESS WHEREOF, Grantor has executed this deed on the date set forth above.

SHEA HOMES LIMITED PARTNERSHIP, a California limited partnership

By: J.F. Shea Co., Inc., a Nevada corporation, its general Partner

By: 
Jeffrey D. Willis
Assistant Secretary

By: 
Jeffrey H. Donelson
Assistant Secretary

mail to:
City of Commerce City
5291 E 60th Ave
Commerce City, CO 80022
Attn: THERESA Ruiz

STATE OF COLORADO)
) ss
DOUGLAS COUNTY)

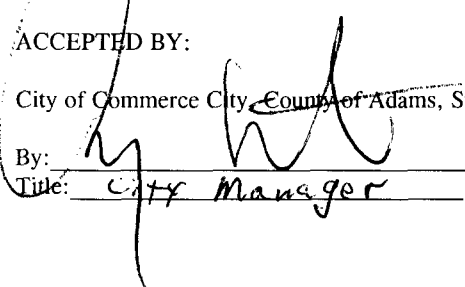
The foregoing instrument was acknowledged before me this 11th day of August, 2004, by Jeffrey D. Willis, as Assistant Secretary, and Jeffrey H. Donelson, as Assistant Secretary, of J.F.Shea Co., Inc., a Nevada corporation, general partner of Shea Homes Limited Partnership, a California limited partnership.

Witness my hand and official seal.

My commission expires: 9-30-2006


Notary Public

ACCEPTED BY:


City of Commerce City ~~County of Adams~~, State of Colorado, a Colorado municipal corporation

By: _____

Title: City Manager

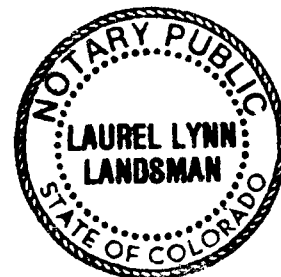


EXHIBIT A
SPECIAL WARRANTY DEED
LEGAL DESCRIPTION

Tract E, Reunion Filing No. 17, City of Commerce City, County of Adams, State of Colorado, according to the recorded plat thereof.

EXHIBIT B

SPECIAL WARRANTY DEED

PERMITTED EXCEPTIONS AND RESTRICTIONS

a. Reserved Rights of Grantor. Grantor hereby reserves the right to create and grant, at no cost or further consideration to Grantor and without the further act of consent of Grantee, non-exclusive Utility Easements and Drainage Easements, as hereinafter defined, over, across and under the Property provided that neither the Utility Easements nor the Drainage Easements shall unreasonably interfere with or impair the use of any improvements constructed on or planned for the Property by Grantee, its successors and assigns at the time of the first use of any such easement. Grantor's right to create and grant any such non-exclusive Utility and Drainage Easements shall only be exercised in those instances where there exists no reasonable alternative for such Easements on any adjacent property then owned by Grantor.

b. Utility Easements. "Utility Easements" shall mean easements for installation, construction, operation, maintenance, repair and replacement of underground lines and facilities and related surface-mounted equipment and appurtenances for utility purposes including, but not limited to water, sewer, gas, electricity, telephone, and cable television services to serve any of Reunion as hereinafter defined.

c. Drainage Easements. "Drainage Easements" shall mean easements for drainage and for installation, construction, operation, maintenance, repair and replacement of gutters, culverts, underground lines, and other facilities for drainage purposes to serve any of Reunion as hereinafter defined.

d. Signage. Until the earlier of (i) the date which is five (5) years after the date hereof, or (ii) the date upon which construction commences on a school site, Grantor shall have the right to install and maintain on the Property such signage as Grantor may desire for property identification and development, project marketing and directional purposes for its project known as Reunion (of which Property is a part).

e. Reunion. "Reunion" shall mean all of the real property covered by the Reunion PUD Zone Document (PUD #3615), Amendment #1 of the Buffalo Hills Ranch PUD Zone Document, recorded December 17, 2002, under Reception No. C1068494 of the Adams County records, as the same heretofore may have been, and hereafter may be, amended from time to time (the "PUD Zone Document").

f. Limitations on Use of Property. The Property be used solely for school, park or open space uses (the "Use Limitations"). If Grantor waives its Right of First Refusal pursuant to Section (g) hereof, the Property may be used for any purpose permitted under the zoning applicable thereto as contained in the PUD Zone Document. In the event that Grantor reacquires title to the Property at any time, the Use Limitations shall be null and void and of no further force or effect from and after the date title vests in Grantor as aforesaid.

g. Right of First Refusal.

(i) Certain Definitions. "Transfer" shall mean any sale, conveyance, exchange, lease, mortgage or other transfer of the Property or any portion thereof or interest therein, other than to a "School District," as hereinafter defined. A "School District" shall mean a school district organized and existing pursuant to Colorado law.

