

CONSOLIDATED SERVICE PLAN
FOR
FOXHILL METROPOLITAN DISTRICT NO. 1 AND
FOXHILL METROPOLITAN DISTRICT NO. 2
Douglas County, Colorado

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LIST OF EXHIBITS

- Exhibit A Boundary Map and Legal Description of the Districts' Service Area
- Exhibit B Vicinity Map
- Exhibit C Financing Plan
- Exhibit D Construction Cost Estimates
- Exhibit E Maps Depicting Facilities
- Exhibit F Form of Master Intergovernmental Agreement

I. INTRODUCTION

A. Overview

This Consolidated Service Plan (the "Service Plan"), submitted in accordance with Part 2 of the Special District Act (§ 32-1-201, *et seq.*, of the Colorado Revised Statutes), sets forth a proposal for the formation of Foxhill Metropolitan District No. 1 and Foxhill Metropolitan District No. 2 (the "Districts") which are intended to serve that area generally located east and west of Flintwood Road, south of East Bayou Gulch Road and north of East Grant Road in Douglas County, Colorado (the "Development"). The Development will be developed by Marmac Development Corp. (the "Developer") pursuant to such land and special use submittals approved by Douglas County (the "County").

The Districts will be formed to assist in the funding, construction, integration, coordination and management of infrastructure, services and facilities, both within and outside of their boundaries. Using funds provided by and through the Districts, certain public services and facilities necessary to serve the Development will be constructed, owned and operated by the Districts or will be dedicated to other entities and/or service providers, as appropriate.

The Districts intend to authorize and issue bonds and/or other forms of indebtedness in order to finance all or a portion of the infrastructure necessary to serve the Development. Additional details regarding such indebtedness can be found below in Section VII, "Financing Plan."

B. The Districts' Service Area: Configuration and Boundaries

The Districts' "Service Area" will include approximately 365.2 acres, an amount that is 20 acres less than the Foxhill Planned Development. The 20-acre portion of such Planned Development that will not be included into the Districts' boundaries is depicted in **Exhibit A** to this Service Plan as the cut-out portion of real property in the northern portion of District No. 2. A map showing the Districts' boundaries, together with a legal description of the same, are attached to this Service Plan as **Exhibit A**. All exhibits and maps referred to herein are attached at the conclusion of the Service Plan and, unless otherwise noted, are incorporated herein by this reference, for all purposes. At the present time, the Districts are not contemplating including any area into their boundaries. However, the Districts will be entitled to adjust their boundaries in the future via inclusions and/or exclusions as provided in Subsection I. C., below.

At build-out, it is anticipated that the Districts will contain between approximately 84 and 94 single family units within their boundaries, with estimated home values ranging from \$700,000.00-\$800,000.00. Detailed pricing point projections and estimated construction phasing for the Service Area are more particularly set forth in the Districts' Financing Plan, which is attached as **Exhibit C** to this Service Plan.

The Districts are currently undeveloped, with a current population of zero. The 2004 assessed valuation of all taxable real property within the Districts' boundaries is negligible as such land is currently zoned, assessed, and being used for agricultural purposes; for purposes of this Service Plan, then, such assessed valuation is presumed to be \$0.00. The projected population of the Districts at full build-out is approximately 210 - 235 persons, assuming between 84 and 94 single-family units with 2.5 persons per unit.

C. Changes in the Districts' Boundaries

The Districts shall be entitled to change the configuration of their internal boundaries, without changing the total acreage of the Development or reconfiguring the Districts' Service Area, as their Boards of Directors may deem necessary. Any such internal reconfiguration shall be submitted to the County's Community Development Department for administrative review, who shall determine if such an internal reconfiguration constitutes a material modification of this Service Plan. At some future point in time, the owner(s) of real property located outside of the Districts' boundaries or Service Area may wish to have such property included into the Districts. Areas outside the current boundaries and service area may not be included into the Districts without prior consent of the County, which consent may or may not be considered a material modification to this Service Plan and may or may not trigger a need to amend this Service Plan. All changes in the Districts' boundaries must be made in compliance with the Special District Act, Title 32 of the Colorado Revised Statutes ("C.R.S.").

D. Existing Services and/or Districts

There are currently no other entities in existence in or near the Development that have the ability or desire to undertake the design, financing, construction, operation and/or maintenance of the facilities and improvements that will be necessary to serve the Development. It is also the Developer's understanding that the County does not consider it feasible or practicable to provide such facilities and improvements. Consequently, formation of the Districts is deemed necessary in order to provide such facilities and improvements.

E. General Financial Information and Assumptions

The estimated costs of those improvements necessary to provide access to, and appropriate services within, the Districts' Service Area are shown in **Exhibit D**; costs are shown for each category of improvements to be provided. As referenced in the Districts' Financing Plan, current estimates provide for the improvements to be constructed in 2005 - 2010. The Districts may obtain financing for the capital improvements needed for the Development through the issuance of general obligation bonds or other debt instruments as permitted by Colorado law. The Districts may repay their general obligation debt using revenues derived from *ad valorem* property taxes, the Districts' fee imposition powers, and/or from other sources, as permitted by Colorado law.

The Districts' preliminary financial forecasts are contained in the Financing Plan. This Financing Plan demonstrates one method which might be used by the Districts to finance the cost of the infrastructure necessary to serve the Development. The figures contained herein, or in an Exhibit hereto, depicting costs of infrastructure and operations will therefore not constitute legal limits on the financial powers of the Districts; provided, however, that the Districts shall not be permitted to issue bonds that are not in compliance with the bond registration and issuance requirements of Colorado law. At the time the Districts propose to issue bonds or other debt instruments, alternative financing plans to that attached hereto may be employed and/or utilized by the Districts as long as such alternative financing plans do not result in a material deviation of the terms of this Service Plan or result in a material change in the risk to the Districts' future property owners. Pursuant to Section 32-1-202(2)(b), C.R.S., the Districts must notify the County's Board of County Commissioners of any alteration to, or revision of, the proposed schedule of debt issuance set forth in the Financing Plan.

F. Consultants

The assumptions contained within this Service Plan were derived from a variety of sources. Information regarding the present status of property within the Districts, as well as the current status and projected future level of services, was obtained from the Developer. Construction cost estimates were assembled by Peak Civil Consultants, Inc. of Denver, Colorado. Legal advice in the preparation of this Service Plan was provided by White, Bear & Ankele Professional Corporation, which represents numerous special districts in the State of Colorado. Financial recommendations and advice in the preparation of the Service Plan were provided by the Developer with the assistance of Stan Bernstein and Associates, Inc.

Consultant contact information:

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Financial Consultant:

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Greenwood Village, Colorado 80111

II. GENERAL DESCRIPTION OF THE FOXHILL DEVELOPMENT

A. Generally

The Districts' overall design theme is for a residential community. The Districts' Service Area will contain between approximately 84 and 94 single-family residential units located over 365.2 acres. The Districts are located north and east of Franktown, Colorado, near the Douglas and Elbert County Line.

B. Vicinity

The Development is located in the south Denver metropolitan area, in the County, just east of Franktown, Colorado. The Districts, which will be organized in such a manner as to coincide with the boundaries of the Development, are generally located east and west of Flintwood Road, south of East Bayou Gulch Road and north of East Grant Road in the County.

III. MULTIPLE DISTRICT STRUCTURE

A. Generally

This portion of the Service Plan exists to describe the working relationship between Foxhill Metropolitan District No. 1 (the "Service District") and Foxhill Metropolitan District No. 2 (the "Taxing District"). The Service District is responsible for managing the construction and operation of the facilities and infrastructure necessary to serve the Development. The Taxing District is responsible for providing the funding and tax base needed to support the Districts' Financing Plan. Due to the interrelationship between the Districts, various agreements are expected to be executed by and between the Service District and the Taxing District that will define and clarify the nature of the functions and services provided by each District. These agreements will be designed in such a way as to help assure the orderly development of essential services and facilities, resulting in a community that will be both an aesthetic and economic asset to the County.

The Service District will have the power and authority to provide improvements and services to, and for the benefit of, the entire area of the Development, including, but not limited to, acquisition of completed improvements. The Service District will also have power and authority to impose taxes within its legal boundaries, but will be permitted to impose fees and charges in all or any portion of the area within the Districts' boundaries, as well as to property outside of the Districts based upon services provided to such property. The Taxing District will have the power and authority to provide improvements and services to the Development, both within and outside of its boundaries, which shall specifically include, but not be limited to, the acquisition of completed improvements. Additionally, the Taxing District shall have the power and authority to generate tax revenue in an amount sufficient to pay the costs associated with the provision of improvements and services to the Development and to pay the Districts' operations and maintenance costs.

B. Benefits of the Multiple District Structure

The multiple district structure offers significant benefits to the County and to the Development, including future property owners. In general, those benefits are: (a) coordinated provision of facilities and services to the Districts; (b) avoiding the premature issuance of debt; (c) creating a means for the fair and equitable allocation of costs of public infrastructure across the Development; and (d) providing a uniform mill levy to the entirety of the Development. These benefits are addressed further below:

1. Coordinated Services

Use of the multiple district structure will help ensure that the construction, operation and phasing of the public facilities occurs pursuant to, and in accordance with, the projected development of the Development through 2010 as reflected in the Financing Plan. Under this approach, the Service District will be the entity responsible for the construction of each phase of the public improvements, and for the management of construction operations. This will facilitate a well-planned financing effort throughout all phases of construction and will help ensure that the construction and/or extension of public improvements to each phase of construction occurs in a coordinated manner.

2. Avoids Premature Debt Issuance

The multiple district structure helps ensure that the public improvements needed for future build-out will only be provided when they are needed, not sooner. The debt required to finance and/or construct

such future build-out will thus be issued as it is needed, not sooner. Projects that do not utilize the multiple district structure may be motivated to issue a large amount of debt all at once, whether or not such debt is necessary, since the prospect of losing control of the project's decision-making authority exists.

3. Equitable Debt Allocation

The responsibility for repaying debt issued for the financing and/or construction of the public improvements will occur via development of a unified financing plan for those improvements and through development of an integrated plan for long-term operations and maintenance. Using the Service District to manage these functions ensures that no area within the Development becomes obligated for more than its share of the costs of public improvements and/or operations. Low-density areas will therefore not bear a disproportionately high burden of debt and operating costs, nor will high-density areas bear a disproportionately low burden.

4. Bond Interest Rates

The use of the Service District and/or the Taxing District to issue bonds to provide for the cost of the public infrastructure in the Development will allow for the issuance of bonds at competitive interest rates. The combination of appropriate management, controlled timing of financing and the ability of the Districts to obtain attractive interest rates will benefit residents and property owners.

C. Configuration of the Districts

In order to implement the dual district structure, the boundaries of the Service District and the Taxing District have been carefully configured. The Service District will contain approximately 1 acre; the Taxing District will contain approximately 364.20 acres and will contain the entirety of the Development's residential build-out. The combined acreage of the Service District and the Taxing District includes all of the acreage within the Development.

IV. DESCRIPTION OF THE DISTRICTS' POWERS AND SERVICES

A. Powers and Authority

The Districts will have the power and authority to provide the services listed below. The provision of specific improvements identified by the Districts as capital construction items will depend on the financial wherewithal of the Districts, but any one or a number of the improvements described below may be constructed by the Districts, either within or outside of their boundaries. It is intended that the Districts will continue to exist to operate and maintain all of those facilities not dedicated to, or otherwise owned by, the County or other entities having proper jurisdiction.

1. Sanitation and Storm Drainage

The Districts shall have the authority to design, acquire, install, construct, operate and maintain storm or sanitary sewers, or both, and/or the design, acquisition, installation, construction, inspection and, where necessary, repair of individual septic disposal systems, as well as flood and storm water facilities including, but not limited to, water quality ponds, culverts, dams, retaining walls, access ways, inlets, sediment basins, detention ponds and paving, roadside swales and curb and gutter, treatment and disposal works and facilities, and all necessary or proper equipment and appurtenances incident thereto, together

with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities or systems. At the present time, it is anticipated that the wastewater treatment and services for the Development will be served via individual septic disposal systems, which will be owned, operated and maintained by each lot owner. Such individual septic disposal systems are not currently planned to be financed, constructed, operated and/or maintained by the Districts. Implementation of the sanitation powers described in this section will only occur in the event that the individual septic disposal systems are insufficient to serve the needs of the Development. The Districts shall own and maintain the storm water facilities, including, but not limited to, the water quality facilities, sediment basins, storm sewer and detention improvements.

2. Water

The Districts shall have the authority to design, acquire, install, construct, operate and maintain a complete water and irrigation water system including, but not limited to, water rights, water supply, water quality, treatment, storage, transmission and distribution systems for domestic and other public or private purposes, together with all necessary and proper reservoirs, treatment works and facilities, wells, water rights, equipment and appurtenances incidental thereto which may include, but not be limited to, transmission lines, distribution mains and laterals, storage facilities, land and easements, together with extensions of and improvements to said systems.

3. Streets

The Districts shall have the authority to design, acquire, install, construct, operate and maintain street and roadway improvements including but not limited to curbs, gutters, culverts, storm sewers and other drainage facilities, detention ponds, retaining walls and appurtenances, as well as sidewalks, bridges, parking facilities, paving, lighting, grading, streetscaping or landscaping, undergrounding of public utilities, snow removal equipment, or tunnels and other street improvements, together with all necessary, incidental and appurtenant facilities, signage, land and easements, and all necessary extensions of and improvements to said facilities. The Districts shall be allowed to construct any and all required roadway, drainage and appurtenant facilities and improvements on offsite roads that are impacted by the Development. The Districts intend to dedicate all street and roadway improvements to the County for perpetual ownership and maintenance, in accordance with the County's criteria. Any and all streetscaping, landscaping, or entry monumentation in rights-of-way shall be maintained by the Districts.

4. Traffic and Safety Controls

The Districts shall have the authority to design, acquire, install, construct, operate and maintain traffic and safety protection facilities and services through traffic and safety controls and devices on arterial streets and highways, as well as other facilities and improvements including, but not limited to, signalization at intersections, traffic signs, area identification signs, directional assistance, and driver information signs, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities. The Districts will dedicate all traffic and safety protection facilities to the County for perpetual ownership and maintenance, pursuant to County criteria.

5. Parks and Recreation

The Districts shall have the authority to design, acquire, install, construct, operate and maintain public park and recreation facilities or programs including but not limited to grading, soil preparation, sprinkler systems, playgrounds, bike and hiking trails, pedestrian trails, pedestrian bridges, picnic areas,

common area landscaping and weed control, outdoor lighting of all types, community events, and other facilities, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities or systems. The Districts shall own and maintain park and recreation facilities and open space improvements. The County will not assume any of these duties or obligations.

6. Television Relay and Translation

The Districts shall have the authority to acquire, construct, complete, install and/or operate and maintain television relay and translator facilities, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities and systems both within and outside of the Districts' boundaries.

7. Mosquito Control

The Districts shall have the authority to design, acquire, install, construct, operate and maintain systems and methods for the elimination and control of mosquitoes and other pests.

8. Legal Powers

The Districts' powers will be exercised by and through their Boards of Directors to the extent necessary to provide the public facilities and services contemplated in this Service Plan. The foregoing improvements and services, along with all other activities permitted by law, will be undertaken in accordance with, and pursuant to, the procedures and conditions contained in the Special District Act, other applicable statutes, and this Service Plan, as any or all of the same may be amended from time to time.

9. Other

In addition to the powers enumerated above, the Districts' Boards of Directors shall have the power and authority:

a. To amend this Service Plan as needed, subject to Section 32-1-207, C.R.S., including, by written notice to the County pursuant to Section 32-1-207, C.R.S., to undertake proposed actions which the Districts believe are permitted by this Service Plan, but which may be unclear. It shall be the Districts' responsibility to contact the County to seek an interpretation as to whether a disputed proposed action is allowed by this Service Plan. If the County determines that the proposed action constitutes a material modification of the Service Plan, the Districts shall comply with Section 32-1-207, C.R.S., to amend the Service Plan. No amendment of this nature may be undertaken by one (1) of the two (2) Districts, if such amendment will affect the District not seeking the amendment, without such other District's consent; and

b. To forego, reschedule, or restructure the financing and construction of certain improvements and facilities in order to better accommodate the pace of growth, resource availability, and potential inclusions of property within the Districts, or if the development of the improvements and facilities would best be performed by another entity and give notice to the County in accordance with Section 32-1-202(2)(b), C.R.S.; and

c. To have and exercise all rights and powers necessary or incidental to, or implied from, the specific powers granted to the Districts in this Service Plan.

V. DESCRIPTION OF FACILITIES AND IMPROVEMENTS

The Districts will be permitted to exercise their statutory powers and authority, as set forth herein, to finance, construct, acquire, operate and/or maintain the public facilities and improvements described in this Service Plan, either directly or by contract. Where appropriate, the Districts will contract with various public and/or private entities to undertake such functions.

The preliminary, conceptual layouts of the public facilities and improvements described in this Service Plan are shown in **Exhibit E**, attached hereto. Additional information for each type of improvement needed for the Districts is set forth in this section. It is important to note that the preliminary layouts are conceptual in nature only, and that modifications to the type, configuration, and location of improvements may be necessary as development proceeds. All of the public facilities and improvements described in this Service Plan will be designed in such a way as to conform with the County's criteria and standards. The following subsections contain general descriptions of the facilities and improvements to be financed by the Districts. The descriptions that follow, and the costs associated therewith, are estimates only and are subject to modification as engineering, development plans, economics, County requirements, and construction scheduling may require.

A. General

Construction of all of the planned facilities and improvements will be scheduled to allow for proper sizing and phasing in order to keep pace with the need for service. All descriptions of the specific facilities and improvements to be constructed, as well as their related costs, are estimates only and are subject to modification as engineering, development plans, economics, requirements of the County, and construction design or scheduling may require. The majority of the capital improvements to be constructed by the Districts are necessary to serve the Development during the initial years of development. Such improvements may be required in part by development agreements affecting the Development and in order to provide initial water, sewer and roadway systems to support property owners and residents as they purchase property within the Districts' boundaries. Funding for these initial improvements is expected to occur through advances made by the Developer, through credit-enhanced financings, or other revenue sources available to the Districts. The estimated costs of the facilities and improvements are attached to this Service Plan.

B. General Design Standards

All of the facilities and improvements contemplated in this Service Plan will be designed and installed by the Districts in conformance with current standards of the State of Colorado and the County. All of the designs and contract documents prepared for such facilities and improvements must be reviewed and approved in advance by the Districts and must be in accordance with the applicable standards and specifications set forth herein.

1. Water System

a. Overall Plan

The water system will be comprised of a water distribution system consisting of buried water mains, fire hydrants, booster pumps, water well pumps, reservoirs, and related appurtenances located predominately within the Districts' boundaries. The final configuration of the internal water system is yet to be designed; it is currently anticipated that the final design will provide that the system serve each Development lot and/or tract from adjacent streets and roads. All major elements of the water facilities will be designed, financed, constructed and installed by the Districts. The Districts will also provide perpetual operation and maintenance of all water facilities provided. The water needed to service the Districts' water system as required in the water supply plan approved by the County shall be dedicated by the Developer to the Districts at no cost to the Districts.

b. Design Criteria

The proposed domestic potable water distribution system is expected to include pressurized water mains with multiple pressure zones and will be designed based on all applicable fire protection requirements. Water system components will be installed in accordance with the County's standards and specifications and those standards of all other entities having jurisdiction over the Districts, if any. Where applicable, the Drinking Water Design Criteria of the Colorado Department of Health will be followed. The final configuration of the proposed water system is yet to be designed.

2. Street System and Traffic Safety

a. General

The Districts intend to construct a collector street and/or roadway system to serve the Development. The existing and proposed elements of the street system will provide a network of local streets and/or roads to serve the flow of traffic within the Districts. All street and/or roadway facilities will be designed and installed in accordance with the County's standards and specifications, in accordance with all other applicable regulatory standards, and sound engineering judgment.

b. Streets

All street and/or roadway improvements will be designed and installed to conform to the County's standards and specifications. In the event that interior streets are privately owned or are otherwise not dedicated to the County, the Districts shall retain responsibility for operation and maintenance of such streets they fund and/or construct, unless otherwise approved at the time of final platting by the County.

Traffic controls and signage shall be provided along streets to aid the flow of traffic within the Development. All such controls and signage will conform to the County's standards and specifications. To the extent that the Developer or others do not install street lights, they may be installed by the Districts along collector roadways. Lighting of local roadways shall be the responsibility of the individual developers of the residential parcels, if required by the County.

c. Landscaping

The Districts may install landscaping along internal streets and may install entryway features or monumentation at major entrances, in accordance with the County's standards and specifications. In the event that the Districts do install such landscaping and/or monumentation, they shall maintain the same. Additional features may be installed and maintained by the Developer, at its expense. Any and all streetscaping, landscaping, or entry monumentation in rights-of-way shall be maintained by the Districts.

d. Signals and Signage

To the extent necessary or required, traffic signals and signage may be installed by either the Districts or the Developer, in accordance with the County's standards and specifications. Any such signals and signage install in County rights-of-way, upon installation and acceptance by the County, shall be owned and perpetually maintained by the County.

3. Parks and Recreation

Any park and recreational facilities and/or services that the Districts determine to finance and/or construct will be constructed in accordance with plans and specifications approved by the County as well as those engineering and design requirements appropriate for the surrounding terrain. All such improvements shall be compatible with the County's standards and specifications or those of other public entities having proper jurisdiction. Unless the County determines otherwise at the time of approval of final platting, the Districts shall retain responsibility for operation and maintenance of the parks and recreation facilities and improvements they fund and/or construct. The County will not assume any of these duties or obligations.

C. Estimated Cost of Facilities

The estimated cost of the facilities to be constructed, installed and/or acquired by the Districts for purposes of serving the Development are attached to this Service Plan. The current estimated costs are approximately \$7,273,278.56, based on the anticipated build-out of 84-94 residential units. The figures provided are in uninflated, 2005 dollars and represent a preliminary estimate of the actual capital costs associated with the planned improvements and facilities. Actual costs, as well as the timing and sequence of construction, may vary from the stated amounts and phasings to reflect fluctuations in general price levels, the pace and scope of improvements within the Districts, and other contingencies or unanticipated events.

VI. PROPOSED AND EXISTING AGREEMENTS

A. Master Intergovernmental Agreement

Upon organization, the Service District and the Taxing District shall enter into a Master Intergovernmental Agreement that will ensure, among other things, that the improvements described within this Service Plan are constructed in the manner and at the time contemplated herein and that will define the relationship between the Service District and the Taxing District, including the means for approving, financing, constructing, and operating the public services and improvements needed to serve the Development. In addition to the foregoing, the Master Intergovernmental Agreement establishes the procedures and standards for the approval of the design of facilities, transfer of funds between the Districts, operation and maintenance of the facilities, and for the coordinated administration of management services

for the Districts. The form of the Master Intergovernmental Agreement to be entered into by the Districts is attached hereto as **Exhibit F**. Substantial amendments to the text of the agreement shall constitute a material modification to this Service Plan. In the event of any inconsistencies between the provisions of the Service Plan and the provisions of the Master Intergovernmental Agreement, the provisions of the Service Plan shall control.

B. Other Agreements/Authority

To the extent practicable, the Service District may enter into additional intergovernmental and/or private agreements to provide for the improvements and services contemplated herein, as well as for the effective management, operation and/or maintenance thereof. Similar agreements may also be entered into with property owner associations and/or other service providers. All such agreements must be for facilities, services and agreements lawfully authorized to be provided by the Districts, pursuant to Section 18(2)(a) of Article XIV of the Colorado Constitution and Section 29-1-201, *et seq.*, C.R.S.

VII. FINANCING PLAN

The maximum voted interest rate on all bonds, when issued, is currently anticipated to be 15% and the proposed maximum underwriting discount will be 5%. However, any bonds issued shall be issued at an interest rate that is no more than 3% over the prevailing ten-year treasury. It is estimated that general obligation bonds, when issued, will mature as permitted by State statute. The estimated costs of the organization and initial operation of the Districts through December 31, 2005 including legal, engineering, administrative and financial services are expected to be approximately \$75,000.00. Organizational costs may be reimbursed to the Developer by the Districts out of their initial revenue sources, including bond proceeds.

The combined total estimated cost of improvements that the Districts may construct to serve their Service Area total approximately \$7,273,278.56, inclusive of contingencies. Notwithstanding such estimations and projections, the Districts shall be permitted to reallocate costs between categories of improvements, as they deem necessary, in the discretion of their Boards of Directors, in order to keep pace with development under evolving circumstances. These estimations and projections may also be adjusted upwards as the needs of the Development evolve, or as the Districts begin to serve their Service Area. Notwithstanding the foregoing, the Districts will only be entitled to finance those costs that can be paid with the proceeds generated by the "Mill Levy Cap" (defined below). All of the materials and supplies acquired for the construction of the public facilities and infrastructure contemplated herein will be exempt from all State sales and use taxes and all local and/or municipal sales taxes, as provided under Colorado law. All of the facilities and infrastructure described herein will be designed and provided in conformance with the County's facility and service standards and with the standards of other municipalities and special districts that may be affected thereby.

It is currently anticipated that the Districts will issue general obligation, limited mill levy, and/or revenue bonds in amounts sufficient to fund the construction costs for all or a portion of the facilities necessary to serve the Development. General obligation debt will be supported by *ad valorem* mill levies and other revenues legally available to the Districts. The Financing Plan shows construction beginning in 2005 and ending in complete build-out in 2010; it also demonstrates how the proposed services and facilities may be financed and operated by the Districts and it identifies the Districts' proposed debt issuance schedule. Such Financing Plan contemplates traditional bond issuance to finance the public facilities contemplated herein, as well as "developer advances" for that portion of the costs of such facilities that

cannot be funded from bond proceeds. The Districts intend to reimburse the Developer for such developer advances, to the extent they are financially able to do so.

All of the general obligation bonds issued by the Districts shall be payable from any and all legally available revenues available to the Districts, including general *ad valorem* taxes to be imposed upon all taxable property within the Districts' boundaries. Such *ad valorem* taxes shall not be permitted to exceed 55 total mills, except as otherwise permitted by this Service Plan.

Of the 55 total mills comprising the Mill Levy Cap, a maximum of 45 mills may be levied for the repayment of general obligation debt issued by the Districts. The initial mill levy demonstrated in the Financing Plan is 40 mills. Of this initial 40 mills, 27 mills will be dedicated to debt service, and 13 mills will be dedicated to operations and maintenance. Any of the Mill Levy Cap not used for repayment of debt of the Districts may be levied for operation and maintenance expenses the Districts incur on a regular basis. The Districts will not levy in excess of a maximum of 25 mills for the repayment or payment of operations and maintenance costs of the Districts. The total combined mill levy for both debt and operation and maintenance (the "Mill Levy Cap") shall not be permitted to exceed 55 total mills, except as otherwise permitted by this Service Plan. The Mill Levy Cap shall be subject to adjustment if the laws of the State of Colorado change with respect to the assessment of property for taxation purposes, the ratio for determining assessed valuation changes, or other similar changes occur. In any of these events, the Mill Levy Cap shall be automatically adjusted so that the overall tax liability of property owners neither increases nor decreases as a result of any such changes, thereby maintaining a constant level of tax receipts to the Districts and overall tax payments from property owners.

The Financing Plan demonstrates one method that may be used by the Districts to finance the cost of the public improvements contemplated herein. Due to the support expected to be received from the Developer, such Financing Plan demonstrates that the cost of such public improvements can be provided with reasonable mill levies, assuming reasonable increases in assessed valuation and assuming the rate of build-out estimated therein.

In addition to revenues obtained from mill levies, the Districts anticipate revenue from Water System Tap Fees (one-time impact fees collected at building permit) in the amount of \$10,000.00 per residence, monthly water user fee revenues, Developer contributions for infrastructure, Developer infrastructure contributions converted to cash flow bonds, and/or from other sources, as further set forth and projected in the Financing Plan and as allowable by Colorado law. It is presently anticipated that approximately three quarters of the Water System Tap Fees will be used to reimburse the Developer for advances made to the Districts to cover capital and operating costs during the organizational process.

A. Other Financial Information

The balance of the information contained in the attached Financing Plan is preliminary in nature. Upon approval of this Service Plan, the Districts will continue to develop and refine the cost estimates contained and/or referenced herein and prepare for the issuance of bonds. All such cost estimates will be inflated to then-current dollars at the time of bond issuance and/or construction and assume that construction will be performed pursuant to applicable local, State or Federal requirements.

In order to offset the expenses of the anticipated construction as well as operations and maintenance, the Districts will rely upon various revenue sources authorized by Colorado law in addition to the revenues that will be generated by *ad valorem* property taxes. Such revenue sources may include, but will not necessarily be limited to, the power to assess fees, rates, tolls, penalties, or charges as provided in

Section 32-1-1001(1)(j)(I), C.R.S., as the same may be amended from time to time. The attached Financing Plan assumes various sources of revenue, including *ad valorem* property taxes, specific ownership taxes, a Water System Tap Fee in the amount of \$10,000.00, and user charges, together with investment income on retained amounts.

It is currently anticipated that a system of fees and charges will be established for landscape maintenance, recreation improvements and other improvements owned and operated by the Districts. However, no user fees or charges will be required to access publicly accessible facilities that are developed as a result of the County's land dedication requirements.

The attached Financing Plan does not project any significant accumulation of fund balances which might represent receipt of revenues in excess of expenditures under the TABOR Amendment to the Colorado Constitution. To the extent the Districts annual revenues exceed expenditures in this manner, the Districts will comply with the provisions of the TABOR Amendment and either refund the excess, or obtain voter approval to retain such amounts. The Districts' initial spending and revenue limits, as well as mill levies, will be established by an election that satisfies the TABOR Amendment requirements. In the discretion of the Boards of Directors, the Districts may set up or contract with qualifying entities to manage, fund, construct and operate the improvements, services, and programs contemplated herein. To the extent allowed by law, any entity created by the Districts for this purpose will remain under the control of the Boards of Directors.

B. Elections

The Districts will seek the authorization of its electors to issue \$6,000,000.00 in bonded indebtedness from its electorate, the proceeds of which will be used to provide all or a portion of the improvements contemplated by this Service Plan. While the Districts may be authorized to issue \$6,000,000.00 in bonded indebtedness, the Districts do not currently anticipate issuing in excess of \$3,500,000.00 in general obligation bonds. The Districts may not issue bonded indebtedness over and above \$6,000,000.00 without requesting an amendment to this Service Plan from the County. However, the Districts shall notify the County of its intent to issue debt in excess of the initially anticipated \$3,500,000 so that the County can ensure that such debt is consistent with the Service Plan and Financing Plan, and further ensure that it does not constitute a material modification. Should the Districts be unable to secure such an amendment from the County, the traditional methods of financing infrastructure through Developer advances will be required to meet the needs of the Development.

The Districts shall seek authorization from the District Court in and for Douglas County to call an election where the question of organizing the Districts as well as questions authorizing the proposed financial structure as required by the TABOR Amendment, will be posed to the Districts' electorate, in addition to other questions. This election will be conducted as provided in the Uniform Election Code of 1992, the Municipal Election Code and the TABOR Amendment.

The ballot for such election shall deal with the following topics and may deal with additional topics as may be necessary (in several questions, but not necessarily using the exact divisions shown here):

1. Approval of taxes;
2. Approval of a maximum operational mill levy;
3. Approval of debt limits;
4. Approval of a property tax revenue limit;
5. Approval of a total revenue limit;

6. Approval of fiscal year spending limits; and
7. Elimination of term limits.

C. Provision for Bond Mill Levy Cap

All of the bonds issued by the Districts may be payable from any and all revenues legally available to the Districts, including general *ad valorem* taxes to be imposed upon all taxable property within the Districts' boundaries, subject to the following limitations:

1. For all general obligation debt, including refunding debt, the maximum mill levy the Districts can promise to impose to repay such debt shall be 45 mills; provided, however, that this mill levy limitation may be increased or decreased to reflect changes in the method of calculating assessed valuation (with tax year 2005 as the base year for calculation of any such adjustments), such increases or decreases to be determined by the Districts' Boards of Directors in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual value to assessed value shall be deemed a change in the method of calculating assessed valuation.

2. Bonds may be privately placed in accordance with either Section 11-59-110(1)(g), C.R.S., or the regulations for placement of securities with an accredited investor in accordance with the Rules promulgated under the Colorado Municipal Bond Supervision Act, as the same may be amended from time to time. In addition to the foregoing, bonds may be issued to the Developer in accordance with such statute and/or regulations. Any such private placement or issuance shall be subject to the Mill Levy Cap.

3. The Districts may repay its debt using any and all other revenues legally available to them, including Water System Tap Fees expected to be assessed in the amount of \$10,000.00 per residence.

D. Additional Bond Limitations

In addition to the limitations set forth in this Service Plan, all bonds issued by the Districts shall be subject to the limitations of Colorado law. In the event of a conflict between the limitations of this Service Plan and Colorado law, the more restrictive provision shall control.

E. Operating Expenses

The Districts will require operating funds to plan and cause the public improvements to be constructed. The initial mill levy dedicated to operations and maintenance is 13 mills. Such funds shall be in addition to the capital costs contemplated herein and may include, but not be limited to: the operation and maintenance of improvements by the Districts from the time of construction to the time of their acceptance by the County or others; the perpetual operation and maintenance of improvements which the County or others do not accept, if any; and the Districts' general operation costs and expenses such as legal, engineering, accounting and administrative services, preparation of budgets, audits, map filings, elections, informational filings, and the like. The first year's operating budget is estimated to be \$30,000.00. Water system annual operating costs are projected to total the sum of all water user fees collected plus \$15,000 annually. Operating and administrative expenditures as well as water system annual operating costs are currently estimated to increase by 3% annually. It is currently assumed that a majority of the water tap fee collections will be paid to the Developer pursuant to the terms a water infrastructure cost recovery/tap fee

agreement. The Developer will fund operating expenses to the extent necessary and future operational revenues may be raised by Developer advances, user fees, and/or an operation and maintenance mill levy. The total combined mill levy for debt repayment, operations and maintenance shall not exceed 55 mills. As the Districts are able, they may reimburse the Developer for such costs, as well as for other advances, in subsequent years. The proposed operating revenue derived from property taxes for the Districts' first budget year is \$0.00. These operating cost and revenue estimates represent a preliminary estimates and projections based upon available information. Actual costs, as well as the timing and sequence of construction, may vary from the stated amounts and phasings to reflect fluctuations in general price levels, the pace and scope of improvements within the Districts, requirements of the County, and other contingencies or unanticipated events. The Districts may supplement these revenues with additional other revenue sources as allowed by law, such as homeowner association fees, if necessary.

F. Enterprises

The Districts may establish enterprises to manage, fund, and/or operate those public improvements contemplated herein that qualify for enterprise status. Such establishment shall be made in the discretion of the Districts' Boards of Directors, using the procedures and criteria provided by the TABOR Amendment and Colorado law. To the extent allowed by law, any enterprise created by the Districts will remain under the control of their Boards of Directors.

VIII. ANNUAL REPORT

The Districts shall annually file a special district annual report with the County as required by Section 32-1-207(3)(d), C.R.S. Such annual report shall include a summary of all relevant financial conditions of the Districts. Such report shall be filed with the County, the Colorado Division of Local Government, and the State Auditor, and shall be deposited with the Douglas County Clerk and Recorder for public inspection. A copy of such report shall be made available by the Districts to any interested party pursuant to Section 32-1-204 (1), C.R.S. The County may review the annual reports in a regularly scheduled public meeting, and such review shall be included as an agenda item in the public notice for such meeting.

For purposes of the foregoing, the Districts' fiscal year shall end on December 31st of each calendar year and the content of such report shall comply with the requirements of Section 32-1-207(3)(c), C.R.S.

IX. DISCLOSURE

The Developer and the Districts will take reasonable steps to ensure that initial purchasers of land in the Districts are provided with adequate written notice at the time of closing regarding the existence of the Districts and of any additional taxes, charges, and/or assessments that may be imposed in connection with the Districts. The written notice shall also provide information concerning the structure of the Boards of Directors and summarize how buyers may participate in the affairs of such Boards. The Districts shall record such written notice against the property currently located within the Districts' boundaries and shall promptly record such written notice against any property legally included within the Districts' boundaries in the future.

X. MATERIAL MODIFICATIONS

It shall be the Districts' responsibility to contact the County to seek an interpretation as to whether a questionable proposed action is allowed by this Service Plan. In the event that the Districts desire to make a modification to this Service Plan that may be material, the Districts shall submit the proposed modification to the County's Board of County Commissioners, which will determine whether the proposed modification is material. If the County's Board of County Commissioners determines that the proposed modification is material, then the Districts must obtain County approval before making any material modifications to this Service Plan in accordance with Section 32-1-207, *et seq.*, C.R.S., including, by written notice to the County pursuant to Section 32-1-207, C.R.S., modifications concerning proposed actions that the Districts believe are permitted by this Service Plan, but which may be unclear.

Material modifications shall include modifications of a basic or essential nature including, but not limited to, any additions to the types of services initially provided by the Districts or change in debt limit. Approval shall not be required for mechanical modifications to this Service Plan necessary for the execution of the original Financing Plan. Inclusion of areas outside of the Districts' Service Area may not, at the discretion of the County, be considered a material modification to this Service Plan, but shall require County approval prior to such inclusion, except that the inclusion of property that is located in a county with no other territory within the Districts' boundaries may constitute a material modification of this Service Plan. For purposes of this Service Plan, a modification to the land use plan, which causes a change in the types of services provided by the Districts, will be considered a material modification.

This Service Plan has been designed with sufficient flexibility to enable the Districts to provide required services and facilities under evolving circumstances without the need for numerous amendments. While the assumptions upon which this Service Plan are generally based are reflective of anticipated zoning for the property within the Districts, the cost estimates and Financing Plan are sufficiently flexible to enable the Districts to provide necessary services and facilities without the need to amend this Service Plan as zoning changes. Modification of the services and facilities, and changes in proposed configurations, locations, or dimensions of various facilities and improvements shall be permitted to accommodate development needs consistent with then current zoning for the Development.

In the event that the Districts take any action that constitutes a material modification of this Service Plan without approval from the County, the County may utilize the remedies set forth by statute to seek to enjoin the Districts' actions. If any improvements identified in this Service Plan for transfer to the County are not transferred to the County, the Districts shall submit information to the County's Community Development Department regarding costs associated with retaining those improvements, to determine if a material modification of this Service Plan has occurred. In the event that the number of units is increased or decreased by an amount greater than 5%, the Districts shall submit information to the County's Community Development Department for review to determine if a material modification of this Service Plan has occurred. If construction costs exceed the estimated costs by greater than 20%, a material modification to the Service Plan shall be deemed to have occurred, necessitating a Service Plan amendment.

XI. RESOLUTION OF APPROVAL

The Districts agree to incorporate the County's Resolution of Approval, into the Petition for Organization presented to the District Court in and for Douglas County, Colorado.

XII. CONSOLIDATION OR DISSOLUTION OF SERVICE DISTRICT

Subsequent to the time at which all public improvements authorized herein have been completed and finally accepted by the applicable entity and all permanent financing associated therewith has been issued, the Districts shall undertake proceedings necessary to pursue: (1) consolidation in accordance with Section 32-1-601, *et seq.*, C.R.S.; or (2) dissolution of the Service District and inclusion of such property into the boundaries of the Taxing District in accordance with Sections 32-1-701, *et seq.* and 32-1-401, *et seq.*, C.R.S. Failure to commence such consolidation or dissolution proceedings within six (6) months after such events have occurred shall constitute a material modification of this Service Plan.

XIII. CONCLUSIONS

It is submitted that this Service Plan satisfies the following required criteria of Sections 32-1-203(2) and 32-1-203(2.5), C.R.S. The Districts' responses to the required statutory criteria are shown below, in italics.

A. There is sufficient existing and projected need for organized service in the area to be served by the Districts;

At build-out, the Development will consist of approximately 84-94 residential units with a projected population of between 210 and 235 persons (assuming between 84 and 94 units and 2.5 person-equivalents per unit). There are currently no other entities in existence in the Development that have the ability to undertake the design, financing, construction, operation and maintenance of the improvements designated herein that are needed for the Development. It is also the Developer's understanding that the County does not consider it feasible or practicable or appropriate to provide the necessary services and facilities for the Development.

B. The existing service in the area to be served by the Districts is inadequate for present and projected needs;

There are currently no other entities in existence in the Development that have the ability or willingness to undertake the design, financing, construction, operation and/or maintenance of the capital improvements contemplated necessary to serve the Development. It is also the Developer's understanding that the County does not consider it feasible or practicable to provide the necessary services and facilities for the Development. The Service Plan will allow the Districts to assume responsibilities for the improvements and services designated herein.

C. The Districts are capable of providing economical and sufficient service to the area within their boundaries;

As shown in the Financing Plan the Districts' projected 84-94 residential units can support the improvements and services contemplated herein. As is also demonstrated herein, the Districts can provide these services economically under a single administrative and maintenance umbrella.

D. The area included in the Districts does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis;

As shown in the Financing Plan, the projected assessed value of the Districts' projected 84 to 94 residential units will allow the Districts to discharge the proposed indebtedness on a reasonable basis, using reasonable mill levies.

E. Adequate service is not, and will not be, available to the area through the County, or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis;

The County does not intend to provide such site-specific improvements or services for the Development. No other existing municipal or quasi-municipal corporations, including existing special districts, intend to provide adequate service to the Development within a reasonable time or on a comparable basis. The scope of the improvements contemplated herein together with the long-term maintenance needs associated therewith makes the Districts the only logical provider of such service.

F. The Districts' facility and service standards are compatible with the facility and service standards of the County and those of each municipality that is an interested party under Section 32-1-204(1), C.R.S.;

Based on the types of improvements proposed, the Districts' facility and service standards either meet or exceed the County's facility and service standards. There are no municipalities that constitute interested parties under Section 32-1-204(1), C.R.S. The Service Plan complies with the statutory criteria.

G. The proposal is in substantial compliance with a master plan adopted pursuant to Section 30-28-108, C.R.S.;

This Service Plan and the Development intended to be served are in conformance with the County's 2020 Comprehensive Master Plan for the Development and for the types of improvements anticipated to be constructed, installed and maintained by the Districts, as contemplated herein.

H. The proposal is in compliance with any duly adopted County, regional, State, or Federal long-range water quality management plan for the area; and

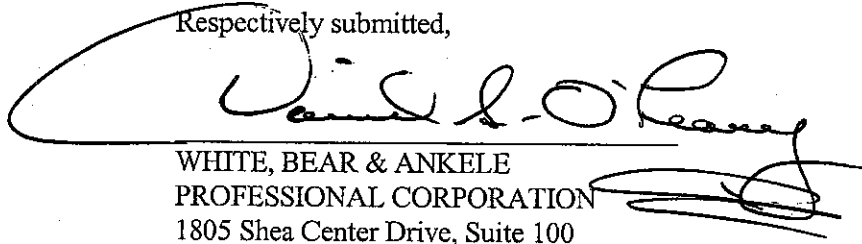
All storm drainage, sanitary sewer and irrigation facilities and services will be constructed, operated and maintained in accordance with the Clean Water Plan as required by Tri-County Health Department as well as all County, local, State and Federal water quality rules, regulations and/or laws. The Developer is not aware of any conflict with this statute provision under any duly adopted County, local, State or Federal long-range water quality management plan for the area.

I. The creation of the Districts is in the best interests of the area proposed to be served.

The Districts are coextensive with the planned community known as Foxhill and are being formed to assist in the funding, integration and coordination of metropolitan district services and facilities both within and outside of the Districts' boundaries. The creation of the Districts will thus be in the best interests of the future residents of Foxhill.

It is therefore respectfully requested that the Douglas County Board of County Commissioners, which has jurisdiction to approve this Service Plan by virtue of Section 32-1-201, *et seq.*, C.R.S., as amended, adopt a resolution approving this Service Plan, as submitted.

Respectfully submitted,

A large, stylized handwritten signature in black ink, which appears to read "David L. O'Leary". The signature is written over a horizontal line.

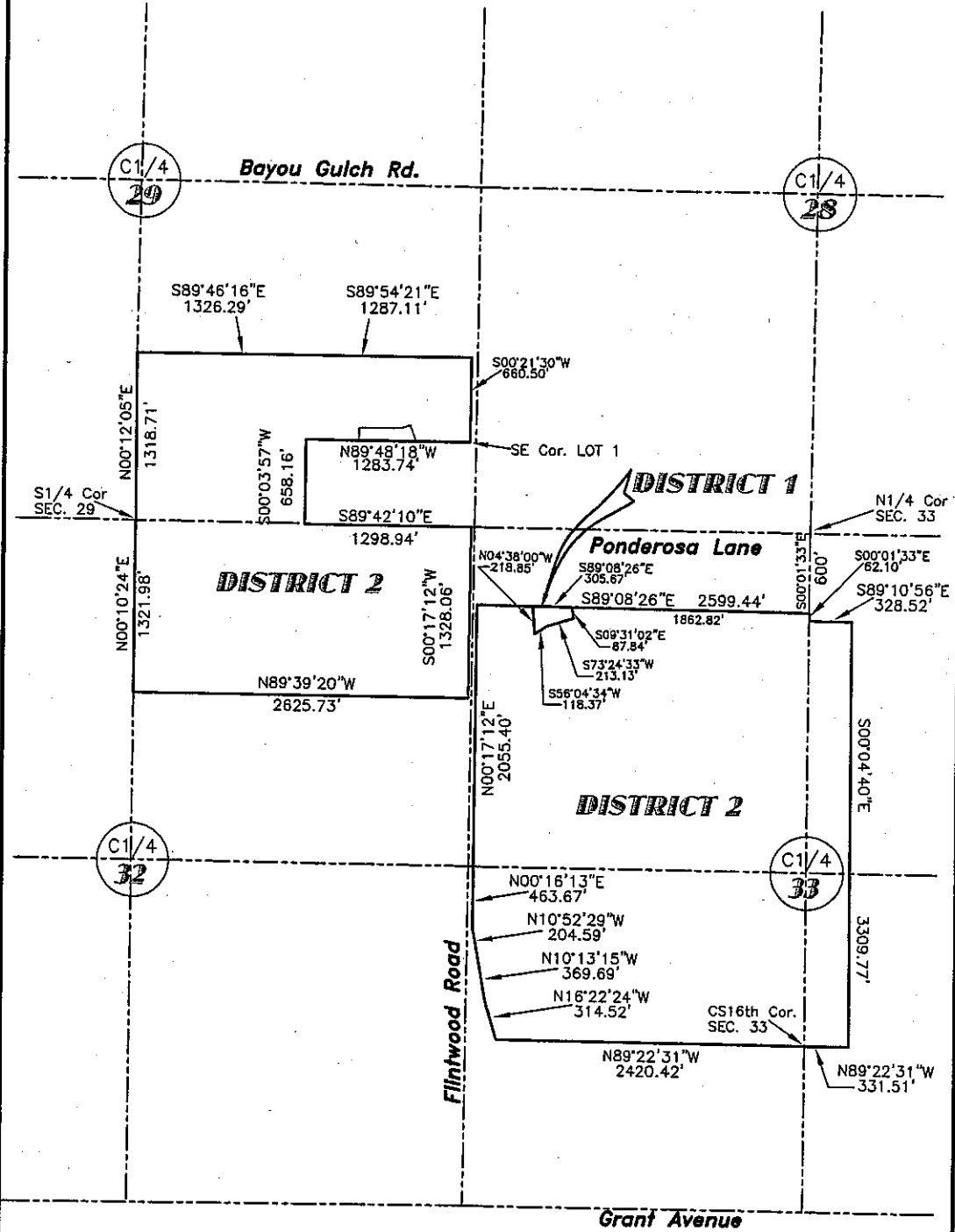
WHITE, BEAR & ANKELE
PROFESSIONAL CORPORATION
1805 Shea Center Drive, Suite 100
Highlands Ranch, Colorado 80129

Counsel to the Districts

Exhibit A
Boundary Map and Legal Description of the Districts' Service Area

EXHIBIT "A"

FOXHILL METRO DISTRICT BOUNDARIES



SCALE 1"=1000'

PREPARED BY **WLR SERVICES**
 13609 COUNTY RD. 94
 ELBERT, COLORADO 80106
 (303) 648-9755
 FAX (303) 648-9757



DATE: 08/11/2005
 WLR NO.: 050602
 DRAWN: G.L.R.
 CHECKED: G.L.R.

FOX HILL METRO DISTRICT
LEGAL DESCRIPTIONS

DISTRICT ONE:

A PARCEL OF PROPERTY LOCATED IN THE NORTHWEST QUARTER OF SECTION 33, TOWNSHIP 7 SOUTH, RANGE 65 WEST OF THE 6TH PRINCIPAL MERIDIAN, DOUGLAS COUNTY COLORADO, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS;

COMMENCING AT THE NORTH 1/4 CORNER OF SECTION 33 AND CONSIDERING THE EAST LINE OF THE WEST HALF OF SAID SECTION 33 TO BEAR N 00°01'33"W WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO;

THENCE S 00°01'33"E, ALONG SAID EAST LINE FOR 600.00 FEET;

THENCE N 89°08'26"W, ALONG A LINE 600 FEET SOUTH OF AND PARALLEL WITH THE NORTH LINE OF SAID WEST HALF, FOR 1862.82 TO THE TRUE POINT OF BEGINNING;

THENCE S 09°31'02"E, FOR 87.84 FEET;

THENCE S 73°24'33"W, FOR 213.13 FEET;

THENCE S 56°04'34"W, FOR 118.37 FEET;

THENCE N 04°38'00"W, FOR 218.85 FEET TO A POINT ON THE SOUTH LINE OF THE NORTH 600 FEET OF SAID WEST HALF;

THENCE S 89°08'26"E, ALONG SAID SOUTH LINE OF THE NORTH 600 FEET OF THE WEST HALF OF SECTION 33, FOR 305.67 FEET TO THE TRUE POINT OF BEGINNING.

CONTAINING 1.00 ACRES, MORE OR LESS.

DISTRICT TWO WEST PARCEL:

A PARCEL OF PROPERTY LOCATED IN THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 29, THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 29, AND THE NORTH HALF OF THE NORTHEAST QUARTER OF SECTION 32, ALL IN TOWNSHIP 7 SOUTH, RANGE 65 WEST OF THE 6TH PRINCIPAL MERIDIAN, DOUGLAS COUNTY COLORADO, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS;

COMMENCING AT THE SOUTH QUARTER CORNER OF SAID SECTION 29 AND CONSIDERING THE WEST LINE OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 29 TO BEAR N 00°12'05"E WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO;

THENCE N 00°12'05"E, ALONG SAID WEST LINE, , FOR 1318.71 FEET TO THE NORTHWEST CORNER OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 29;

THENCE S 89°46'16"E, FOR 1326.29 FEET TO THE NORTHEAST CORNER OF THE SOUTHWEST QUARTER OF THE OF THE SOUTHEAST QUARTER OF SAID SECTION 29, SAID POINT ALSO BEING THE NORTHWEST CORNER OF LOT 1 FOXHILL SUBDIVISION;

THENCE S 89°54'21"E, ALONG THE NORTH LINE OF SAID LOT 1, , FOR 1287.11 FEET TO THE NORTHEAST CORNER OF SAID LOT 1;

THENCE S 00°21'30"W, FOR 660.50 FEET TO THE SOUTHEAST CORNER OF SAID LOT 1;

THENCE N 89°48'18"W, FOR 1283.74 FEET TO THE SOUTHWEST CORNER OF SAID LOT 1, SAID POINT BEING ON THE WEST LINE OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 29;

THENCE S 00°03'57"W, FOR 658.16 FEET TO THE SOUTHEAST CORNER OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 29;

THENCE S 89°42'10"E, ALONG THE NORTH LINE OF THE EAST HALF OF THE NORTH HALF OF THE NORTHEAST QUARTER OF SAID SECTION 32, FOR 1298.94 FEET TO A POINT 30.00 FEET WEST OF THE LINE OF THE NORTH HALF OF THE NORTHEAST QUARTER OF SAID SECTION 32;

THENCE S 00°17'12"W, PARALLEL WITH THE EAST LINE OF THE NORTH HALF OF THE NORTHEAST QUARTER OF SAID SECTION 32, , FOR 1328.06 FEET TO A POINT ON THE SOUTH LINE OF THE NORTH HALF OF THE NORTHEAST QUARTER OF SAID SECTION 32; THENCE N89°39'20"W, ALONG SAID SOUTH LINE, , FOR 2625.73 FEET TO THE SOUTHWEST CORNER OF THE NORTH HALF OF THE NORTHEAST QUARTER OF SAID SECTION 32; THENCE N00°10'24"E, FOR 1321.98 FEET TO THE POINT OF BEGINNING.