(ii) Right of First Refusal Ordinance. The "Right of First Refusal Ordinance" shall mean Section 17-105(c)(4)(b) or such other ordinance of the Code of Ordinances of the City of Commerce City (the "Commerce City Ordinances") which may be adopted from time to time whereby a grantor shall have the right of first refusal to reacquire property dedicated by such grantor to the City of Commerce City for school purposes in the event the City of Commerce City elects to Transfer such property.

(iii) Right of First Refusal. Grantee, by its acceptance and recordation of this Deed, hereby grants to Grantor, and Grantor shall have, a right of first refusal applicable to the Property to purchase the Property or portion thereof, on and subject to the terms and conditions hereinafter provided ("Right of First Refusal"). This Right of First Refusal is given in consideration of the conveyance of the Property by Grantor to Grantee and is consistent with the Right of First Refusal Ordinance; provided, however, this Right of First Refusal shall be unaffected by, and shall survive, any repeal or amendment of the Right of First Refusal Ordinance. Before making any Transfer of the Property or portion thereof, Grantee agrees to give written notice to Grantor ("Grantee's Offer Notice") promptly after Grantee receives a bona fide offer which Grantee is willing to accept (an "Offer") from another party (the "Offeror") to Transfer the Property or portion thereof to the Offeror. In the Grantee's Offer Notice Grantee shall set forth the material terms and conditions of the Offer, including, without limitation, the Property or portion thereof covered thereby and the expected date of closing. Grantor shall, subject to the provisions hereinafter set forth, have the option to purchase the Property or portion thereof covered by the Grantee's Offer Notice for the

purchase price set forth in Subsection (g)(iv). Grantor shall, if at all, exercise the Right of First Refusal with respect to a particular Offer by giving Grantee written notice ("Grantor's Acceptance Notice") of its intention to do so within 10 days after Grantor receives Grantee's Offer Notice. If Grantee shall not receive Grantor's Acceptance Notice within said 10 day period, Grantor shall be deemed to have waived its Right of First Refusal with respect to such Offer and the Property or the respective portion thereof covered thereby and Grantee shall have the right to Transfer the Property or portion thereof covered thereby to the Offeror, free and clear of the Right of First Refusal pertaining to the Property; provided, however, that if Grantee does not thereafter Transfer the Property or the respective portion thereof to the Offeror, the Right of First Refusal, with respect to the Property or the respective portion thereof covered thereby, shall, subject to the other provisions of this Deed, nevertheless be deemed to be in full force and effect.

(iv) Exercise of Right of First Refusal. In the event that Grantor exercises the Right of First Refusal in accordance with the provisions of this Deed, the purchase price (the "Purchase Price") payable by Grantor to Grantee for the Property or portion thereof shall be an amount equal to the sum of (1) \$340,465.28 ("Base Purchase Price"); provided, however, if the Offer is for the purchase of a portion of the Property, the Base Purchase Price set forth in this Subsection (g)(iv)(1) shall be fairly allocated for that portion of the Property to be purchased; and (2) accrued interest on the amount set forth in Subsection (g)(iv)(1) above at the rate of 2% over the Prime Interest Rate (the "Interest Rate"), as hereinafter defined, from and after the date of this Deed through and including the date of closing of the Right of First Refusal ("Interest Accrual Period"), which Interest Rate shall be adjusted on the first day of each calendar quarter in the Interest Accrual Period. Within 60 days after Grantor gives notice of its exercise of its Right of First Refusal, Grantee shall tender to Grantor Grantee's Special Warranty Deed for the Property to be exchanged for "good funds," as defined under Colorado law, from Grantor in the amount of the Purchase Price. Grantee shall deliver title to the Property to Grantor at the closing of the Right of First Refusal in the same condition as when delivered by Grantor to Grantee, except as to non-delinquent property taxes and assessments for the year of said closing, if any, which taxes and assessments shall be prorated between Grantor and Grantee to the date of such closing, so that Grantee bears such taxes and assessments for the period of its ownership of the Property. For purposes of this Subsection (g)(iv), the "Prime Interest Rate" shall mean the rate of interest established by Wells Fargo Bank, national association, or any successor thereof or, in the absence of such bank or any such successor, any other national banking association located in Denver, Colorado as selected by the Grantor (the "Bank"), as its "Prime Rate" or, in the absence of such a stated "Prime Rate," as the rate of interest charged to substantial corporate borrowers of the highest credit standing on 90-day unsecured loans made at the Bank's principal office in Denver, Colorado.

h. Binding Effect. This Deed shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The restrictions set forth in this Exhibit B shall be construed as covenants running with the Property, and every person who now or hereafter owns or acquires any right, title, estate or interest in or to the Property is and shall be conclusively deemed to have consented and to have agreed to the Restrictions contained in this Deed, whether or not any reference to the Restrictions is contained in the instrument by which such person acquires an interest in the Property.