CONTAINING 139.59 ACRES, MORE OR LESS.

DISTRICT TWO EAST PARCEL:

A PARCEL OF PROPERTY LOCATED IN SECTION 33, TOWNSHIP 7 SOUTH, RANGE 65 WEST OF THE 6TH PRINCIPAL MERIDIAN, DOUGLAS COUNTY COLORADO, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS;

COMMENCING AT THE CS1/16th CORNER OF SECTION 33 AND CONSIDERING THE EAST LINE OF THE WEST HALF OF SAID SECTION 33 TO BEAR N 00°01'33"W WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO;

THENCE N 89°22'31"W, ALONG THE SOUTH LINE OF THE NORTH 1/2 OF THE SOUTHWEST 1/4, FOR 2420.42 FEET TO A POINT ON THE EASTERLY RIGHT-OF-WAY LINE OF THE OLD ALIGNMENT OF FLINTWOOD ROAD; THENCE ALONG SAID OLD ALIGNMENT THE FOLLOWING THREE (3) COURSES;

- 1) N 16°22'24"W , FOR 314.52 FEET;
- 2) N 10°13'15"W , FOR 369.69 FEET;
- 3) N 10°52'29"W , FOR 204.59 FEET TO A POINT 30.00 FEET EAST OF THE WEST LINE OF THE NORTH HALF OF THE SOUTHWEST QUARTER OF SAID SECTION 33;

THENCE N 00°16'13"E, PARALLEL WITH SAID WEST LINE, , FOR 463.67 FEET TO A POINT ON THE NORTH LINE OF THE NORTH HALF OF THE SOUTHWEST QUARTER OF SAID SECTION 33;

THENCE N 00°17'12"E, ALONG A LINE 30.00 FEET EAST OF AND PARALLEL WITH THE WEST LINE OF THE NORTHWEST QUARTER OF SAID SECTION 33, , FOR 2055.40 FEET TO A POINT ON THE SOUTH LINE OF THE NORTHERN 600.00 FEET OF THE NORTHWEST QUARTER OF SAID SECTION 33;

THENCE S 89°08'26"E, ALONG SAID SOUTH LINE, , FOR 2599.44 FEET TO A POINT ON THE EAST LINE OF THE NORTHWEST QUARTER OF SAID SECTION 33;

THENCE S 00°01'33"E, ALONG SAID EAST LINE, , FOR 62.10 FEET TO THE NORTHWEST CORNER OF THE WEST HALF OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 33;

THENCE S 89°10'56"E, FOR 328.52 FEET TO THE NORTHEAST CORNER OF THE WEST HALF OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 33;

THENCE S 00°04'40"E, ALONG THE EAST LINE OF THE WEST HALF OF THE WEST HALF OF THE WEST HALF OF THE WEST HALF OF SAID SECTION 33, , FOR 3309.77 FEET TO THE SOUTHEAST CORNER OF THE WEST HALF OF THE WEST HALF OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 33;

THENCE N 89°22'31"W, FOR 331.51 FEET TO THE POINT OF BEGINNING.

CONTAINING 225.61 ACRES, MORE OR LESS.

AND EXCEPTING THEREFROM, DISTRICT ONE, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTH 1/4 CORNER OF SECTION 33 AND CONSIDERING THE EAST LINE OF THE WEST HALF OF SAID SECTION 33 TO BEAR N 00°01'33"W WITH ALL BEARINGS CONTAINED HEREIN RELATIVE THERETO;

THENCE S 00°01'33"E, ALONG SAID EAST LINE FOR 600.00 FEET;

THENCE N 89°08'26"W, ALONG A LINE 600 FEET SOUTH OF AND PARALLEL WITH THE NORTH LINE OF SAID WEST HALF, FOR 1862.82 TO THE TRUE POINT OF BEGINNING;

THENCE S 09°31'02"E, FOR 87.84 FEET;

THENCE S 73°24'33"W, FOR 213.13 FEET;

THENCE S 56°04'34"W, FOR 118.37 FEET;

THENCE N 04°38'00"W, FOR 218.85 FEET TO A POINT ON THE SOUTH LINE OF THE NORTH 600 FEET OF SAID WEST HALF;

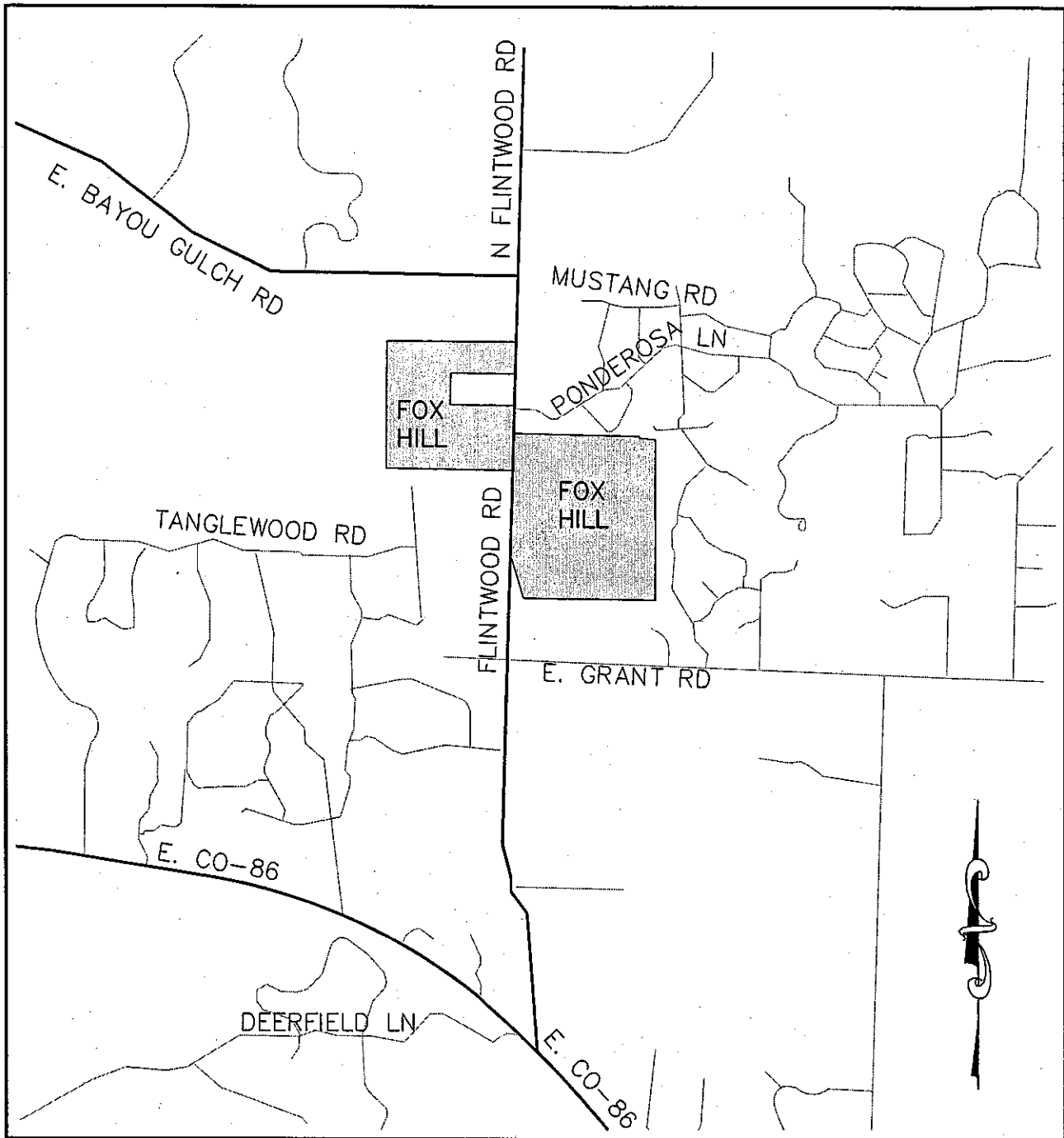
THENCE S 89°08'26"E, ALONG SAID SOUTH LINE OF THE NORTH 600 FEET OF THE WEST HALF OF SECTION 33, FOR 305.67 FEET TO THE TRUE POINT OF BEGINNING.

CONTAINING 1.00 ACRES, MORE OR LESS.

CONTAINING A NET AREA OF 224.61 ACRES, MORE OR LESS.

TOTAL EAST & WEST PARCELS : 364.20 ACRES, MORE OR LESS.

Exhibit B
Vicinity Map



VICINITY MAP
NTS

Exhibit C
Financing Plan

Stan Bernstein and Associates, Inc.

Financial Planners and Consultants

For Local Governments, Municipal Bond Underwriters, and Real Estate Developers

8400 East Prentice Ave., Penthouse

Greenwood Village, Colorado 80111

Phone: 303-409-7611 Fax: 303-409-7612 Email: Stanplan@Earthlink.net

MEMORANDUM

TO: Jack McLaughlin, Marmac Development Corp.
Kristen Bear, Esq., White Bear, and Ankele
David O'Leary, Esq., White, Bear, and Ankele

FROM: Stan Bernstein
Amy Bernstein

DATE: August 25, 2005

SUBJECT: Final Draft – Financial Models – Fox Hill Metropolitan Districts #1 and #2

INTRODUCTION AND SCOPE

Stan Bernstein and Associates, Inc. has assembled Financial Models for Fox Hill Metropolitan Districts #1 and #2 based upon key assumptions provided by officials of Marmac Development Corp. The Financial Models were assembled in order to provide a conceptual understanding of the amount of Limited Tax General Obligation Cash Flow Bonds (the "Cash Flow Bonds") that could ultimately be supported by the Fox Hill Metropolitan District #2 (Taxing District #2). The Cash Flow Bonds are assumed to be issued by Taxing District #2 in exchange for Fox Hill Metropolitan Districts' related infrastructure costs funded by Marmac Development Corp. (the "Developer").

It is important that officials of the Districts, the Developer, and White, Bear, and Ankele, Esq. understand and feel comfortable with the key assumptions that the Financial Models are based upon. It is also important that all parties understand that Stan Bernstein and Associates, Inc. has not independently reviewed or evaluated these key assumptions.

FUTURE RATES OF RESIDENTIAL BUILDOUT AND RELATED ASSESSED VALUATION

The financial planning concept is that as the construction of future residential real estate product occurs within the boundaries of Taxing District #2, incremental assessed valuation will generate property tax revenues for Taxing District #2.

For financial planning purposes it is assumed that a portion of the property tax revenues generated from the 40 mills assumed to be levied by Taxing District #2 (first effective for tax collection year 2007) will be transferred pursuant to an Intergovernmental Agreement ("IGA") to the Service District (Service District #1) and used to pay operating and administrative costs. The property tax revenues generated from Taxing District #2 mill levies that are not transferred to Service District #1, will be available to make annual interest and principal payments on outstanding Cash Flow Bonds owned by the Developer. **This draft indicates (assuming 30-year amortization and 7% interest rates) that Taxing District #2 could support approximately \$1,950,000 of Cash Flow Bonds.**

The key assumptions with respect to future residential and commercial buildout, and related assessed valuation buildup, within the boundaries of Taxing District #2 are presented in detail on Schedule 1 on page 9. These assumptions were provided by officials of the Developer. It is generally assumed that any increases in residential assessed valuation as a result of inflation will be offset by decreases in the residential assessment rate caused by The Gallagher Amendment, although the assessed valuation estimates do assume a net average annual inflationary increase of approximately 1% (2% biennially) above decreases in assessed valuation caused by Gallagher.

The Financial Models are based upon a total of 94 residential units being completed by the end of 2010.

Mr. Jack McLaughlin (Marmac Development Corp.) has provided the information contained in Schedule 1, and believes these assumptions to be reasonable and appropriate to use for financial modeling purposes at this time.

FOX HILL METROPOLITAN DISTRICT #1 – CASH FLOW – EXHIBIT I,
PAGE 1

Exhibit I presents the estimated revenues and expenditures for Fox Hill Metropolitan District #1 (“Service District #1”). Key revenue sources include (i) Intergovernmental Transfers (pursuant to an IGA between the Service District # 1 and Taxing District #2) of property taxes from Taxing District #2, assumed to be approximately 13.0 mills first effective for tax collection year 2007, (ii) water system tap fees (one-time impact fees collected at building permit) in the amount of \$10,000 per residence, (iii) monthly water user fees revenues estimated to average \$40.00 per month per completed residence inflating 3% annually, (iv) Developer Contributions for infrastructure totaling \$5,323,278 during 2006, and (v) Developer Infrastructure Contributions converted to Cash Flow Bonds on December 1, 2006 in the amount of \$1,950,000 from Taxing District #2.

Operating and administrative expenditure estimates are presented on Exhibit I. Legal, audit and other administrative related expenditures are estimated at \$25,000 for 2006 and assume 3% annual increases for years thereafter. Operating and administrative contingency allowances are estimated to be \$ 5,000 for 2006 and assume 3% annual increases thereafter. These expenditures, according to the developer, are sufficient allowances for all of the District’s administrative, operating and maintenance expenses except for water system related expenditure allowances which are shown separately. The Districts will be responsible for all storm water and water quality facilities – to the extent that the developer’s operating and maintenance cost estimates are not sufficient, either the mill levy will have to be increased above 40 mills, or the Taxing District #2 might not be able to service the debt service on the assumed \$1,950,000 Cash Flow Bonds.

Water system annual operating costs are assumed to total the sum of all annual water user fees collected plus \$15,000 annually inflated by 3%. It is assumed that approximately 76% (\$715,000) of water tap fee collections will be paid to the Developer pursuant to the terms of a water infrastructure cost recovery/tap fee agreement.

Capital infrastructure expenditures (provided by Peak Civil Consultants) are also presented in Exhibit I and total \$7,273,278. Exhibit I indicates that approximately \$1,950,000, or 27%, of the total estimated infrastructure costs could be funded from approximately \$1.95 million of Cash Flow Bonds owned by the Developer(s).

FOX HILL TAXING DISTRICT #2 - CASH FLOW – EXHIBIT II, PAGE 5

Exhibit II presents the estimated cash flow of Taxing District #2 based upon the assumed rate of buildout presented on Schedule 1.

The primary revenue source is a 40.00 mill levy (first effective for tax collection year 2007) of which 27.00 mills are assumed to be retained by Taxing District #2 for payment of the annual debt service relating to approximately \$1.95 million of developer owned Cash Flow Bonds issued by Taxing District #2 (it is possible that these Cash Flow Bonds could be refunded by non-rated general obligation bonds issued by Taxing District #2 although this scenario has not been modeled). Cash Flow Bonds, for the purpose of this Service Plan, mean limited mill levy bonds whose annual principal and interest payments are paid from a maximum mill levy applied to the certified assessed valuation – any annual interest payment on the Cash Flow Bonds that is not paid from the limited mill levy, is deferred without interest and paid after current interest and all principal on the Cash Flow Bonds are paid. Property tax revenues generated from approximately 13.0 mills are assumed to be transferred to Service District #1 pursuant to an IGA.

The Cash Flow Bonds debt service schedule, and related schedule of unpaid interest on the Cash Flow Bonds, is also presented on Exhibit II. It is assumed that the Cash Flow Bonds will be issued on December 1, 2006 in the approximate amount of \$1.95 million. Average interest rates of 7.0% and 30-year amortization have been assumed. Exhibit I indicates all Cash Flow Bonds could be redeemed, and all unpaid interest payments made, by December 31, 2036 (unpaid interest payments on the Cash Flow Bonds are assumed not to accrue interest).

DISCLAIMER AND LIMITATIONS

The Financial Models were assembled by Stan Bernstein and Associates, Inc. based upon key assumptions provided by officials of the Districts and the Developer. Stan Bernstein and Associates, Inc. has not independently evaluated or reviewed these key assumptions and, consequently, does not vouch for the achievability of the information presented on Exhibits I and II or on Schedule 1. Furthermore, because of the inherent nature of future events, which are subject to change and variation as events and circumstances change, the actual results may vary materially from the results presented on Exhibits I and II and on Schedule 1. Stan Bernstein and Associates, Inc. has no responsibility or obligation to update this information or these Financial Models for events occurring after the date of this memorandum.

The actual amount of Cash Flow Bonds that could be supported by Taxing District #2 will depend on the rate of buildout and the related increases in assessed valuation, interest rates, and the actual amounts needed to pay for the Metropolitan Districts' administrative and operating expenses.

EXHIBIT I (SERVICE DISTRICT #1)
 FOX HILL METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2036

WORKING DRAFT
 SUBJECT TO REVISION
 AUGUST 25, 2005
 SEE CONSULTANTS' DISCLAIMER

KEY ASSUMPTIONS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
ASSESSED VALUATION - FHMD #1	0	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
INCREMENTAL RESIDENTIAL UNITS ADDED - FHMD #2 (SCH. 1)	0	20	20	20	20	14	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS - FHMD #2	0	20	40	60	80	94	94	94	94	94
ASSESSED VALUATION FHMD #2 (SCH. 1)	0	0	300,000	1,494,000	2,688,000	3,959,640	5,177,520	5,838,517	5,838,517	5,955,287
ASSUMED MILL LEVY TRANSFER FROM FHMD #2	0.00	0.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
ASSUMED WATER TAP FEE RATE PER RESIDENCE	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
ASSUMED ANNUAL WATER USER FEES GENERATED PER RESID.	480	480	480	494	509	525	540	556	573	590

CASH FLOW

REVENUES	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
PROPERTY TAXES	0	0	200	200	200	200	200	200	200	200
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	0	0	12	12	12	12	12	12	12	12
IGA PROPERTY TAX TRANSFERS FROM FHMD #2	0	0	3,900	19,422	34,944	51,475	67,308	75,901	75,901	77,419
WATER TAP FEES @ BUILDING PERMIT	0	200,000	200,000	200,000	200,000	140,000	0	0	0	0
WATER USER FEES AT \$40/MONTH AVERAGE PER RESIDENCE (-)	0	0	9,600	19,776	30,554	41,961	50,783	52,306	53,876	55,492
DEVELOPER CONTRIBUTION FOR INFRASTRUCTURE	0	5,323,278	0	0	0	0	0	0	0	0
DEVELOPER ADVANCE (LTD. G.O. CASH FLOW BONDS) FHMD #2	0	1,950,000	0	0	0	0	0	0	0	0
INTEREST EARNINGS @ 2% OF BEG.FUN	0	0	400	583	812	1,348	1,996	2,343	2,837	3,310
TOTAL REVENUES	0	7,473,278	214,112	239,973	286,522	234,996	120,299	130,762	132,826	136,432

EXPENDITURES

ADMINISTRATIVE EXPENDITURES	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
LEGAL/AUDIT/ETC (+3%/YR)	0	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669
CONTINGENCY FOR STORM WATER & WATER QUALITY MAINT (-)	0	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334
TOTAL ADMINISTRATIVE EXPENDITURES	0	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003

WATER SYSTEM EXPENDITURES

100% OF ANNUAL USER FEES	0	0	9,600	19,776	30,554	41,961	50,783	52,306	53,876	55,492
CONTINGENCY (+3%/YR)	0	15,000	15,450	15,914	16,391	16,883	17,389	17,911	18,448	19,002
COST RECOVERY PAYMENT TO DEVELOPER (EXCESS TAP FEE)	0	135,000	150,000	160,000	160,000	110,000	0	0	0	0
TOTAL WATER SYSTEM EXPENDITURES	0	150,000	175,050	195,690	206,945	168,843	68,172	70,217	72,324	74,493

CAPITAL INFRASTRUCTURE EXPENDITURES

GRADING AND EROSION CONTROL	0	287,963	0	0	0	0	0	0	0	0
STREETS AND ROADS	0	917,958	0	0	0	0	0	0	0	0
DOMESTIC WATER SYSTEM	0	3,519,728	0	0	0	0	0	0	0	0
LANDSCAPING	0	1,150,872	0	0	0	0	0	0	0	0
STORM SEWER AND PONDS	0	417,808	0	0	0	0	0	0	0	0
SURVEYING, TESTING, ETC.	0	142,200	0	0	0	0	0	0	0	0
CONSTRUCTION MANAGEMENT - 3%	0	193,096	0	0	0	0	0	0	0	0
CONTINGENCY - 10%	0	643,653	0	0	0	0	0	0	0	0
TOTAL INFRASTRUCTURE COSTS	0	7,273,278	0	0	0	0	0	0	0	0

TOTAL EXPENDITURES	0	7,453,278	205,950	227,517	239,727	202,609	102,950	106,039	109,220	112,497
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EXCESS REVENUES & BONDS OVER EXPENDITURES	0	20,000	8,162	12,457	26,796	32,388	17,348	24,723	23,606	23,936
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BEGINNING FUND BALANCE - JANUARY 1	0	0	20,000	28,162	40,619	67,414	99,802	117,151	141,874	165,480
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ENDING FUND BALANCE - DECEMBER 31	0	20,000	28,162	40,619	67,414	99,802	117,151	141,874	165,480	189,416
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EXHIBIT I (SERVICE DISTRICT #1)
 FOX HILL METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2036

WORKING DRAFT
 SUBJECT TO REVISION
 AUGUST 25, 2005
 SEE CONSULTANTS' DISCLAIMER

KEY ASSUMPTIONS	2015	2016	2017	2018	2019	2020	2021	2022	2023
ASSESSED VALUATION - FHMD #1	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
INCREMENTAL RESIDENTIAL UNITS ADDED - FHMD #2 (SCH. 1)	0	0	0	0	0	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS - FHMD #2	94	94	94	94	94	94	94	94	94
ASSESSED VALUATION FHMD #2 (SCH. 1)	5,955,287	6,074,393	6,074,393	6,195,861	6,195,861	6,319,798	6,319,798	6,446,194	6,446,194
ASSUMED MILL LEVY TRANSFER FROM FHMD #2	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
ASSUMED WATER TAP FEE RATE PER RESIDENCE	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000	10.000
ASSUMED ANNUAL WATER USER FEES GENERATED PER RESID.	608	626	645	664	684	705	726	748	770

CASH FLOW	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUES									
PROPERTY TAXES	200	200	200	200	200	200	200	200	200
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	12	12	12	12	12	12	12	12	12
IGA PROPERTY TAX TRANSFERS FROM FHMD #2	77,419	78,967	78,967	80,546	80,546	82,157	82,157	83,801	83,801
WATER TAP FEES @ BUILDING PERMIT	0	0	0	0	0	0	0	0	0
WATER USER FEES AT \$40/MONTH AVERAGE PER RESIDENCE (-)	57,157	58,871	60,638	62,457	64,330	66,260	68,248	70,295	72,404
DEVELOPER CONTRIBUTION FOR INFRASTRUCTURE	0	0	0	0	0	0	0	0	0
DEVELOPER ADVANCE (LTD. G.O. CASH FLOW BONDS) FHMD #2	0	0	0	0	0	0	0	0	0
INTEREST EARNINGS @ 2% OF BEG.FUN	3,788	4,242	4,701	5,133	5,568	5,973	6,378	6,751	7,122
TOTAL REVENUES	138,576	142,293	144,518	148,348	150,657	154,602	156,996	161,059	163,539

EXPENDITURES	2015	2016	2017	2018	2019	2020	2021	2022	2023
ADMINISTRATIVE EXPENDITURES									
LEGAL/AUDIT/ETC (+3%/YR)	32,619	33,598	34,606	35,644	36,713	37,815	38,949	40,118	41,321
CONTINGENCY FOR STORM WATER & WATER QUALITY MAINT (-)	6,524	6,720	6,921	7,129	7,343	7,563	7,790	8,024	8,264
TOTAL ADMINISTRATIVE EXPENDITURES	39,143	40,317	41,527	42,773	44,056	45,378	46,739	48,141	49,585

WATER SYSTEM EXPENDITURES	2015	2016	2017	2018	2019	2020	2021	2022	2023
100% OF ANNUAL USER FEES	57,157	58,871	60,638	62,457	64,330	66,260	68,248	70,295	72,404
CONTINGENCY (+3%/YR)	19,572	20,159	20,764	21,386	22,028	22,689	23,370	24,071	24,793
COST RECOVERY PAYMENT TO DEVELOPER (EXCESS TAP FEE)	0	0	0	0	0	0	0	0	0
TOTAL WATER SYSTEM EXPENDITURES	76,729	79,030	81,401	83,843	86,358	88,949	91,618	94,366	97,197

CAPITAL INFRASTRUCTURE EXPENDITURES	2015	2016	2017	2018	2019	2020	2021	2022	2023
GRADING AND EROSION CONTROL	0	0	0	0	0	0	0	0	0
STREETS AND ROADS	0	0	0	0	0	0	0	0	0
DOMESTIC WATER SYSTEM	0	0	0	0	0	0	0	0	0
LANDSCAPING	0	0	0	0	0	0	0	0	0
STORM SEWER AND PONDS	0	0	0	0	0	0	0	0	0
SURVEYING, TESTING, ETC.	0	0	0	0	0	0	0	0	0
CONSTRUCTION MANAGEMENT - 3%	0	0	0	0	0	0	0	0	0
CONTINGENCY - 10%	0	0	0	0	0	0	0	0	0
TOTAL INFRASTRUCTURE COSTS	0	0	0	0	0	0	0	0	0

TOTAL EXPENDITURES	115,871	119,348	122,928	126,616	130,414	134,327	138,357	142,507	146,782
EXCESS REVENUES & BONDS OVER EXPENDITURES	22,704	22,945	21,590	21,732	20,242	20,275	18,639	18,552	16,756
BEGINNING FUND BALANCE - JANUARY 1	189,416	212,120	235,065	256,655	278,387	298,629	318,905	337,544	356,095
ENDING FUND BALANCE - DECEMBER 31	212,120	235,065	256,655	278,387	298,629	318,905	337,544	356,095	372,852

EXHIBIT I (SERVICE DISTRICT #1)
 FOX HILL METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2036

WORKING DRAFT
 SUBJECT TO REVISION
 AUGUST 25, 2005
 SEE CONSULTANTS' DISCLAIMER

KEY ASSUMPTIONS

	2024	2025	2026	2027	2028	2029	2030	2031	2032
ASSESSED VALUATION - FHMD #1	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
INCREMENTAL RESIDENTIAL UNITS ADDED - FHMD #2 (SCH. 1)	0	0	0	0	0	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS - FHMD #2	94	94	94	94	94	94	94	94	94
ASSESSED VALUATION FHMD #2 (SCH. 1)	6,575,118	6,575,118	6,706,620	6,706,620	6,840,753	6,840,753	6,977,568	6,977,568	7,117,119
ASSUMED MILL LEVY TRANSFER FROM FHMD #2	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
ASSUMED WATER TAP FEE RATE PER RESIDENCE	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
ASSUMED ANNUAL WATER USER FEES GENERATED PER RESID.	793	817	842	867	893	920	947	976	1,005

CASH FLOW

	2024	2025	2026	2027	2028	2029	2030	2031	2032
REVENUES									
PROPERTY TAXES	200	200	200	200	200	200	200	200	200
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	12	12	12	12	12	12	12	12	12
IGA PROPERTY TAX TRANSFERS FROM FHMD #2	85,477	85,477	87,186	87,186	88,930	88,930	90,708	90,708	92,523
WATER TAP FEES @ BUILDING PERMIT	0	0	0	0	0	0	0	0	0
WATER USER FEES AT \$40/MONTH AVERAGE PER RESIDENCE (- DEVELOPER CONTRIBUTION FOR INFRASTRUCTURE)	74,576	76,814	79,118	81,492	83,936	86,455	89,048	91,720	94,471
DEVELOPER ADVANCE (LTD. G.O. CASH FLOW BONDS) FHMD #2	0	0	0	0	0	0	0	0	0
INTEREST EARNINGS @ 2% OF BEG.FUN	7,457	7,788	8,079	8,363	8,604	8,835	9,018	9,187	9,305
TOTAL REVENUES	167,722	170,290	174,595	177,253	181,682	184,431	188,966	191,827	196,511

EXPENDITURES

ADMINISTRATIVE EXPENDITURES									
LEGAL/AUDIT/ETC (+3%/YR)	42,561	43,838	45,153	46,507	47,903	49,340	50,820	52,344	53,915
CONTINGENCY FOR STORM WATER & WATER QUALITY MAINT (+3%/YR)	8,512	8,768	9,031	9,301	9,581	9,868	10,164	10,469	10,783
TOTAL ADMINISTRATIVE EXPENDITURES	51,073	52,605	54,183	55,809	57,483	59,208	60,984	62,813	64,698

WATER SYSTEM EXPENDITURES

100% OF ANNUAL USER FEES	74,576	76,814	79,118	81,492	83,936	86,455	89,048	91,720	94,471
CONTINGENCY (+3%/YR)	25,536	26,303	27,092	27,904	28,742	29,604	30,492	31,407	32,349
COST RECOVERY PAYMENT TO DEVELOPER (EXCESS TAP FEE)	0	0	0	0	0	0	0	0	0
TOTAL WATER SYSTEM EXPENDITURES	100,113	103,116	106,210	109,396	112,678	116,058	119,540	123,126	126,820

CAPITAL INFRASTRUCTURE EXPENDITURES

GRADING AND EROSION CONTROL	0	0	0	0	0	0	0	0	0
STREETS AND ROADS	0	0	0	0	0	0	0	0	0
DOMESTIC WATER SYSTEM	0	0	0	0	0	0	0	0	0
LANDSCAPING	0	0	0	0	0	0	0	0	0
STORM SEWER AND PONDS	0	0	0	0	0	0	0	0	0
SURVEYING, TESTING, ETC.	0	0	0	0	0	0	0	0	0
CONSTRUCTION MANAGEMENT - 3%	0	0	0	0	0	0	0	0	0
CONTINGENCY - 10%	0	0	0	0	0	0	0	0	0
TOTAL INFRASTRUCTURE COSTS	0	0	0	0	0	0	0	0	0

TOTAL EXPENDITURES	151,186	155,722	160,393	165,205	170,161	175,266	180,524	185,940	191,518
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EXCESS REVENUES & BONDS OVER EXPENDITURES	16,536	14,569	14,202	12,048	11,521	9,165	8,463	5,887	4,993
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BEGINNING FUND BALANCE - JANUARY 1	372,852	389,388	403,956	418,158	430,206	441,728	450,893	459,355	465,243
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ENDING FUND BALANCE - DECEMBER 31	389,388	403,956	418,158	430,206	441,728	450,893	459,355	465,243	470,235
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EXHIBIT I (SERVICE DISTRICT #1)
 FOX HILL METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2036

WORKING DRAFT
 SUBJECT TO REVISION
 AUGUST 25, 2005
 SEE CONSULTANTS' DISCLAIMER

KEY ASSUMPTIONS	2033	2034	2035	2036	TOTALS
ASSESSED VALUATION - FHMD #1	5,000	5,000	5,000	5,000	
INCREMENTAL RESIDENTIAL UNITS ADDED - FHMD #2 (SCH. 1)	0	0	0	0	94
CUMULATIVE RESIDENTIAL UNITS - FHMD #2	94	94	94	94	94
ASSESSED VALUATION FHMD #2 (SCH. 1)	7,117,119	7,259,462	7,259,462	7,404,651	
ASSUMED MILL LEVY TRANSFER FROM FHMD #2	13.00	13.00	13.00	13.00	
ASSUMED WATER TAP FEE RATE PER RESIDENCE	10.000	10.000	10.000	10.000	
ASSUMED ANNUAL WATER USER FEES GENERATED PER RESID.	1.035	1.066	1.098	1.131	

CASH FLOW

REVENUES	2033	2034	2035	2036	TOTALS
PROPERTY TAXES	200	200	200	200	6,000
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	12	12	12	12	360
IGA PROPERTY TAX TRANSFERS FROM FHMD #2	92,523	94,373	94,373	96,260	2,309,284
WATER TAP FEES @ BUILDING PERMIT	0	0	0	0	940,000
WATER USER FEES AT \$40/MONTH AVERAGE PER RESIDENCE (-)	97,305	100,225	103,231	106,328	2,059,728
DEVELOPER CONTRIBUTION FOR INFRASTRUCTURE	0	0	0	0	5,323,278
DEVELOPER ADVANCE (LTD. G.O. CASH FLOW BONDS) FHMD #2	0	0	0	0	1,950,000
INTEREST EARNINGS @ 2% OF BEG.FUN	9,405	9,448	9,470	9,430	177,655
TOTAL REVENUES	199,445	204,258	207,286	212,231	12,766,305

EXPENDITURES

ADMINISTRATIVE EXPENDITURES					
LEGAL/AUDIT/ETC (+3%/YR)	55,532	57,198	58,914	60,682	1,250,067
CONTINGENCY FOR STORM WATER & WATER QUALITY MAINT (-)	11,106	11,440	11,783	12,136	250,013
TOTAL ADMINISTRATIVE EXPENDITURES	66,639	68,638	70,697	72,818	1,500,080

WATER SYSTEM EXPENDITURES

100% OF ANNUAL USER FEES	97,305	100,225	103,231	106,328	2,059,728
CONTINGENCY (+3%/YR)	33,319	34,319	35,348	36,409	750,040
COST RECOVERY PAYMENT TO DEVELOPER (EXCESS TAP FEE)	0	0	0	0	715,000
TOTAL WATER SYSTEM EXPENDITURES	130,625	134,543	138,580	142,737	3,524,768

CAPITAL INFRASTRUCTURE EXPENDITURES

GRADING AND EROSION CONTROL	0	0	0	0	287,963
STREETS AND ROADS	0	0	0	0	917,958
DOMESTIC WATER SYSTEM	0	0	0	0	3,519,728
LANDSCAPING	0	0	0	0	1,150,872
STORM SEWER AND PONDS	0	0	0	0	417,808
SURVEYING, TESTING, ETC.	0	0	0	0	142,200
CONSTRUCTION MANAGEMENT - 3%	0	0	0	0	193,096
CONTINGENCY - 10%	0	0	0	0	643,653
TOTAL INFRASTRUCTURE COSTS	0	0	0	0	7,273,278

TOTAL EXPENDITURES	197,263	203,181	209,277	215,555	12,298,126
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EXCESS REVENUES & BONDS OVER EXPENDITURES	2,181	1,077	(1,991)	(3,324)	468,178
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BEGINNING FUND BALANCE - JANUARY 1	470,235	472,417	473,493	471,503	0
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ENDING FUND BALANCE - DECEMBER 31	472,417	473,493	471,503	468,178	468,178
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EXHIBIT II (RESIDENTIAL TAXING DISTRICT #2)
 FOX HILL METROPOLITAN DISTRICT #2
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2036

KEY ASSUMPTIONS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
ASSESSED VALUATION (SCH. 1)	0	0	300,000	1,494,000	2,688,000	3,959,640	5,177,520	5,838,517	5,838,517	5,955,287
TOTAL DISTRICT MILL LEVY	0.00	0.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
ASSUMED MILL LEVY TRANSFER TO FHMD #1 FOR OPS	0.00	0.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
INCREMENTAL RESIDENTIAL UNITS ADDED (SCH. 1)	0	20	20	20	20	14	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS (SCH. 1)	0	20	40	60	80	94	94	94	94	94

CASH FLOW

REVENUES

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
PROPERTY TAXES	0	0	12,000	59,760	107,520	158,386	207,101	233,541	233,541	238,211
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	0	0	720	3,586	6,451	9,503	12,426	14,012	14,012	14,293
LTD. G.O. CASH FLOW BONDS	0	1,950,000	0	0	0	0	0	0	0	0
INTEREST EARNINGS @ 2% OF BEGINNING FUNDS	0	0	0	109	254	775	194	88	167	175
TOTAL REVENUES	0	1,950,000	12,720	63,455	114,225	168,664	219,721	247,641	247,720	252,679

EXPENDITURES

IGA PAYMENT TO FHMD #1 FOR OPS (SERVICE DISTRICT)	0	0	3,900	19,422	34,944	51,475	67,308	75,901	75,901	77,419
COUNTY TREASURER 3.0% COLLECTION FEE	0	0	360	1,793	3,226	4,752	6,213	7,006	7,006	7,146
ADMINISTRATIVE ALLOWANCE	0	0	3,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
TOTAL EXPENDITURES	0	0	7,260	26,215	43,170	61,227	78,521	87,907	87,907	89,565

TRANSFER OF NET BOND PROCEEDS TO FHMD #1 FOR CAPITAL IMPROVEMENTS	0	1,950,000	0	0	0	0	0	0	0	0
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LTD. G.O. CASH FLOW BONDS

SERIES 12/1/2006 @ 7.0%

INTEREST @ 7.0%

PRINCIPAL REDUCTION

TOTAL DEBT SERVICE

LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31

INTEREST @ 7.0%	0	0	0	30,000	45,000	136,500	136,500	135,800	134,400	132,650
PRINCIPAL REDUCTION	0	0	0	0	0	0	10,000	20,000	25,000	30,000
TOTAL DEBT SERVICE	0	0	0	30,000	45,000	136,500	146,500	155,800	159,400	162,650
LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31	0	1,950,000	1,950,000	1,950,000	1,950,000	1,950,000	1,940,000	1,920,000	1,895,000	1,865,000

REPAYMENT TO DEVELOPER OF UNPAID INTEREST	0	0	0	0	0	0	0	0	0	0
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TOTAL EXPEND INCLUD. DEBT SERVICE & CAPITAL IMPROVEMENTS	0	1,950,000	7,260	56,215	88,170	197,727	225,021	243,707	247,307	252,215
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EXCESS REVENUES & BONDS OVER EXPENDITURES	0	0	5,460	7,240	26,056	(29,063)	(5,300)	3,934	413	464
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BEGINNING FUND BALANCE - JANUARY 1	0	0	0	5,460	12,700	38,756	9,693	4,392	8,326	8,739
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ENDING FUND BALANCE - DECEMBER 31	0	0	5,460	12,700	38,756	9,693	4,392	8,326	8,739	9,203
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TOTAL LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31	0	1,950,000	1,950,000	1,950,000	1,950,000	1,950,000	1,940,000	1,920,000	1,895,000	1,865,000
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LTD. G.O. CASH FLOW BONDS UNPAID INTEREST OUTSTANDING	0	0	136,500	106,500	91,500	0	0	0	0	0
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LTD. G.O. CASH FLOW BONDS UNPAID INTEREST OUTSTANDING CUMULATIVE	0	0	136,500	243,000	334,500	334,500	334,500	334,500	334,500	334,500
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% OF OUTSTANDING LTD. G.O. BONDS/ASSESSED VALUATION	0.00%	650.00%	130.52%	72.54%	49.25%	37.66%	33.23%	32.89%	1/10/2006 4:19 PM	32%
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**EXHIBIT II (RESIDENTIAL TAXING DISTRICT #2)
FOX HILL METROPOLITAN DISTRICT #2
CASH FLOW FORECASTS
FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2036**

KEY ASSUMPTIONS

	2015	2016	2017	2018	2019	2020	2021	2022	2023
ASSESSED VALUATION (SCH. 1)	5,955,287	6,074,393	6,074,393	6,195,881	6,195,881	6,319,798	6,319,798	6,446,194	6,446,194
TOTAL DISTRICT MILL LEVY	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
ASSUMED MILL LEVY TRANSFER TO FHMD #1 FOR OPS	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
INCREMENTAL RESIDENTIAL UNITS ADDED (SCH. 1)	0	0	0	0	0	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS (SCH. 1)	94	94	94	94	94	94	94	94	94

CASH FLOW

REVENUES	2015	2016	2017	2018	2019	2020	2021	2022	2023
PROPERTY TAXES	238,211	242,976	242,976	247,835	247,835	252,792	252,792	257,848	257,848
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	14,293	14,579	14,579	14,870	14,870	15,168	15,168	15,471	15,471
LTD. G.O. CASH FLOW BONDS	0	0	0	0	0	0	0	0	0
INTEREST EARNINGS @ 2% OF BEGINNING FUNDS	184	136	102	124	171	182	133	167	157
TOTAL REVENUES	252,688	257,690	257,656	262,830	262,876	268,142	268,093	273,486	273,476

EXPENDITURES

IGA PAYMENT TO FHMD #1 FOR OPS (SERVICE DISTRICT)	77,419	78,967	78,967	80,546	80,546	82,157	82,157	83,801	83,801
COUNTY TREASURER 3.0% COLLECTION FEE	7,146	7,289	7,289	7,435	7,435	7,584	7,584	7,735	7,735
ADMINISTRATIVE ALLOWANCE	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
TOTAL EXPENDITURES	89,565	91,256	91,256	92,982	92,982	94,741	94,741	96,536	96,536

TRANSFER OF NET BOND PROCEEDS TO FHMD #1 FOR CAPITAL IMPROVEMENTS	0	0	0	0	0	0	0	0	0
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LTD. G.O. CASH FLOW BONDS

SERIES 12/1/2006 @ 7.0%

INTEREST @ 7.0%

PRINCIPAL REDUCTION

TOTAL DEBT SERVICE

LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31

INTEREST @ 7.0%	130,550	128,100	125,300	122,500	119,350	115,850	111,650	107,450	102,550
PRINCIPAL REDUCTION	35,000	40,000	40,000	45,000	50,000	60,000	60,000	70,000	75,000
TOTAL DEBT SERVICE	165,550	168,100	165,300	167,500	169,350	175,850	171,650	177,450	177,550
LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31	1,830,000	1,790,000	1,750,000	1,705,000	1,655,000	1,595,000	1,535,000	1,465,000	1,390,000

REPAYMENT TO DEVELOPER OF UNPAID INTEREST

REPAYMENT TO DEVELOPER OF UNPAID INTEREST	0	0	0	0	0	0	0	0	0
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TOTAL EXPEND INCLUD. DEBT SERVICE & CAPITAL IMPROVEMENTS:

TOTAL EXPEND INCLUD. DEBT SERVICE & CAPITAL IMPROVEMENTS:	255,115	259,356	256,556	260,482	262,332	270,591	266,391	273,986	274,086
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EXCESS REVENUES & BONDS OVER EXPENDITURES

EXCESS REVENUES & BONDS OVER EXPENDITURES	(2,427)	(1,667)	1,100	2,348	545	(2,450)	1,701	(500)	(610)
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BEGINNING FUND BALANCE - JANUARY 1

BEGINNING FUND BALANCE - JANUARY 1	9,203	6,776	5,110	6,210	8,558	9,103	6,653	8,354	7,854
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ENDING FUND BALANCE - DECEMBER 31

ENDING FUND BALANCE - DECEMBER 31	6,776	5,110	6,210	8,558	9,103	6,653	8,354	7,854	7,244
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TOTAL LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31

TOTAL LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31	1,830,000	1,790,000	1,750,000	1,705,000	1,655,000	1,595,000	1,535,000	1,465,000	1,390,000
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LTD. G.O. CASH FLOW BONDS UNPAID INTEREST OUTSTANDING

LTD. G.O. CASH FLOW BONDS UNPAID INTEREST OUTSTANDING	0	0	0	0	0	0	0	0	0
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LTD. G.O. CASH FLOW BONDS UNPAID INTEREST OUTSTANDING CUMULATIVE

LTD. G.O. CASH FLOW BONDS UNPAID INTEREST OUTSTANDING CUMULATIVE	334,500	334,500	334,500	334,500	334,500	334,500	334,500	334,500	334,500
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% OF OUTSTANDING LTD. G.O. BONDS/ASSESSED VALUATION

% OF OUTSTANDING LTD. G.O. BONDS/ASSESSED VALUATION	30.13%	29.47%	28.24%	27.52%	26.19%	25.24%	23.81%	22.78%	21.82%
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EXHIBIT II (RESIDENTIAL TAXING DISTRICT #2)
FOX HILL METROPOLITAN DISTRICT #2
CASH FLOW FORECASTS
FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2036

KEY ASSUMPTIONS

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>
ASSESSED VALUATION (SCH. 1)	6,575,118	6,575,118	6,706,620	6,706,620	6,840,753	6,840,753	6,977,568	6,977,568	7,117,119
TOTAL DISTRICT MILL LEVY	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
ASSUMED MILL LEVY TRANSFER TO FHMD #1 FOR OPS	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
INCREMENTAL RESIDENTIAL UNITS ADDED (SCH. 1)	0	0	0	0	0	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS (SCH. 1)	94	94	94	94	94	94	94	94	94

CASH FLOW

REVENUES

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>
PROPERTY TAXES	263,005	263,005	268,265	268,265	273,630	273,630	279,103	279,103	284,685
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	15,780	15,780	16,096	16,096	16,418	16,418	16,746	16,746	17,081
LTD. G.O. CASH FLOW BONDS	0	0	0	0	0	0	0	0	0
INTEREST EARNINGS @ 2% OF BEGINNING FUNDS	145	210	189	167	185	226	228	283	228
TOTAL REVENUES	<u>278,930</u>	<u>278,995</u>	<u>284,549</u>	<u>284,528</u>	<u>290,233</u>	<u>290,274</u>	<u>296,077</u>	<u>296,132</u>	<u>301,994</u>

EXPENDITURES

IGA PAYMENT TO FHMD #1 FOR OPS (SERVICE DISTRICT)	85,477	85,477	87,186	87,186	88,930	88,930	90,708	90,708	92,523
COUNTY TREASURER 3.0% COLLECTION FEE	7,890	7,890	8,048	8,048	8,209	8,209	8,373	8,373	8,541
ADMINISTRATIVE ALLOWANCE	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
TOTAL EXPENDITURES	<u>98,367</u>	<u>98,367</u>	<u>100,234</u>	<u>100,234</u>	<u>102,139</u>	<u>102,139</u>	<u>104,081</u>	<u>104,081</u>	<u>106,063</u>

TRANSFER OF NET BOND PROCEEDS TO FHMD #1 FOR CAPITAL IMPROVEMENTS	0	0	0	0	0	0	0	0	0
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LTD. G.O. CASH FLOW BONDS

SERIES 12/1/2006 @ 7.0%									
INTEREST @ 7.0%	97,300	91,700	85,400	78,400	71,050	63,000	54,250	44,800	34,300
PRINCIPAL REDUCTION	80,000	90,000	100,000	105,000	115,000	125,000	135,000	150,000	165,000
TOTAL DEBT SERVICE	<u>177,300</u>	<u>181,700</u>	<u>185,400</u>	<u>183,400</u>	<u>186,050</u>	<u>188,000</u>	<u>189,250</u>	<u>194,800</u>	<u>199,300</u>
LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31	1,310,000	1,220,000	1,120,000	1,015,000	900,000	775,000	640,000	490,000	325,000

REPAYMENT TO DEVELOPER OF UNPAID INTEREST	0	0	0	0	0	0	0	0	0
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TOTAL EXPEND INCLUD. DEBT SERVICE & CAPITAL IMPROVEMENTS	<u>275,667</u>	<u>280,067</u>	<u>285,634</u>	<u>283,634</u>	<u>288,189</u>	<u>290,139</u>	<u>293,331</u>	<u>298,881</u>	<u>305,363</u>
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EXCESS REVENUES & BONDS OVER EXPENDITURES	<u>3,263</u>	<u>(1,072)</u>	<u>(1,085)</u>	<u>894</u>	<u>2,044</u>	<u>135</u>	<u>2,746</u>	<u>(2,749)</u>	<u>(3,369)</u>
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BEGINNING FUND BALANCE - JANUARY 1	<u>7,244</u>	<u>10,507</u>	<u>9,436</u>	<u>8,351</u>	<u>9,245</u>	<u>11,289</u>	<u>11,424</u>	<u>14,170</u>	<u>11,421</u>
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ENDING FUND BALANCE - DECEMBER 31	<u>10,507</u>	<u>9,436</u>	<u>8,351</u>	<u>9,245</u>	<u>11,289</u>	<u>11,424</u>	<u>14,170</u>	<u>11,421</u>	<u>8,052</u>
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TOTAL LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31	<u>1,310,000</u>	<u>1,220,000</u>	<u>1,120,000</u>	<u>1,015,000</u>	<u>900,000</u>	<u>775,000</u>	<u>640,000</u>	<u>490,000</u>	<u>325,000</u>
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LTD. G.O. CASH FLOW BONDS UNPAID INTEREST OUTSTANDING	0	0	0	0	0	0	0	0	0
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LTD. G.O. CASH FLOW BONDS UNPAID INTEREST OUTSTANDING CUMULATIVE	334,500	334,500	334,500	334,500	334,500	334,500	334,500	334,500	334,500
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% OF OUTSTANDING LTD. G.O. BONDS/ASSESSED VALUATION	19.92%	18.19%	16.70%	14.84%	13.16%	11.11%	9.17%	6.88%	4.51%
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EXHIBIT II (RESIDENTIAL TAXING DISTRICT #2)
 FOX HILL METROPOLITAN DISTRICT #2
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2036

WORKING DRAFT
 SUBJECT TO REVISION
 AUGUST 25, 2005
 SEE CONSULTANTS' DISCLAIMER

KEY ASSUMPTIONS

	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>TOTALS</u>
ASSESSED VALUATION (SCH. 1)	7,117,119	7,259,462	7,259,462	7,404,651	
TOTAL DISTRICT MILL LEVY	40.00	40.00	40.00	40.00	
ASSUMED MILL LEVY TRANSFER TO FHMD #1 FOR OPS	13.00	13.00	13.00	13.00	
INCREMENTAL RESIDENTIAL UNITS ADDED (SCH. 1)	0	0	0	0	94
CUMULATIVE RESIDENTIAL UNITS (SCH. 1)	94	94	94	94	94

CASH FLOW

REVENUES

	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>TOTALS</u>
PROPERTY TAXES	284,685	290,378	290,378	296,186	7,105,489
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	17,081	17,423	17,423	17,771	426,329
LTD. G.O. CASH FLOW BONDS	0	0	0	0	1,950,000
INTEREST EARNINGS @ 2% OF BEGINNING FUNDS	161	223	305	306	5,974
TOTAL REVENUES	<u>301,927</u>	<u>308,024</u>	<u>308,106</u>	<u>314,263</u>	<u>9,487,793</u>

EXPENDITURES

IGA PAYMENT TO FHMD #1 FOR OPS (SERVICE DISTRICT)	92,523	94,373	94,373	96,260	2,309,284
COUNTY TREASURER 3.0% COLLECTION FEE	8,541	8,711	8,711	8,886	213,165
ADMINISTRATIVE ALLOWANCE	5,000	5,000	5,000	5,000	148,000
TOTAL EXPENDITURES	<u>106,063</u>	<u>108,084</u>	<u>108,084</u>	<u>110,146</u>	<u>2,670,449</u>

TRANSFER OF NET BOND PROCEEDS TO FHMD #1 FOR CAPITAL IMPROVEMENTS	0	0	0	0	1,950,000
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LTD. G.O. CASH FLOW BONDS

SERIES 12/1/2006 @ 7.0%					
INTEREST @ 7.0%	22,750	10,850	0	0	2,467,950
PRINCIPAL REDUCTION	170,000	155,000	0	0	1,950,000
TOTAL DEBT SERVICE	<u>192,750</u>	<u>165,850</u>	<u>0</u>	<u>0</u>	<u>4,417,950</u>
LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31	<u>155,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

REPAYMENT TO DEVELOPER OF UNPAID INTEREST	0	30,000	200,000	104,500	334,500
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TOTAL EXPEND INCLUD. DEBT SERVICE & CAPITAL IMPROVEMENTS	<u>298,813</u>	<u>303,934</u>	<u>308,084</u>	<u>214,646</u>	<u>9,372,899</u>
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EXCESS REVENUES & BONDS OVER EXPENDITURES	<u>3,114</u>	<u>4,090</u>	<u>22</u>	<u>99,617</u>	<u>114,894</u>
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BEGINNING FUND BALANCE - JANUARY 1	<u>8,052</u>	<u>11,166</u>	<u>15,256</u>	<u>15,278</u>	<u>0</u>
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ENDING FUND BALANCE - DECEMBER 31	<u>11,166</u>	<u>15,256</u>	<u>15,278</u>	<u>114,894</u>	<u>114,894</u>
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TOTAL LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31	<u>155,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
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LTD. G.O. CASH FLOW BONDS UNPAID INTEREST OUTSTANDING	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
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LTD. G.O. CASH FLOW BONDS UNPAID INTEREST OUTSTANDING CUMULATIVE	<u>334,500</u>	<u>304,500</u>	<u>104,500</u>	<u>0</u>	<u>0</u>
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% OF OUTSTANDING LTD. G.O. BONDS/ASSESSED VALUATION	2.14%	0.00%	0.00%	0.00%	
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SCHEDULE 1 (RESIDENTIAL TAXING DISTRICT #2)
 FOX HILL METROPOLITAN DISTRICT #2
 PROJECTED ASSESSED VALUATION - BUILDOUT
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2024

WORKING DRAFT
 SUBJECT TO REVISION
 AUGUST 25, 2005
 SEE CONSULTANTS' DISCLAIMER

BUILDOUT - RESIDENTIAL (Source: Marmac Development Corp.)			
Description of Unit	Planned Number of Homes	Average Per Unit Price	Total Gross Unit Volume
Residential Units			
Residential Product A	94	750,000	70,500,000
Total Residential - Increm.	94	750,000	70,500,000
Total Residential - Cumulat	94		
Total Value - Residential			70,500,000

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Actual Values:									
Residential Product A	0	15,000,000	15,000,000	15,000,000	15,000,000	10,500,000	0	0	0
Total Actual Values	0	15,000,000	15,000,000	15,000,000	15,000,000	10,500,000	0	0	0
Total Actual Values - Cumulative	0	15,000,000	30,000,000	45,000,000	60,000,000	70,500,000	70,500,000	70,500,000	70,500,000
Assessed Values:									
Residential Product A @ 7.96%	0	1,194,000	1,194,000	1,194,000	1,194,000	835,800	0	0	0
Total Assessed Valuation Residential	0	1,194,000	1,194,000	1,194,000	1,194,000	835,800	0	0	0
Total Assessed Valuation Vacant Land	300,000	0	0	0	0	(300,000)	0	0	0
Total Assessed Valuation - Incremental	300,000	1,194,000	1,194,000	1,194,000	1,194,000	535,800	0	0	0
Total Assessed Valuation - Cumulative	300,000	1,494,000	2,688,000	3,882,000	5,076,000	5,611,800	5,611,800	5,611,800	5,611,800
Total Assessed Values - Cum. 2% Biennial Net Increases after 200	300,000	1,494,000	2,688,000	3,959,640	5,177,520	5,838,517	5,838,517	5,955,287	5,955,287
Year Assessed Valuation Certified To FHMD #2	2006	2007	2008	2009	2010	2011	2012	2013	2014
Year Taxes Received By FHMD #2	2007	2008	2009	2010	2011	2012	2013	2014	2015

SCHEDULE 1 (RESIDENTIAL TAXING DISTRICT #2)
 FOX HILL METROPOLITAN DISTRICT #2
 PROJECTED ASSESSED VALUATION - BUILDOUT
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2024

WORKING DRAFT
 SUBJECT TO REVISION
 AUGUST 25, 2005
 SEE CONSULTANTS' DISCLAIMER

BUILDOUT - RESIDENTIAL (Source: Marmac Development Corp.)			
Description of Unit	Planned Number of Homes	Average Per Unit Price	Total Gross Unit Volume
Residential Units			
Residential Product A	94	750,000	70,500,000
Total Residential - Increm.	94	750,000	70,500,000
Total Residential - Cumulat	94		
Total Value - Residential			70,500,000

	2014	2015	2016	2017	2018	2019	2020	2021
Residential Product A	0	0	0	0	0	0	0	0
Total Residential - Increm.	0	0	0	0	0	0	0	0
Total Residential - Cumulat	94	94	94	94	94	94	94	94

Actual Values:

Residential Product A	0	0	0	0	0	0	0	0
Total Actual Values	0	0	0	0	0	0	0	0
Total Actual Values - Cumulative	70,500,000	70,500,000	70,500,000	70,500,000	70,500,000	70,500,000	70,500,000	70,500,000

Assessed Values:

Residential Product A @ 7.96%	0	0	0	0	0	0	0	0
Total Assessed Valuation Residential	0	0	0	0	0	0	0	0
Total Assessed Valuation Vacant Land	0	0	0	0	0	0	0	0
Total Assessed Valuation - Incremental	0	0	0	0	0	0	0	0
Total Assessed Valuation - Cumulative	5,611,800	5,611,800	5,611,800	5,611,800	5,611,800	5,611,800	5,611,800	5,611,800
Total Assessed Values - Cum. 2% Biennial Net Increases after 200	6,074,393	6,074,393	6,195,881	6,195,881	6,319,798	6,319,798	6,446,194	6,446,194

Year Assessed Valuation Certified To FHMD #2

Year Taxes Received By FHMD #2

2015	2016	2017	2018	2019	2020	2021	2022
2016	2017	2018	2019	2020	2021	2022	2023

SCHEDULE 1 (RESIDENTIAL TAXING DISTRICT #2)
 FOX HILL METROPOLITAN DISTRICT #2
 PROJECTED ASSESSED VALUATION - BUILDOUT
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2024

WORKING DRAFT
 SUBJECT TO REVISION
 AUGUST 25, 2005
 SEE CONSULTANTS' DISCLAIMER

BUILDOUT - RESIDENTIAL (Source: Marmac Development Corp.)							
Description of Unit	Planned Number of Homes	Average Per Unit Price	Total Gross Unit Volume	2022	2023	2024	TOTAL
Residential Units							
Residential Product A	94	750,000	70,500,000	0	0	0	94
Total Residential - Increm.	94	750,000	70,500,000	0	0	0	94
Total Residential - Cumulat	94			94	94	94	94
Total Value - Residential			70,500,000				

Actual Values:

Residential Product A	0	0	0	70,500,000
Total Actual Values	0	0	0	70,500,000
Total Actual Values - Cumulative	70,500,000	70,500,000	70,500,000	70,500,000

Assessed Values:

Residential Product A @ 7.96%	0	0	0	5,611,800
Total Assessed Valuation Residential	0	0	0	5,611,800
Total Assessed Valuation Vacant Land	0	0	0	0
Total Assessed Valuation - Incremental	0	0	0	5,611,800
Total Assessed Valuation - Cumulative	5,611,800	5,611,800	5,611,800	5,611,800
Total Assessed Values - Cum. 2% Biennial Net Increases after 200	6,575,118	6,575,118	6,706,620	6,706,620

Year Assessed Valuation Certified To FHMD #2	2023	2024	2025
Year Taxes Received By FHMD #2	2024	2025	2026

Stan Bernstein and Associates, Inc.

Financial Planners and Consultants

For Local Governments, Municipal Bond Underwriters, and Real Estate Developers

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Greenwood Village, Colorado 80111

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MEMORANDUM

TO: Jack McLaughlin, Marmac Development Corp.
David Walker, Esq., White Bear, and Ankele
David O'Leary, Esq., White, Bear, and Ankele

FROM: Stan Bernstein
Amy Bernstein

DATE: December 8, 2005

SUBJECT: Draft 8 – Financial Models – Fox Hill Metropolitan Districts #1 and #2

INTRODUCTION AND SCOPE

Stan Bernstein and Associates, Inc. has assembled Financial Models for Fox Hill Metropolitan Districts #1 and #2 based upon key assumptions provided by officials of Marmac Development Corp. The Financial Models were assembled in order to provide a conceptual understanding of the amount of Limited Tax General Obligation Cash Flow Bonds (the "Cash Flow Bonds") that could ultimately be supported by the Fox Hill Metropolitan District #2 (Taxing District #2). The Cash Flow Bonds are assumed to be issued by Taxing District #2 in exchange for Fox Hill Metropolitan Districts' related infrastructure costs funded by Marmac Development Corp. (the "Developer").

It is important that officials of the Districts, the Developer, and White, Bear, and Ankele, Esq. understand and feel comfortable with the key assumptions that the Financial Models are based upon. It is also important that all parties understand that Stan Bernstein and Associates, Inc. has not independently reviewed or evaluated these key assumptions.

FUTURE RATES OF RESIDENTIAL BUILDOUT AND RELATED ASSESSED VALUATION

The financial planning concept is that as the construction of future residential real estate product occurs within the boundaries of Taxing District #2, incremental assessed valuation will generate property tax revenues for Taxing District #2.

For financial planning purposes it is assumed that a portion (i.e., 13 mills) of the property tax revenues generated from the 40.0 mills assumed to be levied by Taxing District #2 (first effective for tax collection year 2007) will be transferred pursuant to an Intergovernmental Agreement ("IGA") to the Service District (Service District #1) and used to pay operating and administrative costs. The property tax revenues generated from Taxing District #2 mill levies that are not transferred to Service District #1 (i.e., 27 mills), will be available to make annual interest and principal payments on outstanding Cash Flow Bonds owned by the Developer. **This draft indicates (assuming 30-year amortization and 7% interest rates) that Taxing District #2 could support approximately \$1,800,000 of Cash Flow Bonds related to infrastructure. In the event that the actual administrative and operating costs require more than 13 mills, it is possible that less than \$1,800,000 of Cash Flow Bonds could be supported.**

The key assumptions with respect to future residential and commercial buildout, and related assessed valuation buildup, within the boundaries of Taxing District #2 are presented in detail on Schedule 1 on page 9. These assumptions were provided by officials of the Developer. It is generally assumed that any increases in residential assessed valuation as a result of inflation will be offset by decreases in the residential assessment rate caused by The Gallagher Amendment, although the assessed valuation estimates do assume a net average annual inflationary increase of approximately 1% (2% biennially) above decreases in assessed valuation caused by Gallagher.

The Financial Models are based upon a total of 84 residential units being completed by the end of 2010.

Mr. Jack McLaughlin (Marmac Development Corp.) has provided the information contained in Schedule 1, and believes these assumptions to be reasonable and appropriate to use for financial modeling purposes at this time.

Memorandum
December 8, 2005
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FOX HILL METROPOLITAN DISTRICT #1 – CASH FLOW – EXHIBIT I,
PAGE 1

Exhibit I presents the estimated revenues and expenditures for Fox Hill Metropolitan District #1 ("Service District #1"). Key revenue sources include (i) Intergovernmental Transfers (pursuant to an IGA between the Service District # 1 and Taxing District #2) of property taxes from Taxing District #2, assumed to be approximately 13.0 mills first effective for tax collection year 2007, (ii) water system tap fees (one-time impact fees collected at building permit) in the amount of \$10,000 per residence, (iii) monthly water user fees revenues estimated to average \$40.00 per month per completed residence inflating 3% annually, (iv) Developer Contributions for infrastructure totaling \$5,473,278 during 2006, and (v) Developer Infrastructure Contributions converted to Cash Flow Bonds on December 1, 2006 in the amount of \$1,800,000 from Taxing District #2.

Operating and administrative expenditure estimates are presented on Exhibit I. Legal, audit and other administrative related expenditures are estimated at \$25,000 for 2006 and assume 3% annual increases for years thereafter. Operating and administrative contingency allowances are estimated to be \$ 5,000 for 2006 and assume 3% annual increases thereafter. These expenditures, according to the developer, are sufficient allowances for all of the District's administrative, operating and maintenance expenses except for water system related expenditure allowances which are shown separately. The Districts will be responsible for all storm water and water quality facilities – to the extent that the developer's operating and maintenance cost estimates are not sufficient, either the mill levy will have to be increased above 40.0 mills, or the Taxing District #2 might not be able to service the debt service on the assumed \$1,800,000 Cash Flow Bonds.

Water system annual operating costs are assumed to total the sum of all annual water user fees collected plus \$15,000 annually inflated by 3%. It is assumed that approximately 83% (\$695,000) of water tap fee collections will be paid to the Developer pursuant to the terms of a water infrastructure cost recovery/tap fee agreement.

Capital infrastructure expenditures (provided by Peak Civil Consultants) are also presented in Exhibit I and total \$7,273,278. Exhibit I indicates that approximately \$1,800,000, or 24.75%, of the total estimated infrastructure costs could be funded from approximately \$1.80 million of Cash Flow Bonds owned by the Developer(s).

FOX HILL TAXING DISTRICT #2 - CASH FLOW – EXHIBIT II, PAGE 5

Exhibit II presents the estimated cash flow of Taxing District #2 based upon the assumed rate of buildout presented on Schedule 1.

The primary revenue source is a 40.0 mill levy (first effective for tax collection year 2007) of which 27.0 mills are assumed to be retained by Taxing District #2 for payment of the annual debt service relating to approximately \$1.80 million of developer owned Cash Flow Bonds issued by Taxing District #2 (it is possible that these Cash Flow Bonds could be refunded by non-rated general obligation bonds issued by Taxing District #2 although this scenario has not been modeled). Cash Flow Bonds, for the purpose of this Service Plan, mean limited mill levy bonds whose annual principal and interest payments are paid from a maximum mill levy applied to the certified assessed valuation – any annual interest payment on the Cash Flow Bonds that is not paid from the limited mill levy, is deferred without interest and paid after current interest and all principal on the Cash Flow Bonds are paid. Property tax revenues generated from approximately 13.0 mills are assumed to be transferred to Service District #1 pursuant to an IGA.

The Cash Flow Bonds debt service schedule, and related schedules of unpaid interest on the Cash Flow Bonds, is also presented on Exhibit II. It is assumed that Cash Flow Bonds will be issued on December 1, 2006 in the approximate amount of \$1.80 million. Average interest rates of 7.0% and 30-year amortization have been assumed. Exhibit I indicates all Cash Flow Bonds could be redeemed, and all unpaid interest payments made, by December 31, 2037 (unpaid interest payments on the Cash Flow Bonds are assumed not to accrue interest).

DISCLAIMER AND LIMITATIONS

The Financial Models were assembled by Stan Bernstein and Associates, Inc. based upon key assumptions provided by officials of the Districts and the Developer. Stan Bernstein and Associates, Inc. has not independently evaluated or reviewed these key assumptions and, consequently, does not vouch for the achievability of the information presented on Exhibits I and II or on Schedule 1. Furthermore, because of the inherent nature of future events, which are subject to change and variation as events and circumstances change, the actual results may vary materially from the results presented on Exhibits I and II and on Schedule 1. Stan Bernstein and Associates, Inc. has no responsibility or obligation to update this information or these Financial Models for events occurring after the date of this memorandum.

The actual amount of Cash Flow Bonds that could be supported by Taxing District #2 will depend on the rate of buildout and the related increases in assessed valuation, interest rates, and the actual amounts needed to pay for the Metropolitan Districts' administrative and operating expenses.

EXHIBIT I (SERVICE DISTRICT #1)
 FOX HILL METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2036

WORKING DRAFT
 SUBJECT TO REVISION
 DECEMBER 8, 2005
 SEE CONSULTANTS' DISCLAIMER

KEY ASSUMPTIONS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
ASSESSED VALUATION - FHMD #1	0	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
INCREMENTAL RESIDENTIAL UNITS ADDED - FHMD #2 (SCH. 1)	0	20	20	20	20	4	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS - FHMD #2	0	20	40	60	80	84	84	84	84	84
ASSESSED VALUATION FHMD #2 (SCH. 1)	0	0	300,000	1,494,000	2,688,000	3,959,640	5,177,520	5,217,398	5,217,398	5,321,746
ASSUMED MILL LEVY TRANSFER FROM FHMD #2	0.00	0.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
ASSUMED WATER TAP FEE RATE PER RESIDENCE	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
ASSUMED ANNUAL WATER USER FEES GENERATED PER RESID.	480	480	480	494	509	525	540	556	573	590

CASH FLOW

REVENUES	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
PROPERTY TAXES	0	0	200	200	200	200	200	200	200	200
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	0	0	12	12	12	12	12	12	12	12
IGA PROPERTY TAX TRANSFERS FROM FHMD #2	0	0	3,900	19,422	34,944	51,475	67,308	67,826	67,826	69,183
WATER TAP FEES @ BUILDING PERMIT	0	200,000	200,000	200,000	200,000	40,000	0	0	0	0
WATER USER FEES AT \$40/MONTH AVERAGE PER RESIDENCE (-)	0	0	9,600	19,776	30,554	41,961	45,381	46,742	48,144	49,589
DEVELOPER CONTRIBUTION FOR INFRASTRUCTURE	0	5,473,278	0	0	0	0	0	0	0	0
DEVELOPER ADVANCE (LTD. G.O. CASH FLOW BONDS) FHMD #2	0	1,800,000	0	0	0	0	0	0	0	0
INTEREST EARNINGS @ 2% OF BEG.FUN	0	0	400	583	812	1,348	386	711	1,011	1,285
TOTAL REVENUES	0	7,473,278	214,112	239,973	266,522	134,996	113,296	115,491	117,194	120,269

EXPENDITURES

ADMINISTRATIVE EXPENDITURES										
LEGAL/AUDIT/ETC (+3%/YR)	0	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669
CONTINGENCY FOR STORM WATER & WATER QUALITY MAINT (-)	0	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334
TOTAL ADMINISTRATIVE EXPENDITURES	0	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003

WATER SYSTEM EXPENDITURES

100% OF ANNUAL USER FEES	0	0	9,600	19,776	30,554	41,961	45,381	46,742	48,144	49,589
CONTINGENCY (+3%/YR)	0	15,000	15,450	15,914	16,391	16,883	17,389	17,911	18,448	19,002
COST RECOVERY PAYMENT TO DEVELOPER (EXCESS TAP FEE)	0	135,000	150,000	160,000	160,000	90,000	0	0	0	0
TOTAL WATER SYSTEM EXPENDITURES	0	150,000	175,050	195,690	206,945	148,843	62,770	64,653	66,592	68,590

CAPITAL INFRASTRUCTURE EXPENDITURES

GRADING AND EROSION CONTROL	0	287,963	0	0	0	0	0	0	0	0
STREETS AND ROADS	0	917,958	0	0	0	0	0	0	0	0
DOMESTIC WATER SYSTEM	0	3,519,728	0	0	0	0	0	0	0	0
LANDSCAPING	0	1,150,872	0	0	0	0	0	0	0	0
STORM SEWER AND PONDS	0	417,808	0	0	0	0	0	0	0	0
SURVEYING, TESTING, ETC.	0	142,200	0	0	0	0	0	0	0	0
CONSTRUCTION MANAGEMENT - 3%	0	193,096	0	0	0	0	0	0	0	0
CONTINGENCY - 10%	0	643,653	0	0	0	0	0	0	0	0
TOTAL INFRASTRUCTURE COSTS	0	7,273,278	0	0	0	0	0	0	0	0

TOTAL EXPENDITURES	0	7,453,278	205,950	227,517	239,727	182,809	97,548	100,474	103,489	106,593
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EXCESS REVENUES & BONDS OVER EXPENDITURES	0	20,000	8,162	12,457	26,796	(47,612)	15,748	15,017	13,705	13,675
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BEGINNING FUND BALANCE - JANUARY 1	0	0	20,000	28,162	40,619	67,414	19,802	35,551	50,567	64,273
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ENDING FUND BALANCE - DECEMBER 31	0	20,000	28,162	40,619	67,414	19,802	35,551	50,567	64,273	77,948
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EXHIBIT I (SERVICE DISTRICT #1)
 FOX HILL METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2036

WORKING DRAFT
 SUBJECT TO REVISION
 DECEMBER 8, 2005
 SEE CONSULTANTS' DISCLAIMER

KEY ASSUMPTIONS	2015	2016	2017	2018	2019	2020	2021	2022	2023
ASSESSED VALUATION - FHMD #1	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
INCREMENTAL RESIDENTIAL UNITS ADDED - FHMD #2 (SCH. 1)	0	0	0	0	0	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS - FHMD #2	84	84	84	84	84	84	84	84	84
ASSESSED VALUATION FHMD #2 (SCH. 1)	5,321,746	5,428,181	5,428,181	5,536,744	5,536,744	5,647,479	5,647,479	5,760,429	5,760,429
ASSUMED MILL LEVY TRANSFER FROM FHMD #2	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
ASSUMED WATER TAP FEE RATE PER RESIDENCE	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
ASSUMED ANNUAL WATER USER FEES GENERATED PER RESID.	608	626	645	664	684	705	726	748	770
CASH FLOW									
REVENUES	2015	2016	2017	2018	2019	2020	2021	2022	2023
PROPERTY TAXES	200	200	200	200	200	200	200	200	200
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	12	12	12	12	12	12	12	12	12
IGA PROPERTY TAX TRANSFERS FROM FHMD #2	69,183	70,566	70,566	71,978	71,978	73,417	73,417	74,886	74,886
WATER TAP FEES @ BUILDING PERMIT	0	0	0	0	0	0	0	0	0
WATER USER FEES AT \$40/MONTH AVERAGE PER RESIDENCE (-)	51,076	52,608	54,187	55,812	57,487	59,211	60,988	62,817	64,702
DEVELOPER CONTRIBUTION FOR INFRASTRUCTURE	0	0	0	0	0	0	0	0	0
DEVELOPER ADVANCE (LTD. G.O. CASH FLOW BONDS) FHMD #2	0	0	0	0	0	0	0	0	0
INTEREST EARNINGS @ 2% OF BEG. FUND BALANCE	1,559	1,804	2,048	2,257	2,482	2,634	2,798	2,924	3,040
TOTAL REVENUES	122,030	125,191	127,011	130,259	132,139	135,474	137,414	140,839	142,839
EXPENDITURES									
ADMINISTRATIVE EXPENDITURES									
LEGAL/AUDIT/ETC (+3%/YR)	32,619	33,598	34,606	35,644	36,713	37,815	38,949	40,118	41,321
CONTINGENCY FOR STORM WATER & WATER QUALITY MAINT. (-)	6,524	6,720	6,921	7,129	7,343	7,563	7,790	8,024	8,264
TOTAL ADMINISTRATIVE EXPENDITURES	39,143	40,317	41,527	42,773	44,056	45,378	46,739	48,141	49,585
WATER SYSTEM EXPENDITURES									
100% OF ANNUAL USER FEES	51,076	52,608	54,187	55,812	57,487	59,211	60,988	62,817	64,702
CONTINGENCY (+3%/YR)	19,572	20,159	20,764	21,386	22,028	22,689	23,370	24,071	24,793
COST RECOVERY PAYMENT TO DEVELOPER (EXCESS TAP FEE)	0	0	0	0	0	0	0	0	0
TOTAL WATER SYSTEM EXPENDITURES	70,648	72,767	74,950	77,199	79,515	81,900	84,357	86,888	89,494
CAPITAL INFRASTRUCTURE EXPENDITURES									
GRADING AND EROSION CONTROL	0	0	0	0	0	0	0	0	0
STREETS AND ROADS	0	0	0	0	0	0	0	0	0
DOMESTIC WATER SYSTEM	0	0	0	0	0	0	0	0	0
LANDSCAPING	0	0	0	0	0	0	0	0	0
STORM SEWER AND PONDS	0	0	0	0	0	0	0	0	0
SURVEYING, TESTING, ETC.	0	0	0	0	0	0	0	0	0
CONSTRUCTION MANAGEMENT - 3%	0	0	0	0	0	0	0	0	0
CONTINGENCY - 10%	0	0	0	0	0	0	0	0	0
TOTAL INFRASTRUCTURE COSTS	0	0	0	0	0	0	0	0	0
TOTAL EXPENDITURES	109,791	113,085	116,477	119,972	123,571	127,278	131,096	135,029	139,080
EXCESS REVENUES & BONDS OVER EXPENDITURES	12,239	12,106	10,534	10,287	8,568	8,196	6,318	5,810	3,760
BEGINNING FUND BALANCE - JANUARY 1	77,948	90,187	102,293	112,827	123,113	131,681	139,878	146,196	152,006
ENDING FUND BALANCE - DECEMBER 31	90,187	102,293	112,827	123,113	131,681	139,878	146,196	152,006	155,765

EXHIBIT I (SERVICE DISTRICT #1)
 FOX HILL METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2036

WORKING DRAFT
 SUBJECT TO REVISION
 DECEMBER 8, 2005
 SEE CONSULTANTS' DISCLAIMER

KEY ASSUMPTIONS	2024	2025	2026	2027	2028	2029	2030	2031	2032
ASSESSED VALUATION - FHMD #1	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
INCREMENTAL RESIDENTIAL UNITS ADDED - FHMD #2 (SCH. 1)	0	0	0	0	0	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS - FHMD #2	84	84	84	84	84	84	84	84	84
ASSESSED VALUATION FHMD #2 (SCH. 1)	5,875,637	5,875,637	5,993,150	5,993,150	6,113,013	6,113,013	6,235,273	6,235,273	6,359,979
ASSUMED MILL LEVY TRANSFER FROM FHMD #2	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
ASSUMED WATER TAP FEE RATE PER RESIDENCE	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
ASSUMED ANNUAL WATER USER FEES GENERATED PER RESID.	793	817	842	867	893	920	947	976	1,005

CASH FLOW

REVENUES	2024	2025	2026	2027	2028	2029	2030	2031	2032
PROPERTY TAXES	200	200	200	200	200	200	200	200	200
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	12	12	12	12	12	12	12	12	12
IGA PROPERTY TAX TRANSFERS FROM FHMD #2	76,383	76,383	77,911	77,911	79,469	79,469	81,059	81,059	82,680
WATER TAP FEES @ BUILDING PERMIT	0	0	0	0	0	0	0	0	0
WATER USER FEES AT \$40/MONTH AVERAGE PER RESIDENCE (- DEVELOPER CONTRIBUTION FOR INFRASTRUCTURE)	66,643	68,642	70,701	72,822	75,007	77,257	79,575	81,962	84,421
DEVELOPER ADVANCE (LTD. G.O. CASH FLOW BONDS) FHMD #2	0	0	0	0	0	0	0	0	0
INTEREST EARNINGS @ 2% OF BEG. FUN	3,115	3,177	3,195	3,195	3,148	3,080	2,959	2,814	2,611
TOTAL REVENUES	146,353	148,415	152,019	154,141	157,836	160,018	163,804	166,047	169,924

EXPENDITURES

ADMINISTRATIVE EXPENDITURES									
LEGAL/AUDIT/ETC (+3%/YR)	42,561	43,838	45,153	46,507	47,903	49,340	50,820	52,344	53,915
CONTINGENCY FOR STORM WATER & WATER QUALITY MAINT (-)	8,512	8,768	9,031	9,301	9,581	9,868	10,164	10,469	10,783
TOTAL ADMINISTRATIVE EXPENDITURES	51,073	52,606	54,183	55,809	57,483	59,208	60,984	62,813	64,698

WATER SYSTEM EXPENDITURES

100% OF ANNUAL USER FEES	66,643	68,642	70,701	72,822	75,007	77,257	79,575	81,962	84,421
CONTINGENCY (+3%/YR)	25,536	26,303	27,092	27,904	28,742	29,604	30,492	31,407	32,349
COST RECOVERY PAYMENT TO DEVELOPER (EXCESS TAP FEE)	0	0	0	0	0	0	0	0	0
TOTAL WATER SYSTEM EXPENDITURES	92,179	94,945	97,793	100,727	103,749	106,861	110,067	113,369	116,770

CAPITAL INFRASTRUCTURE EXPENDITURES

GRADING AND EROSION CONTROL	0	0	0	0	0	0	0	0	0
STREETS AND ROADS	0	0	0	0	0	0	0	0	0
DOMESTIC WATER SYSTEM	0	0	0	0	0	0	0	0	0
LANDSCAPING	0	0	0	0	0	0	0	0	0
STORM SEWER AND PONDS	0	0	0	0	0	0	0	0	0
SURVEYING, TESTING, ETC.	0	0	0	0	0	0	0	0	0
CONSTRUCTION MANAGEMENT - 3%	0	0	0	0	0	0	0	0	0
CONTINGENCY - 10%	0	0	0	0	0	0	0	0	0
TOTAL INFRASTRUCTURE COSTS	0	0	0	0	0	0	0	0	0

TOTAL EXPENDITURES	143,252	147,550	151,976	156,536	161,232	166,069	171,051	176,182	181,468
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EXCESS REVENUES & BONDS OVER EXPENDITURES	3,101	865	43	(2,395)	(3,396)	(6,051)	(7,247)	(10,136)	(11,544)
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BEGINNING FUND BALANCE - JANUARY 1	155,765	158,866	159,731	159,774	157,379	153,983	147,932	140,686	130,550
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ENDING FUND BALANCE - DECEMBER 31	158,866	159,731	159,774	157,379	153,983	147,932	140,686	130,550	119,005
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EXHIBIT I (SERVICE DISTRICT #1)
 FOX HILL METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2036

WORKING DRAFT
 SUBJECT TO REVISION
 DECEMBER 8, 2005
 SEE CONSULTANTS' DISCLAIMER

KEY ASSUMPTIONS	2033	2034	2035	2036	TOTALS
ASSESSED VALUATION - FHMD #1	5,000	5,000	5,000	5,000	
INCREMENTAL RESIDENTIAL UNITS ADDED - FHMD #2 (SCH. 1)	0	0	0	0	84
CUMULATIVE RESIDENTIAL UNITS - FHMD #2	84	84	84	84	84
ASSESSED VALUATION FHMD #2 (SCH. 1)	6,359,979	6,487,179	6,487,179	6,616,922	
ASSUMED MILL LEVY TRANSFER FROM FHMD #2	13.00	13.00	13.00	13.00	
ASSUMED WATER TAP FEE RATE PER RESIDENCE	10,000	10,000	10,000	10,000	
ASSUMED ANNUAL WATER USER FEES GENERATED PER RESID.	1,035	1,066	1,098	1,131	

CASH FLOW

REVENUES	2033	2034	2035	2036	TOTALS
PROPERTY TAXES	200	200	200	200	6,000
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	12	12	12	12	360
IGA PROPERTY TAX TRANSFERS FROM FHMD #2	82,680	84,333	84,333	86,020	2,082,451
WATER TAP FEES @ BUILDING PERMIT	0	0	0	0	840,000
WATER USER FEES AT \$40/MONTH AVERAGE PER RESIDENCE (-)	86,954	89,562	92,249	95,017	1,851,448
DEVELOPER CONTRIBUTION FOR INFRASTRUCTURE	0	0	0	0	5,473,278
DEVELOPER ADVANCE (LTD. G.O. CASH FLOW BONDS) FHMD #2	0	0	0	0	1,800,000
INTEREST EARNINGS @ 2% OF BEG. FUN	2,380	2,086	1,760	1,365	62,935
TOTAL REVENUES	172,226	176,194	178,554	182,614	12,116,471

EXPENDITURES

ADMINISTRATIVE EXPENDITURES	2033	2034	2035	2036	TOTALS
LEGAL/AUDIT/ETC (+3%/YR)	55,532	57,198	58,914	60,682	1,250,067
CONTINGENCY FOR STORM WATER & WATER QUALITY MAINT (-)	11,106	11,440	11,783	12,136	250,013
TOTAL ADMINISTRATIVE EXPENDITURES	66,639	68,638	70,697	72,818	1,500,080

WATER SYSTEM EXPENDITURES

100% OF ANNUAL USER FEES	86,954	89,562	92,249	95,017	1,851,448
CONTINGENCY (+3%/YR)	33,319	34,319	35,348	36,409	750,040
COST RECOVERY PAYMENT TO DEVELOPER (EXCESS TAP FEE)	0	0	0	0	695,000
TOTAL WATER SYSTEM EXPENDITURES	120,273	123,881	127,598	131,426	3,296,488

CAPITAL INFRASTRUCTURE EXPENDITURES

GRADING AND EROSION CONTROL	0	0	0	0	287,963
STREETS AND ROADS	0	0	0	0	917,958
DOMESTIC WATER SYSTEM	0	0	0	0	3,519,728
LANDSCAPING	0	0	0	0	1,150,872
STORM SEWER AND PONDS	0	0	0	0	417,808
SURVEYING, TESTING, ETC.	0	0	0	0	142,200
CONSTRUCTION MANAGEMENT - 3%	0	0	0	0	193,096
CONTINGENCY - 10%	0	0	0	0	843,653
TOTAL INFRASTRUCTURE COSTS	0	0	0	0	7,273,278

TOTAL EXPENDITURES	186,912	192,519	198,295	204,244	12,069,846
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EXCESS REVENUES & BONDS OVER EXPENDITURES	(14,686)	(16,325)	(19,740)	(21,630)	46,625
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BEGINNING FUND BALANCE - JANUARY 1	119,006	104,320	87,995	68,255	0
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ENDING FUND BALANCE - DECEMBER 31	104,320	87,995	68,255	46,625	46,625
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**EXHIBIT II (RESIDENTIAL TAXING DISTRICT #2)
 FOX HILL METROPOLITAN DISTRICT #2
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2036**

WORKING DRAFT
 SUBJECT TO REVISION
 DECEMBER 8, 2005
 SEE CONSULTANTS' DISCLAIMER

KEY ASSUMPTIONS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
ASSESSED VALUATION (SCH. 1)	0	0	300,000	1,494,000	2,688,000	3,959,640	5,177,520	5,217,398	5,217,398	5,321,746
TOTAL DISTRICT MILL LEVY	0.00	0.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
ASSUMED MILL LEVY TRANSFER TO FHMD #1 FOR OPS	0.00	0.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
INCREMENTAL RESIDENTIAL UNITS ADDED (SCH. 1)	0	20	20	20	20	4	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS (SCH. 1)	0	20	40	60	80	84	84	84	84	84

CASH FLOW

REVENUES

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
PROPERTY TAXES	0	0	12,000	59,760	107,520	158,386	207,101	208,696	208,696	212,870
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	0	0	720	3,586	6,451	9,503	12,426	12,522	12,522	12,772
LTD. G.O. CASH FLOW BONDS	0	1,800,000	0	0	0	0	0	0	0	0
INTEREST EARNINGS @ 2% OF BEGINNING FUNDS	0	0	0	109	254	775	404	512	459	433
TOTAL REVENUES	0	1,800,000	12,720	63,455	114,225	168,664	219,931	221,730	221,677	226,075

EXPENDITURES

IGA PAYMENT TO FHMD #1 FOR OPS (SERVICE DISTRICT)	0	0	3,900	19,422	34,944	51,475	67,308	67,826	67,826	69,183
COUNTY TREASURER 3.0% COLLECTION FEE	0	0	360	1,793	3,226	4,752	6,213	6,261	6,261	6,386
ADMINISTRATIVE ALLOWANCE	0	0	3,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
TOTAL EXPENDITURES	0	0	7,260	26,215	43,170	61,227	78,521	79,087	79,087	80,569

TRANSFER OF NET BOND PROCEEDS TO FHMD #1 FOR CAPITAL IMPROVEM	0	1,800,000	0	0	0	0	0	0	0	0
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LTD. G.O. CASH FLOW BONDS

SERIES 12/1/2006 @ 7.0%										
INTEREST @ 7.0%	0	0	0	30,000	45,000	126,000	126,000	125,300	123,900	122,500
PRINCIPAL REDUCTION	0	0	0	0	0	0	10,000	20,000	20,000	25,000
TOTAL DEBT SERVICE	0	0	0	30,000	45,000	126,000	136,000	145,300	143,900	147,500
LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31	0	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,790,000	1,770,000	1,750,000	1,725,000

REPAYMENT TO DEVELOPER OF UNPAID INTEREST	0	0	0	0	0	0	0	0	0	0
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TOTAL EXPEND INCLUD. DEBT SERVICE & CAPITAL IMPROVEMENTS	0	1,800,000	7,260	56,215	88,170	187,227	214,521	224,387	222,987	228,069
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EXCESS REVENUES & BONDS OVER EXPENDITURES	0	0	5,460	7,240	26,056	(18,563)	5,410	(2,657)	(1,310)	(1,994)
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BEGINNING FUND BALANCE - JANUARY 1	0	0	0	5,460	12,700	38,756	20,193	25,602	22,945	21,635
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ENDING FUND BALANCE - DECEMBER 31	0	0	5,460	12,700	38,756	20,193	25,602	22,945	21,635	19,641
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TOTAL SERIES 2006 LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31	0	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,790,000	1,770,000	1,750,000	1,725,000
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SERIES 2006 LTD. G.O. CASH FLOW BONDS UNPAID INTEREST OUTSTANDIN	0	0	126,000	96,000	81,000	0	0	0	0	0
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LTD. G.O. CASH FLOW BONDS UNPAID INTEREST OUTSTANDING CUMULATI	0	0	126,000	222,000	303,000	303,000	303,000	303,000	303,000	303,000
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% OF OUTSTANDING LTD. G.O. BONDS/ASSESSED VALUATION	0.00%	600.00%	120.48%	66.96%	45.46%	34.77%	34.31%	33.92%	32.88%	32.41%
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EXHIBIT II (RESIDENTIAL TAXING DISTRICT #2)
 FOX HILL METROPOLITAN DISTRICT #2
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2036

KEY ASSUMPTIONS

	2015	2016	2017	2018	2019	2020	2021	2022	2023
ASSESSED VALUATION (SCH. 1)	5,321,746	5,428,181	5,428,181	5,536,744	5,536,744	5,647,479	5,647,479	5,760,429	5,760,429
TOTAL DISTRICT MILL LEVY	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
ASSUMED MILL LEVY TRANSFER TO FHMD #1 FOR OPS	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
INCREMENTAL RESIDENTIAL UNITS ADDED (SCH. 1)	0	0	0	0	0	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS (SCH. 1)	84	84	84	84	84	84	84	84	84

CASH FLOW

REVENUES

	2015	2016	2017	2018	2019	2020	2021	2022	2023
PROPERTY TAXES	212,870	217,127	217,127	221,470	221,470	225,899	225,899	230,417	230,417
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	12,772	13,028	13,028	13,288	13,288	13,554	13,554	13,825	13,825
LTD. G.O. CASH FLOW BONDS	0	0	0	0	0	0	0	0	0
INTEREST EARNINGS @ 2% OF BEGINNING FUNDS	393	387	376	307	247	242	255	231	241
TOTAL REVENUES	226,035	230,542	230,531	235,065	235,005	239,695	239,708	244,473	244,483

EXPENDITURES

IGA PAYMENT TO FHMD #1 FOR OPS (SERVICE DISTRICT)	69,183	70,566	70,566	71,978	71,978	73,417	73,417	74,886	74,886
COUNTY TREASURER 3.0% COLLECTION FEE	6,386	6,514	6,514	6,644	6,644	6,777	6,777	6,913	6,913
ADMINISTRATIVE ALLOWANCE	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
TOTAL EXPENDITURES	80,569	82,080	82,080	83,622	83,622	85,194	85,194	86,798	86,798

TRANSFER OF NET BOND PROCEEDS TO FHMD #1 FOR CAPITAL IMPROVEM	0	0	0	0	0	0	0	0	0
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LTD. G.O. CASH FLOW BONDS

SERIES 12/1/2006 @ 7.0%

INTEREST @ 7.0%

PRINCIPAL REDUCTION

TOTAL DEBT SERVICE

LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31

INTEREST @ 7.0%	120,750	119,000	116,900	114,450	111,650	108,850	105,700	102,200	98,350
PRINCIPAL REDUCTION	25,000	30,000	35,000	40,000	40,000	45,000	50,000	55,000	65,000
TOTAL DEBT SERVICE	145,750	149,000	151,900	154,450	151,650	153,850	155,700	157,200	163,350
LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31	1,700,000	1,670,000	1,635,000	1,595,000	1,555,000	1,510,000	1,460,000	1,405,000	1,340,000

REPAYMENT TO DEVELOPER OF UNPAID INTEREST	0	0	0	0	0	0	0	0	0
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TOTAL EXPEND INCLUD. DEBT SERVICE & CAPITAL IMPROVEMENTS	226,319	231,080	233,980	238,072	235,272	239,044	240,894	243,998	250,148
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EXCESS REVENUES & BONDS OVER EXPENDITURES	(284)	(538)	(3,449)	(3,006)	(267)	651	(1,186)	475	(5,665)
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BEGINNING FUND BALANCE - JANUARY 1	19,641	19,357	18,818	15,370	12,363	12,097	12,747	11,561	12,037
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ENDING FUND BALANCE - DECEMBER 31	19,357	18,818	15,370	12,363	12,097	12,747	11,561	12,037	6,371
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TOTAL SERIES 2006 LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31	1,700,000	1,670,000	1,635,000	1,595,000	1,555,000	1,510,000	1,460,000	1,405,000	1,340,000
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SERIES 2006 LTD. G.O. CASH FLOW BONDS UNPAID INTEREST OUTSTANDI	0	0	0	0	0	0	0	0	0
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LTD. G.O. CASH FLOW BONDS UNPAID INTEREST OUTSTANDING CUMULATI	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000
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% OF OUTSTANDING LTD. G.O. BONDS/ASSESSED VALUATION	31.32%	30.77%	29.53%	28.81%	27.53%	26.74%	25.35%	24.39%	22.81%
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EXHIBIT II (RESIDENTIAL TAXING DISTRICT #2)
FOX HILL METROPOLITAN DISTRICT #2
CASH FLOW FORECASTS
FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2036

KEY ASSUMPTIONS

	2024	2025	2026	2027	2028	2029	2030	2031	2032
ASSESSED VALUATION (SCH. 1)	5,875,637	5,875,637	5,993,150	5,993,150	6,113,013	6,113,013	6,235,273	6,235,273	6,359,979
TOTAL DISTRICT MILL LEVY	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
ASSUMED MILL LEVY TRANSFER TO FHMD #1 FOR OPS	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
INCREMENTAL RESIDENTIAL UNITS ADDED (SCH. 1)	0	0	0	0	0	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS (SCH. 1)	84	84	84	84	84	84	84	84	84

CASH FLOW

REVENUES

	2024	2025	2026	2027	2028	2029	2030	2031	2032
PROPERTY TAXES	235,025	235,025	239,726	239,726	244,521	244,521	249,411	249,411	254,399
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	14,102	14,102	14,384	14,384	14,671	14,671	14,965	14,965	15,264
LTD. G.O. CASH FLOW BONDS	0	0	0	0	0	0	0	0	0
INTEREST EARNINGS @ 2% OF BEGINNING FUNDS	127	68	105	107	122	223	252	91	94
TOTAL REVENUES	249,254	249,195	254,215	254,217	259,313	259,415	264,628	264,466	269,757

EXPENDITURES

IGA PAYMENT TO FHMD #1 FOR OPS (SERVICE DISTRICT)	76,383	76,383	77,911	77,911	79,469	79,469	81,059	81,059	82,680
COUNTY TREASURER 3.0% COLLECTION FEE	7,051	7,051	7,192	7,192	7,336	7,336	7,482	7,482	7,632
ADMINISTRATIVE ALLOWANCE	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
TOTAL EXPENDITURES	88,434	88,434	90,103	90,103	91,805	91,805	93,541	93,541	95,312

TRANSFER OF NET BOND PROCEEDS TO FHMD #1 FOR CAPITAL IMPROVEM	0	0	0	0	0	0	0	0	0
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LTD. G.O. CASH FLOW BONDS

SERIES 12/1/2006 @ 7.0%

INTEREST @ 7.0%	93,800	88,900	84,000	78,400	72,450	66,150	59,150	50,750	42,350
PRINCIPAL REDUCTION	70,000	70,000	80,000	85,000	90,000	100,000	120,000	120,000	125,000
TOTAL DEBT SERVICE	163,800	158,900	164,000	163,400	162,450	166,150	179,150	170,750	167,350
LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31	1,270,000	1,200,000	1,120,000	1,035,000	945,000	845,000	725,000	605,000	480,000

REPAYMENT TO DEVELOPER OF UNPAID INTEREST	0	0	0	0	0	0	0	0	0
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TOTAL EXPEND INCLUD. DEBT SERVICE & CAPITAL IMPROVEMENTS	252,234	247,334	254,103	253,503	254,255	257,955	272,691	264,291	262,662
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EXCESS REVENUES & BONDS OVER EXPENDITURES	(2,980)	1,861	112	714	5,059	1,460	(8,063)	175	7,096
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BEGINNING FUND BALANCE - JANUARY 1	6,371	3,392	5,253	5,365	6,079	11,137	12,597	4,534	4,709
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ENDING FUND BALANCE - DECEMBER 31	3,392	5,253	5,365	6,079	11,137	12,597	4,534	4,709	11,805
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TOTAL SERIES 2006 LTD. G.O. CASH FLOW BONDS OUTSTANDING @ 12/31	1,270,000	1,200,000	1,120,000	1,035,000	945,000	845,000	725,000	605,000	480,000
SERIES 2006 LTD. G.O. CASH FLOW BONDS UNPAID INTEREST OUTSTANDING	0	0	0	0	0	0	0	0	0
LTD. G.O. CASH FLOW BONDS UNPAID INTEREST OUTSTANDING CUMULATI	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000	303,000
% OF OUTSTANDING LTD. G.O. BONDS/ASSESSED VALUATION	21.61%	20.02%	18.69%	16.93%	15.46%	13.55%	11.63%	9.51%	7.55%

SCHEDULE 1 (RESIDENTIAL TAXING DISTRICT #2)
 FOX HILL METROPOLITAN DISTRICT #2
 PROJECTED ASSESSED VALUATION - BUILDOUT
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2024

WORKING DRAFT
 SUBJECT TO REVISION
 DECEMBER 8, 2005
 SEE CONSULTANTS' DISCLAIMER

BUILDOUT - RESIDENTIAL (Source: Marmac Development Corp.)			
Description of Unit	Planned Number of Homes	Average Per Unit Price	Total Gross Unit Volume
Residential Units			
Residential Product A	84	750,000	63,000,000
Total Residential - Increm.	84	750,000	63,000,000
Total Residential - Cumulat	84		
Total Value - Residential			63,000,000

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Residential Product A	0	20	20	20	20	4	0	0	0
Total Residential - Increm.	0	20	20	20	20	4	0	0	0
Total Residential - Cumulat	0	20	40	60	80	84	84	84	84

Actual Values:

Residential Product A	0	15,000,000	15,000,000	15,000,000	15,000,000	3,000,000	0	0	0
Total Actual Values	0	15,000,000	15,000,000	15,000,000	15,000,000	3,000,000	0	0	0
Total Actual Values - Cumulative	0	15,000,000	30,000,000	45,000,000	60,000,000	63,000,000	63,000,000	63,000,000	63,000,000

Assessed Values:

Residential Product A @ 7.96%	0	1,194,000	1,194,000	1,194,000	1,194,000	238,800	0	0	0
Total Assessed Valuation Residential	0	1,194,000	1,194,000	1,194,000	1,194,000	238,800	0	0	0
Total Assessed Valuation Vacant Land	300,000	0	0	0	0	(300,000)	0	0	0
Total Assessed Valuation - Incremental	300,000	1,194,000	1,194,000	1,194,000	1,194,000	(61,200)	0	0	0
Total Assessed Valuation - Cumulative	300,000	1,494,000	2,688,000	3,882,000	5,076,000	5,014,800	5,014,800	5,014,800	5,014,800
Total Assessed Values - Cum. 2% Biennial Net Increases after 200	300,000	1,494,000	2,688,000	3,959,640	5,177,520	5,217,398	5,217,398	5,321,746	5,321,746

Year Assessed Valuation Certified To FHMD #2

Year Assessed Valuation Certified To FHMD #2	2006	2007	2008	2009	2010	2011	2012	2013	2014
Year Taxes Received By FHMD #2	2007	2008	2009	2010	2011	2012	2013	2014	2015

SCHEDULE 1 (RESIDENTIAL TAXING DISTRICT #2)
 FOX HILL METROPOLITAN DISTRICT #2
 PROJECTED ASSESSED VALUATION - BUILDOUT
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2024

WORKING DRAFT
 SUBJECT TO REVISION
 DECEMBER 8, 2005
 SEE CONSULTANTS' DISCLAIMER

BUILDOUT - RESIDENTIAL (Source: Marmac Development Corp.)			
Description of Unit	Planned Number of Homes	Average Per Unit Price	Total Gross Unit Volume
Residential Units			
Residential Product A	84	750,000	63,000,000
Total Residential - Increm.	84	750,000	63,000,000
Total Residential - Cumulat	84		
Total Value - Residential			63,000,000

	2014	2015	2016	2017	2018	2019	2020	2021
Residential Units								
Residential Product A	0	0	0	0	0	0	0	0
Total Residential - Increm.	0	0	0	0	0	0	0	0
Total Residential - Cumulat	84	84	84	84	84	84	84	84
Total Value - Residential								

Actual Values:

Residential Product A	0	0	0	0	0	0	0	0
Total Actual Values	0	0	0	0	0	0	0	0
Total Actual Values - Cumulative	63,000,000	63,000,000	63,000,000	63,000,000	63,000,000	63,000,000	63,000,000	63,000,000

Assessed Values:

Residential Product A @ 7.96%	0	0	0	0	0	0	0	0
Total Assessed Valuation Residential	0	0	0	0	0	0	0	0
Total Assessed Valuation Vacant Land	0	0	0	0	0	0	0	0
Total Assessed Valuation - Incremental	0	0	0	0	0	0	0	0
Total Assessed Valuation - Cumulative	5,014,800	5,014,800	5,014,800	5,014,800	5,014,800	5,014,800	5,014,800	5,014,800
Total Assessed Values - Cum. 2% Biennial Net Increases after 200	5,428,181	5,428,181	5,536,744	5,536,744	5,647,479	5,647,479	5,760,429	5,760,429

Year Assessed Valuation Certified To FHMD #2

Year Taxes Received By FHMD #2

2015	2016	2017	2018	2019	2020	2021	2022
2016	2017	2018	2019	2020	2021	2022	2023

SCHEDULE 1 (RESIDENTIAL TAXING DISTRICT #2)
 FOX HILL METROPOLITAN DISTRICT #2
 PROJECTED ASSESSED VALUATION - BUILDOUT
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2024

WORKING DRAFT
 SUBJECT TO REVISION
 DECEMBER 8, 2005
 SEE CONSULTANTS' DISCLAIMER

BUILDOUT - RESIDENTIAL (Source: Marmac Development Corp.)							
Description of Unit	Planned	Average	Total	2022	2023	2024	TOTAL
	Number	Per Unit	Gross Unit				
	of Homes	Price	Volume				
Residential Units							
Residential Product A	84	750,000	63,000,000	0	0	0	84
Total Residential - Increm.	84	750,000	63,000,000	0	0	0	84
Total Residential - Cumulat	84			84	84	84	84
Total Value - Residential			63,000,000				

Actual Values:							
Residential Product A				0	0	0	63,000,000
Total Actual Values				0	0	0	63,000,000
Total Actual Values - Cumulative				63,000,000	63,000,000	63,000,000	63,000,000

Assessed Values:							
Residential Product A @ 7.96%				0	0	0	5,014,800
Total Assessed Valuation Residential				0	0	0	5,014,800
Total Assessed Valuation Vacant Land				0	0	0	0
Total Assessed Valuation - Incremental				0	0	0	5,014,800
Total Assessed Valuation - Cumulative				5,014,800	5,014,800	5,014,800	5,014,800
Total Assessed Values - Cum. 2% Biennial Net Increases after 200				5,875,637	5,875,637	5,993,150	5,993,150

Year Assessed Valuation Certified To FHMD #2	2023	2024	2025
Year Taxes Received By FHMD #2	2024	2025	2026

Exhibit D
Construction Cost Estimates

Project: Fox Hill
 Date: May 4, 2005
 Client: Marmac Development Corp.

Prepared By: BK
 Job Number: 04.39



Metropolitan District Construction Cost Estimate

Grading & Erosion Control

Item	Qty	Unit	Unit Cost	Item Cost	Description
Total Earthwork	85,000.00	CY	\$1.50	\$127,500.00	Excludes Rock Excavation, if required.
Silt Fence	20,140.00	LF	\$4.00	\$80,560.00	
Inlet Protection	10.00	EA	\$200.00	\$2,000.00	Provided Near Storm Sewer Inlets
Outlet Protection	8.00	EA	\$200.00	\$1,600.00	Provided Near Storm Sewer Flared End Sections
Vehicle Tracking Control	4.00	EA	\$800.00	\$3,200.00	At 4 entries
Rough Cut Street Control	18,340.00	LF	\$1.00	\$18,340.00	
Temporary Seeding/Mulching	54.10	AC	\$500.00	\$27,051.42	100' swath for road grading and ponds
Swale Protection	2,800.00	LF	\$5.00	\$14,000.00	Assumes all swales
Maint. of Sediment Basins/EC Facilities	1	EA	\$13,712.57	\$13,712.57	Estimated Yearly Maintenance Costs (5%)
Grading & Erosion Control Total				\$287,963.99	

Streets

Flintwood Road Improvements

Item	Qty	Unit	Unit Cost	Item Cost	Description
Subgrade Preparation (For Accel/Decel)	3,680	SY	\$2.00	\$7,360.00	
Asphalt Paving (For Accel/Decel)	44,160	SYI	\$1.75	\$77,280.00	Assumes accel/decels at 4 entries, 12" Full Depth Asphalt
Flintwood Road Subtotal				\$84,640.00	

Internal Streets

Item	Qty	Unit	Unit Cost	Item Cost	Description
Westside Subgrade Preparation	23,638	SY	\$2.00	\$47,275.56	Under All Hard Surface Area
Eastside Subgrade Preparation	35,994	SY	\$2.00	\$71,988.89	Under All Hard Surface Area
Westside Mountable Curb & Gutter	14,830	LF	\$8.00	\$118,640.00	
Eastside Mountable Curb & Gutter	21,845	LF	\$8.00	\$174,760.00	
Westside Full Depth Asphalt	92,069	SYI	\$1.75	\$161,120.56	Assumes 5.0" Full Depth Asphalt
Eastside Full Depth Asphalt	140,749	SYI	\$1.75	\$246,310.56	Assumes 5.0" Full Depth Asphalt
Concrete Crossspan	284	SY	\$50.00	\$13,222.22	Typical 6' Crossspan
Internal Streets Subtotal				\$833,317.78	

Streets Total

\$917,957.78

Water System

Item	Qty	Unit	Unit Cost	Item Cost	Description
Water Distribution System					
6" Water Main	600	LF	\$16.80	\$10,080.00	For Fire Hydrant Assembly Unless Noted Otherwise
West Side 8" Water Main	8,950	LF	\$35.00	\$313,250.00	Includes Bends, Valves, Blowoffs, etc.
East Side 8" Water Main	13,090	LF	\$35.00	\$458,150.00	Includes Bends, Valves, Blowoffs, etc.
Boring Crossing of Flintwood	100	LF	\$100.00	\$10,000.00	
Sleeved Crossing of Bayou Gulch	160	LF	\$100.00	\$15,000.00	
Fire Hydrant Assembly	23	EA	\$2,600.00	\$59,800.00	Includes 6" Gate Valve
1" Water Service Lines	94	EA	\$1,000.00	\$94,000.00	
Future Well Connection Stubouts	3	EA	\$2,000.00	\$6,000.00	
Distribution System Subtotal				\$966,280.00	
Water Wells, Storage, Pumping System					
Arapahoe Well	1	LS	\$717,122.00	\$717,122.00	Per Estimate by AmWest, Inc.
Dawson Well	1	LS	\$301,326.00	\$301,326.00	Per Estimate by AmWest, Inc.
120,000 gal Storage Tank	1	LS	\$475,000.00	\$475,000.00	Per Estimate by AmWest, Inc.
Booster Pump Skid	1	LS	\$110,000.00	\$110,000.00	Per Estimate by AmWest, Inc.
Underground Piping	1	LS	\$100,000.00	\$100,000.00	Per Estimate by AmWest, Inc.
Building	1	LS	\$250,000.00	\$250,000.00	Per Estimate by AmWest, Inc.
Building Piping	1	LS	\$50,000.00	\$50,000.00	Per Estimate by AmWest, Inc.
Filters	1	LS	\$480,000.00	\$480,000.00	Per Estimate by AmWest, Inc.
Chlorine System	1	LS	\$70,000.00	\$70,000.00	Per Estimate by AmWest, Inc.
System Subtotal				\$2,553,448.00	
Water System Total				\$3,519,728.00	

Storm Sewer & Ponds

Item	Qty	Unit	Unit Cost	Item Cost	Description
36" RCP	2,250	LF	\$51.00	\$114,750.00	Assumed size
5' Diameter Manhole	5	EA	\$1,750.00	\$8,750.00	Assumed size
15" Type R Inlet	10	EA	\$4,296.00	\$42,960.00	Assumed size
36" Flared End Section	8	EA	\$1,500.00	\$12,000.00	Assumed size
Pond Outlet Structure	3	EA	\$7,000.00	\$21,000.00	3 Detention/WQ Ponds
Detention/WQ Pond	3	LS	\$10,000.00	\$30,000.00	3 Detention/WQ Ponds, micropools, forebays, etc.
Riprap	100	CY	\$75.00	\$7,500.00	At storm outfalls
Maint. of Retention/Detention/WQ Ponds	1	EA	\$11,848.00	\$11,848.00	Estimated Yearly Maintenance Costs (5%)
Triple 12x10' Concrete Box Culvert	120	LF	\$950.00	\$114,000.00	Internal Street/Bayou Gulch Crossing
Single 7x7' Concrete Box Culvert	100	LF	\$350.00	\$35,000.00	Internal Street Crossing, east side
Box Culvert Wingwalls	8	EA	\$2,500.00	\$20,000.00	
Storm Sewer Total				\$417,808.00	

Landscaping

Item	Qty	Unit	Unit Cost	Item Cost	Description
Flintwood Entry Monument/LS #1	1	LS	\$77,500.00	\$77,500.00	Per Estimate by ODG
Flintwood Entry Monument/LS #2	1	LS	\$77,500.00	\$77,500.00	Per Estimate by ODG
Flintwood Entry Monument/LS #3	1	LS	\$77,500.00	\$77,500.00	Per Estimate by ODG
Flintwood Entry Monument/LS #4	1	LS	\$77,500.00	\$77,500.00	Per Estimate by ODG
West Community Gathering Area	1	LS	\$195,000.00	\$195,000.00	Per Estimate by ODG
East Community Gathering Area	1	LS	\$107,500.00	\$107,500.00	Per Estimate by ODG
West Enclave Entry Monument/LS	1	LS	\$17,500.00	\$17,500.00	Lots West of Bayou Gulch, Per Estimate by ODG
3 Landscape Pockets along Flintwood	1	LS	\$12,000.00	\$12,000.00	Per Estimate by ODG
Existing West Pond Cleanup	1	LS	\$25,000.00	\$25,000.00	Per Estimate by ODG
Well and Tank Site LS/Screening	1	LS	\$50,000.00	\$50,000.00	Per Estimate by ODG
Existing Homestead LS along edge	1	LS	\$20,000.00	\$20,000.00	Per Estimate by ODG
5' wide Concrete Path	18,320	SF	\$3.50	\$64,120.00	Per Estimate by ODG
6' wide Crusher Fines Path	150,438	SF	\$0.75	\$112,828.50	Per Estimate by ODG
3 Rail Fence (Homestead Frontage)	1,742	LF	\$20.00	\$34,840.00	Per Estimate by ODG
3 Rail Fence (Flintwood Frontage)	4,143	LF	\$20.00	\$82,860.00	Per Estimate by ODG
3 Rail Fence (20ac Outparcel Frontage)	3,221	LF	\$20.00	\$64,420.00	Per Estimate by ODG
Landscape Maintenance (Annual)	1	LS	\$54,803.43	\$54,803.43	Estimated Yearly Maintenance Costs (5%)
Landscaping Total				\$1,150,871.93	

Miscellaneous

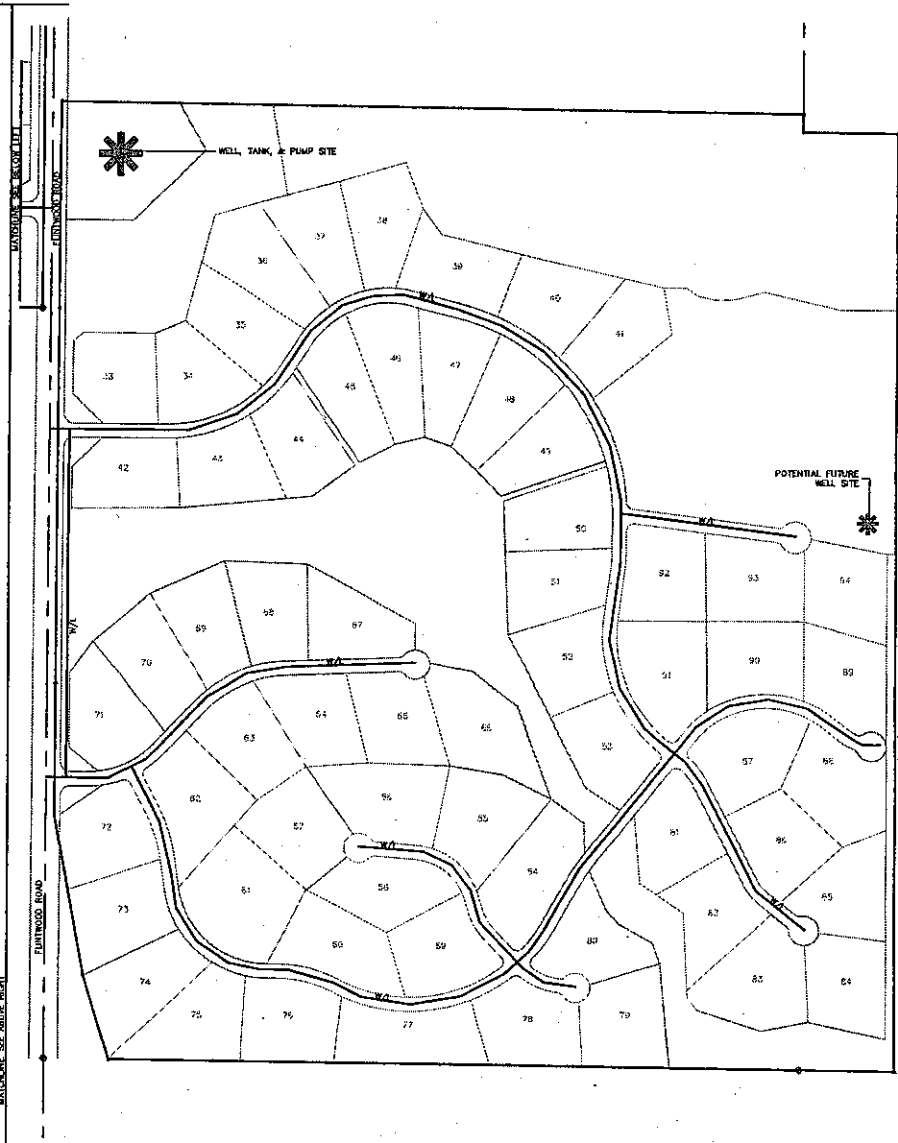
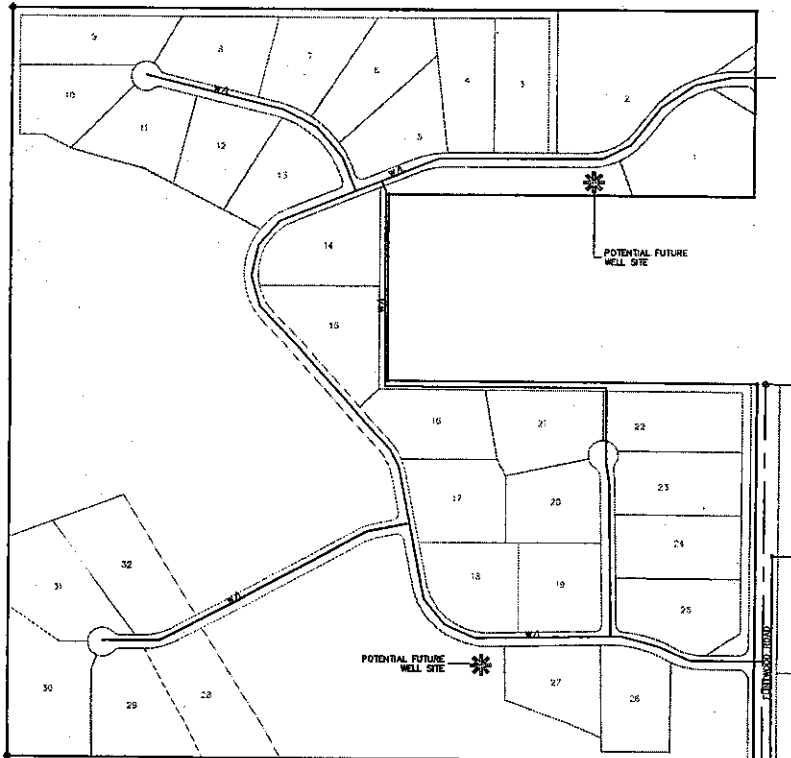
Item	Qty	Unit	Unit Cost	Item Cost	Description
Mosquito Control (Estimated Annual)	1	EA	\$20,000.00	\$20,000.00	Mosquito Pesticide Sprayed Near Standing Water Areas
Surveying	94	EA	\$1,000.00	\$94,000.00	
Geotechnical/Materials Testing/Pavement Design	94	EA	\$300.00	\$28,200.00	
Miscellaneous Subtotal				\$142,200.00	

District Subtotal: \$6,436,529.70
 Construction Management at 3%: \$193,095.89
 10% Contingency: \$643,652.97
Total: \$7,273,278.56

Exhibit E
Maps Depicting Facilities

FOX HILL METROPOLITAN DISTRICT-OVERALL WATER SYSTEM EXHIBIT

LOCATED IN THE SW 1/4 OF THE SE 1/4/ SECTION 29, N 1/2 OF THE NE 1/4 SECTION 32, AND THE S 1/2 OF THE NW 1/4 AND S 1/2 OF THE N 1/2 OF THE NW 1/4, AND THE N 1/2 OF THE SW 1/4 SECTION 33, T7S R65W, DOUGLAS COUNTY, CO



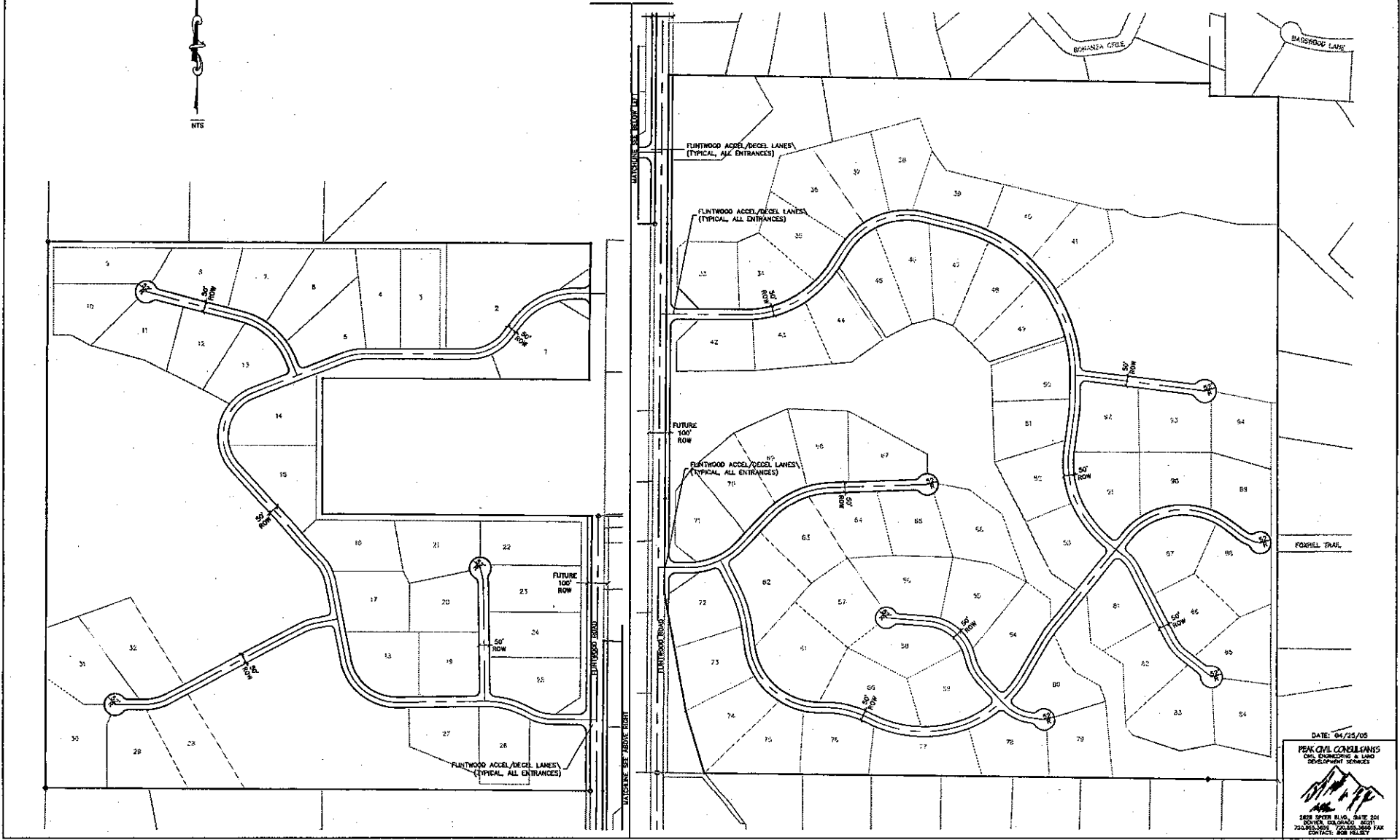
DATE: 04/25/05
PEAK CIVIL CONSULTANTS
 CIVIL ENGINEERING & LAND
 DEVELOPMENT SERVICES

 2525 NORTH BLAKE, SUITE 201
 DENVER, COLORADO 80211
 PHONE: 303.733.0000 FAX
 CONTACT: BOB PELLEY

INFORMATION FOR THE WELL: THIS IS A PRELIMINARY PLAN FOR REVIEW ONLY.

FOX HILL METROPOLITAN DISTRICT-OVERALL ROAD EXHIBIT

LOCATED IN THE SW 1/4 OF THE SE 1/4 SECTION 29, N 1/2 OF THE NE 1/4 SECTION 32, AND THE S 1/2 OF THE NW 1/4 AND S 1/2 OF THE N 1/2 OF THE NW 1/4, AND THE N 1/2 OF THE SW 1/4 SECTION 33, T7S R65W, DOUGLAS COUNTY, CO



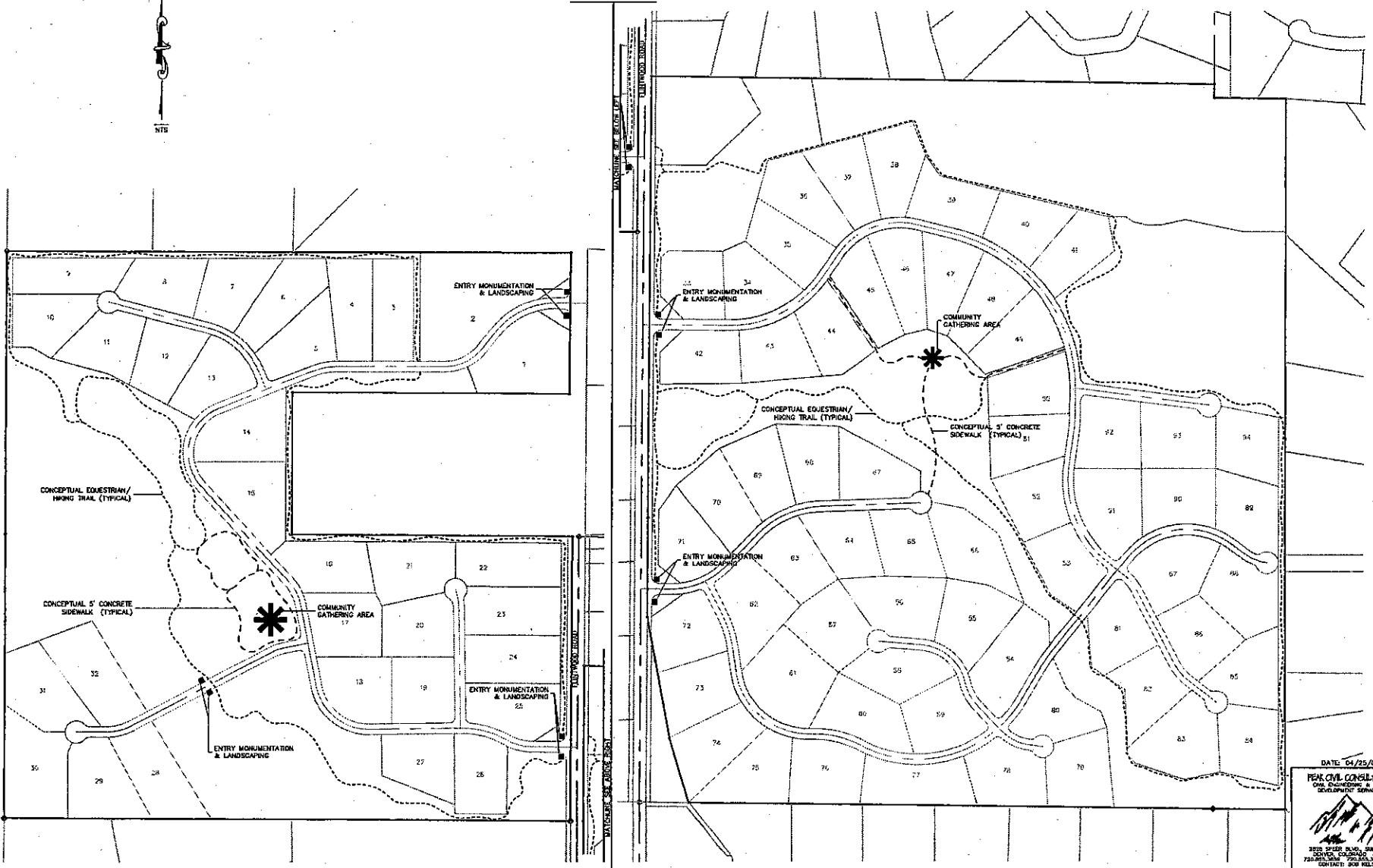
DATE: 04/25/05
PEAK CIVIL CONSULTANTS
 CIVIL ENGINEERING & LAND DEVELOPMENT SERVICES

 8228 SPYER BLVD., SUITE 201
 DOWNEY, ILLINOIS 62521
 708.262.3800 708.262.3800 FAX
 CONTACT: BOB KELLEY

2005 PEAK CIVIL CONSULTANTS. ALL RIGHTS RESERVED. THIS PLAN IS THE PROPERTY OF PEAK CIVIL CONSULTANTS. NO PART OF THIS PLAN IS TO BE REPRODUCED OR TRANSMITTED IN ANY FORM OR BY ANY MEANS, ELECTRONIC OR MECHANICAL, INCLUDING PHOTOCOPYING, RECORDING, OR BY ANY INFORMATION STORAGE AND RETRIEVAL SYSTEM.

FOX HILL METROPOLITAN DISTRICT-OVERALL LANDSCAPING EXHIBIT

LOCATED IN THE SW 1/4 OF THE SE 1/4/ SECTION 29, N 1/2 OF THE NE 1/4 SECTION 32, AND THE S 1/2 OF THE NW 1/4 AND S 1/2 OF THE N 1/2 OF THE NW 1/4, AND THE N 1/2 OF THE SW 1/4 SECTION 33, T7S R65W, DOUGLAS COUNTY, CO



DATE: 04/25/05

PEAK CIVIL CONSULTANTS
CIVIL ENGINEERING & LAND
DEVELOPMENT SERVICES

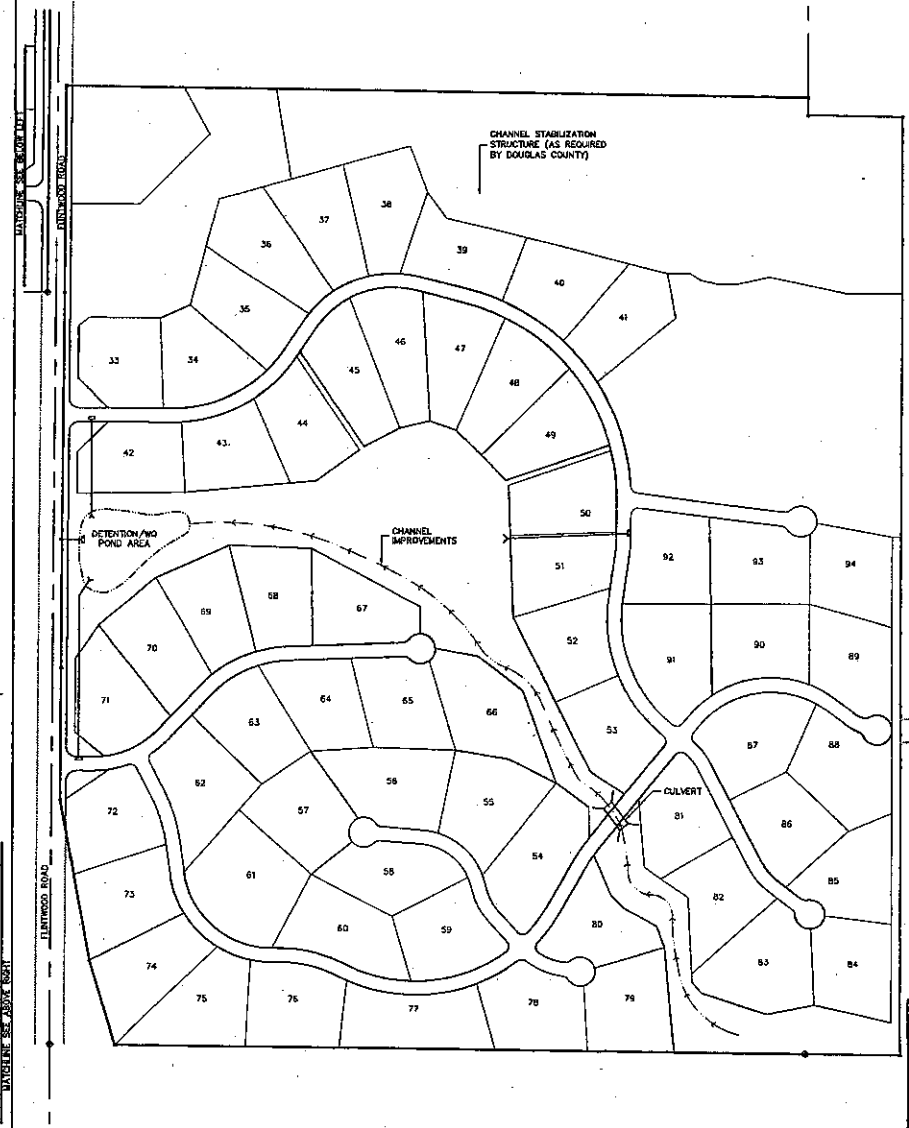
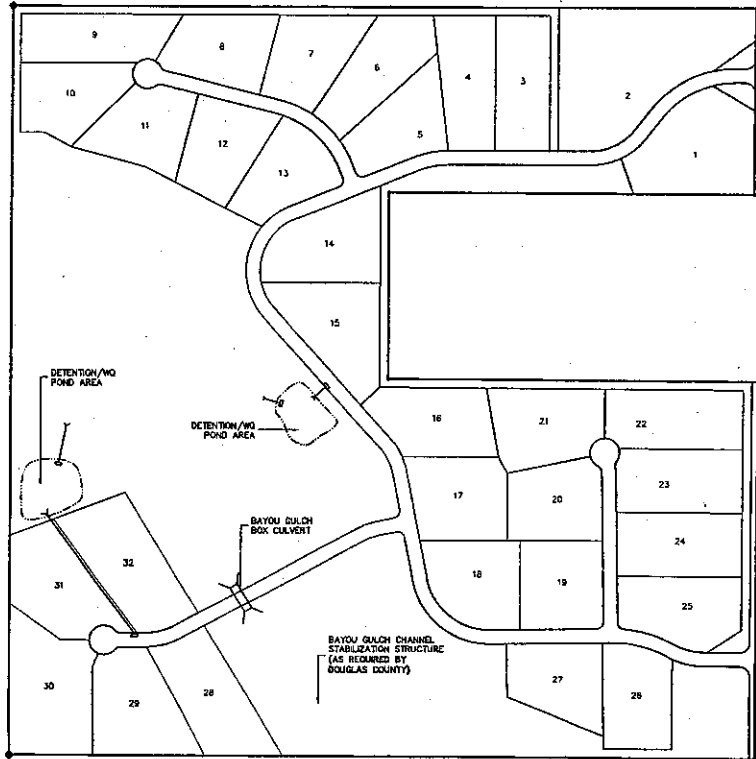


3525 SPIRIT BLVD., SUITE 201
DENVER, COLORADO 80211
720.261.1100 FAX: 720.261.1101
CONTACT: BOB WILLEY

NOT FOR CONSTRUCTION. THIS IS A PRELIMINARY PLAN. CONSULT YOUR ATTORNEY FOR FURTHER INFORMATION.

FOX HILL METROPOLITAN DISTRICT OVERALL DRAINAGE & STORM SEWER EXHIBIT

LOCATED IN THE SW 1/4 OF THE SE 1/4/ SECTION 29, N 1/2 OF THE NE 1/4 SECTION 32, AND THE S 1/2 OF THE NW 1/4 AND S 1/2 OF THE N 1/2 OF THE NW 1/4, AND THE N 1/2 OF THE SW 1/4 SECTION 33, T7S R65W, DOUGLAS COUNTY, CO



DATE: 04/25/05
PEAK CIVIL CONSULTANTS
 CIVIL ENGINEERING & LAND DEVELOPMENT SERVICES

 2424 SPEER BLVD., SUITE 201
 DENVER, COLORADO 80202
 303.733.1515 • 703.555.1500 FAX
 CONTACT: BOB KELLEY

DATE PLOTTED: 04/25/05 10:58 AM

Exhibit F
Form of Master Intergovernmental Agreement

DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT

DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT entered into and dated as of _____, by and between Foxhill Metropolitan District No. 1 and Foxhill Metropolitan District No. 2.



(Cover Sheet Only)

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DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT

This **DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT** (the "Agreement") is made and entered into and dated as of _____, by and between **FOXHILL METROPOLITAN DISTRICT NO. 1** ("the Operating District") and **FOXHILL METROPOLITAN DISTRICT NO. 2**, ("the Taxing District"), both of which are quasi-municipal corporations and political subdivisions of the State of Colorado. The Operating District and the Taxing District shall be individually and/or collectively referred to herein as "the District" or "the Districts," as context requires.

RECITALS

WHEREAS, the formation of the Districts as multiple districts whose purposes are to provide essential public improvements and services, as contemplated herein, was approved by Douglas County on _____; and

WHEREAS, the purposes for which the Districts were formed are specifically set forth in their Service Plan, as the same is defined hereinbelow, which is the Districts' governing document, and with respect to which all required approval has been obtained; and

WHEREAS, the Service Plan may be amended from time to time, pursuant to its terms and as permitted herein, and any and all such amendments shall become part of the Service Plan, as this term is defined herein; and

WHEREAS, under the Service Plan, the Districts are required to work together and coordinate their efforts with respect to all activities contemplated in the Service Plan, including, but not limited to, their management and administration, the provision of essential services, and the financing, construction, operation and maintenance of public improvements; and

WHEREAS, the Service Plan discloses and establishes the necessity for, and the desirability of, this intergovernmental agreement between the Districts concerning the manner in which they are to implement the Service Plan; and

WHEREAS, pursuant to Article XIV, Section 18(2)(a) of the Colorado Constitution, and pursuant to Section 29-1-203 C.R.S., the Districts may contract with each other to provide any function, service or facility lawfully authorized to each, and any such contract may provide, *inter alia*, for the sharing of costs, imposition of taxes, and incurrence of debt; and

WHEREAS, at a proper, legal election of the qualified electors of the Taxing District, a majority of the Districts' eligible electors voted in favor of the Taxing District incurring indebtedness in an amount sufficient to lawfully authorize it to enter into an agreement with the Operating District containing terms as set forth herein; and

WHEREAS, the Service Plan describes certain facilities to be financed and constructed from debt proceeds to be issued by the Taxing District, and/or from other funds held or obtained by the same, for the purpose of fulfilling the Taxing District's commitments hereunder; and

WHEREAS, the Districts agree that said facilities are needed by the Districts and will benefit their residents and property owners in terms of the cost, quality, level of service, management and operation thereof; and

WHEREAS, the Districts have agreed, and the Service Plan provides, that the Operating District will own, operate, maintain, and construct the Facilities benefiting the Districts, subject to discretionary transfer to other governmental entities or authorities; and

WHEREAS, the Taxing District will pay all costs related to the construction, operation, and maintenance of said facilities by the Operating District in accordance with the terms of this Agreement; and

WHEREAS, said payments may include, but are not limited to, payments made to the Operating District from revenue bonds it issues for such capital costs; and

WHEREAS, the Service Plan describes the estimated funds necessary to finance the construction and/or acquisition of said facilities, and describes the anticipated timing thereof, which funds and timing may be amended as contemplated by the Service Plan, as permitted under Colorado law, and/or pursuant to the terms of this Agreement; and

WHEREAS, the Service Plan describes the estimated funds necessary to finance the operation, maintenance, management and administrative services to be provided to the Taxing District by the Operating District, which funds and timing may be amended as contemplated by the Service Plan, as permitted under Colorado law, and/or pursuant to the terms of this Agreement; and

WHEREAS, by and through this Agreement, the Districts desire to provide for the implementation of the principles and objectives set forth in the Service Plan regarding the financing, construction, operation and maintenance of said facilities; and

WHEREAS, by and through this Agreement, the Districts desire to provide for the implementation of the administration of their affairs, including the collection, management and expenditure of District funds; and

WHEREAS, the Districts understand that it may be necessary for additional agreements to be executed between them regarding matters addressed herein, but desire at this time to establish the general framework for the implementation of the provisions of the Service Plan; and

WHEREAS, the Districts agree that any and all amendments made to this Agreement, pursuant to its terms, that do not conflict with the limitations of the ballot questions authorizing the debt represented by this Agreement, shall be deemed part hereof and fully authorized by said ballot questions.

COVENANTS

NOW, THEREFORE, in consideration of the promises, mutual covenants and stipulations contained herein, the Districts hereby agree as follows:

ARTICLE I

GENERAL PROVISIONS

1.1 Interpretation. In this Agreement, unless the context expressly indicates otherwise, the following words shall have the meanings set forth hereinbelow:

a. The terms "herein," "hereunder," "hereby," "hereto," "hereof," and/or any similar term, refer to this Agreement as a whole, not to any one article, section, or subdivision hereof; the term "heretofore" means before the date of execution of this Agreement; and the term "hereafter" means after said date of execution.

b. All definitions, terms, and words include both the singular and the plural, and all capitalized words or terms shall have the definitions set forth hereinbelow.

c. Words of masculine gender include the feminine and neuter genders; words importing the singular number include the plural, and vice-versa.

d. The captions or headings of this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provision, article, or section of this Agreement.

e. All schedules, exhibits, and addenda referred to in this Agreement are incorporated herein by this reference.

1.2 Effective Date and Term. Upon execution hereof, this Agreement shall represent the valid, binding and legally enforceable obligations of the Districts until such time as each of the terms and conditions hereof has been performed in their entirety, or until this Agreement is terminated pursuant to its terms.

1.3 Purpose and Scope of Agreement. The Districts agree that the statements set forth in this Section 1.3 are essential to the proper interpretation of this Agreement and are intended to clarify the general intent of the provisions contained herein, but are not intended to constitute an all-inclusive statement of the Districts' intentions; reference must also be made to the Service Plan for purposes of construing both this Agreement and the Districts' intent. The Districts agree that any one District shall be entitled to any remedy, order, judgment or action which is, or may be, necessary to make the intentions of the Districts operative, as the same are expressed herein. Therefore, in light of the foregoing statements of limitation, the districts' general intentions are as follows:

a. The Service Plan: 1) states that the Operating District will be responsible for managing the financing, construction, operation and maintenance of the "Facilities" (defined below) for the Districts' benefit; and 2) describes the nature of the relationship between the Districts and contemplates that this Agreement would be executed in order to effectuate that relationship.

b. The Operating District will have little to no assessed valuation within its boundaries from which general obligation "Bonds" (defined below) could be paid, and consequently contemplates that the Taxing District will issue "Bonds" that are appropriately secured or credit-enhanced by third parties. Therefore, the Service Plan: 1) allows, or does not prevent, the Operating District from issuing secured or credit-enhanced revenue "Bonds" for capital costs, which are expressly intended to be repaid via payments from the Taxing District and which may be refunded or repaid from the proceeds of general obligation indebtedness issued by the Taxing District, when adequate assessed valuation exists within its boundaries; and 2) contemplates that virtually all of the assessed valuation of the property to be developed within the Districts' service areas will be located within the boundaries of the Taxing District, and that the Taxing District will issue general obligation "Bonds" or revenue "Bonds" in the manner contemplated in the Service Plan in order to pay its obligations created by this Agreement. Bond proceeds will be used to construct said Facilities for the Taxing District in a manner consistent with the Service Plan. The Taxing District will issue general obligation "Bonds" to capture the value of increases in the tax base within the Taxing District that are caused, to a significant degree, by the availability of services and facilities from the Operating District. The transfer of "Bond" proceeds from the Taxing District to the Operating District is intended to result in an equitable allocation of the costs of the facilities to all of the properties that are benefited thereby.

c. The Service Plan contemplates that the essential terms of this Agreement concerning the costs of acquiring, constructing, or otherwise providing, as well as the costs of operating and maintaining, said Facilities would be voted upon by the Districts' electorate at their organizational election. The Districts recognize that numerous amendments and adjustments to this Agreement may be necessary over time; the foregoing statement comes with the caveat that any increase in the amount of the Taxing district's obligations to make payments to the Operating District, or any increase in the maximum annual tax increase or the total debt repayment cost beyond the amount set forth in ballot questions, may require additional voter authorization. The Districts agree that, unless they receive advice from legal counsel to the contrary, no further authorization of the electorate will be required to authorize other substantive changes to this Agreement.

d. The Taxing District acknowledges that the Operating District may, from time to time and as necessary, negotiate for, and obtain, certain security or credit enhancement for the Districts' "Bonds" from third parties who, as of the date hereof, own property within the Districts, and that if such security or credit enhancement is provided, substantial damage will result to said third parties in the event this Agreement is breached by any one District in any material manner. Consequently, the Districts agree that neither the Operating District nor the Taxing District shall be entitled to unilaterally terminate this Agreement and that this Agreement is intended to be strictly enforced to the maximum extent permitted by law. The Districts further

agree that this Agreement can only be terminated by following the express provisions of Article VIII, below. Nothing in this paragraph shall be construed as granting any rights to third parties.

e. The purpose of this Agreement is to set forth the rights and obligations of the Taxing District to fully fund, and of the Operating District to construct, own, transfer, operate and/or maintain said Facilities, which are of benefit to the Districts. This Agreement shall, in all circumstances, be interpreted in accordance with the Service Plan and the intentions expressed therein regarding the role of each District. The Districts acknowledge that performance of this Agreement for the full term hereof is key to the full implementation of the Service Plan. Therefore, any attempted material departure, unilateral termination, or material alteration to this Agreement by any one District, by judicial action or otherwise, shall constitute a "material departure" from the Service Plan for which the aggrieved District shall be entitled to seek appropriate legal or equitable remedies, such as negative injunctive relief, in accordance with Section 32-1-207, C.R.S., in addition to all other remedies set forth herein. Notwithstanding the foregoing, the agreements and acknowledgements of the Districts contained herein are expressed solely for the benefit of the Districts to aid in their efforts to enforce this Agreement, and shall not constitute, or be admissible as, admissions by any District in efforts which may be taken by any third person to enjoin the activities by any District under Colorado law.

f. The Districts agree that the Operating District is not, and shall not be considered or deemed, a service company or a regulated public utility as defined in Section 40-1-103(1)(a), C.R.S., or as such terms are defined in any Constitutional provision, statute, or law of the State of Colorado, or as defined in any rule or regulation of any entity or third person asserting jurisdiction in matters relating to this Agreement or its subject matter. The Districts further agree that, in the event the Operating District is ever determined to be a regulated public utility, it shall be exempt from any regulation by the Public Utilities Commission, or other special commission, pursuant to Article XXV and Article V, Section 35 of the Colorado Constitution, Sections, 32-1-1001(j)(k) and 32-1-1006, C.R.S., and other applicable statutes.

g. It is not the Operating District's intent to offer or provide services, by and through this Agreement, to members of the general public outside of the Taxing District's service area; the Operating District's sole intent is to offer and provide only those services contemplated in, and in accordance with, the Service Plan.

h. It is the Districts' intent to enter into this Agreement to further their interests and to comply with the Service Plan as quasi-municipal corporations conducting business in the State of Colorado.

i. It is not the Districts' intent to dedicate any of their property to a public use outside of their boundaries, to make any offer to provide service to the public outside of their service area, or to make any representation that either District is capable of providing service to the public at large through this Agreement; the Districts hereby expressly disavow any such claim to the contrary. The Operating District does not intend to offer to furnish service to the public or any individual resident or property owner outside of its service area, or the service area of the Taxing District, through this Agreement, nor shall it be construed as offering any such service under this Agreement; provided, however, that nothing contained herein shall prevent the

Operating District from providing such service to property owners outside of its service area through a separate contract or agreement.

j. This Agreement shall be construed as a private intergovernmental agreement between the Districts. The Districts expressly agree that no third person or entity other than the Taxing District shall receive actual service, or the rights thereto, from the Operating District; it is further expressly declared by the Districts that no third person or entity shall be construed as a third party beneficiary of this Agreement, unless otherwise expressly stated herein.

k. Individual users residing in the Taxing District shall only receive service from, and/or use of that portion of said Facilities that is owned by, the Operating District upon payment of "Development Fees," "User Fees," and/or "Charges," as the same are defined below, and/or taxes to, or for the benefit of, the Operating District or its designee, subject to the terms and conditions of this Agreement. No portion of said Facilities shall be dedicated for the private use or benefit of any third person or entity. Further, individual users residing in the Taxing District shall have no legally enforceable right to demand facilities or service of any kind from the Operating District; the services and facilities contemplated herein shall be only provided to the Taxing District, in accordance with this Agreement.

l. The Operating District shall be considered and deemed a contract carrier, not a common carrier.

m. The Districts agree that no effort shall be undertaken by any one District to request that the Public Utilities Commission of the State of Colorado, or any other regulatory authority or any other entity claiming jurisdiction of the subject matter hereof, supervise, take control, or regulate this Agreement, either District, or the property of any District in any manner. The Taxing District shall assist the Operating District in defending against any claim of such jurisdiction.

n. In the event that the Operating District defaults in payments of its own "Bonds," if any, and as a result thereof or of any action arising therefrom, the maximum term for repayment of said "Bonds" is increased from the maximum term set forth when said "Bonds" were issued, the obligations of the Taxing District shall continue in full force and effect subject to their termination at the date and time upon which the Taxing District's obligations would have terminated had the Operating District not defaulted on its "Bonds" or taken such actions which increased the maximum term of the Taxing District's obligations hereunder. This provision shall be applied only in the event that "Bonds" issued by the Operating District are restructured in any manner other than a normal refunding, or a refunding in the ordinary course of business.

ARTICLE II
DEFINITIONS

2.1 Definitions. As used herein, unless the context clearly and reasonably indicates otherwise, the following words, capitalized throughout the text of this Agreement, shall have the following meanings:

a. "Accounts:" the "Construction Account" and the "Service Account" collectively, as the same are defined below.

b. "Capital Costs:" those costs derived from the financing model contemplated in the Service Plan, which costs may be amended from time to time and which will be incurred by the Operating District for the purpose of planning, designing, constructing and/or acquiring, all or a portion of said Facilities including, but not limited to, the costs and fees associated with "Bond" (defined below) issuance, as well as:

1. All costs of materials that are attributable to the actual construction or acquisition of said Facilities, including all costs incurred to acquire the same from third persons as well as all related components and materials used therein, costs incurred for the acquisition of water rights, costs of organization of the Districts, and other costs or fees that are due or paid under cost recovery or other agreements with third persons, together with all costs incurred to obtain financing for said Facilities. For those items for which any construction contract requires that payment is to be made on a per unit basis, the construction cost shall be that amount actually paid pursuant to the construction contract so providing, which sum should reflect the cost of the actual quantities used; and

2. All labor costs incurred in the actual construction or acquisition of said facilities; and

3. All costs attributable to the construction or acquisition of said Facilities (or any part or component thereof) incurred as a result of change orders approved in accordance with a construction contract; and

4. All costs incurred for the design, planning, engineering, construction, management, landscape architecture and engineering, soil testing and inspection, line and systems testing and inspection that are attributable to said Facilities; and

5. Site and right-of-way acquisition costs, including legal fees; and

6. All legal and accounting costs incurred in connection with the financing, construction or acquisition of said Facilities; and

7. All costs for construction administration, financial, inspection and other professional fees together with any site, right-of-way, permit, or easement acquisition costs; and

8. Any other costs, expenses or expenditures associated with the furtherance of the construction of said Facilities; and

9. Any funds retained, or payments accrued and owing, by the Operating District for construction completed but not yet paid during any one "Budget Year," as the same is defined below.

c. "Agreement:" this Agreement and any amendment hereto, made in accordance herewith.

d. "Annual Payment Option:" the Taxing District's option, pursuant to Section 3.2 of this Agreement, to make payments for "Capital Costs" (defined below), as specifically permitted herein, except as such amounts are modified and adjusted pursuant to the terms hereof.

e. "Board" or "Boards:" the lawfully organized Boards of Directors of the Districts.

f. The term "Bonds" shall be defined in specific sections of this Agreement and may have different meanings, depending upon the specific context in which it is used.

g. "Budget Elements:" the specific elements of the Operating District's budget documents setting forth the anticipated capital costs for providing that portion of said Facilities that are proposed to be constructed during any one "Budget Year" (defined below), and shall also mean the specific elements of "Service" (defined below) to be provided by the Operating District during said Budget Year.

h. "Budget Year," the year immediately following the "Planning Year" (defined below) during which capital costs and service costs are to be incurred.

i. "Charges:" all rates, fees, tolls, charges or penalties imposed by the Districts, with the exception of development fees, *ad valorem* property taxes, or user fees.

j. "Commencement Date:" the first business day of any one month in which operation of any portion of said Facilities begins.

k. "Construction" shall include, but not be limited to, design engineering, construction, expansion, acquisition, maintenance, repair, replacement of said Facilities, and all appurtenances thereto that are necessary or convenient for the completion, use, and/or operation thereof.

l. "Construction Account:" the account created by the Operating District for the purpose of holding funds to be expended for the Construction of said Facilities and for other purposes contemplated in this Agreement.

m. "Construction Schedule:" the schedule showing the anticipated Facilities planned for Construction during a Budget Year.

n. "Development Fees:" the fees imposed and collected by the Districts, including pre-paid fees, for the right of the Taxing District's residents and property owners to connect, or gain access, to the Facilities.

o. "Districts:" the Operating District and the Taxing District collectively, including any duly authorized representative, officer, director, employee, agent, engineer, attorney and/or legal substitute thereof, as applicable.

p. "Emergency Repair:" any repair or replacement of said Facilities which, in the opinion of the Operating District, requires immediate action to avoid damage thereto, unscheduled interruption of service, or danger to the Districts' residents or property owners.

q. "Estimated Capital Costs:" the estimated costs for constructing or acquiring facilities for a Budget Year, derived in accordance with Section IV of this Agreement and as set forth in the Service Plan, subject to such modification as contemplated by the Service Plan.

r. "Estimated Service Costs:" the estimated costs for operation and maintenance of said Facilities and for the administration of the Districts for a Budget Year, derived in accordance with Section 5.7 hereof.

s. "Event of Default:" one of the events or the existence of one of the conditions set forth in Article VIII hereof.

t. "Facilities:" the facilities and improvements, whether public or private, that are generally described in the Service Plan.

u. "Final Budget:" this term shall derive its specific meaning from the context in which it is used, but shall generally mean the final budget established by the Operating District pursuant to the provisions of Article IV hereof regarding Construction of the Facilities, and pursuant to the provisions of Article V hereof, regarding "Service" (defined below).

v. "Major Repairs or Replacement:" any single repair or replacement of any portion of the Facilities which requires an estimated total expenditure in excess of \$25,000.00.

w. "Maximum Annual Payment:" shall mean either: (i) the highest payment that the Operating District may require the Taxing District to pay in any one year for the combination of Capital Costs and "Service Costs" (defined below) hereunder -- not to exceed the revenue that can be produced from the "Maximum Mill Levy" (defined below) -- together with other funds of the Taxing District legally available therefor; or (ii) 50% of the assessed valuation of the taxable property in the Taxing District, whichever is greater.

x. "Maximum Mill Levy:" the highest mill levy that the Operating District may require the Taxing District to impose for the payment of Capital Costs and "Service Costs" (defined below) under this Agreement, not to exceed the highest mill levy permitted under the Service Plan, and in no event not to exceed 55 mills, as set forth in Section 32-1-1101(6)(b) C.R.S. If another exemption for this Agreement is available under Section 32-1-1101(6) C.R.S., or if an adjustment is otherwise allowed by law, the Maximum Mill Levy shall be subject to automatic adjustment, as contemplated in the Service Plan.

y. "Operating District:" Foxhill Metropolitan District No. 1.

z. "Operations and Maintenance," and/or "Operations" or "Maintenance" whether such terms are used together or separately: the provision of such services by the Operating District that are necessary to assure the orderly and proper function of all of the Facilities; this term shall also include all general, administrative, accounting, legal, and similar services required by the Operating District to maintain its proper organization and existence and that of the Taxing District, as well as the proper functioning of all the Facilities, the issuance of bonds, and all other costs set forth by the Operating District and portions of its budget in any year which are not specifically designated as Capital Costs or Debt Service Costs.

aa. "Party" or "the Parties:" the Districts.

bb. "Person:" any individual, corporation, joint venture, estate, trust, partnership, association, or other legal entity, including governmental entities, other than the Districts.

cc. "Planning Year:" the year immediately preceding the corresponding Budget Year.

dd. "Plans:" the plans, documents, drawings, and other specifications prepared by or for the Operating District for the Construction, installation, acquisition, or connection to any Facilities, including any addendum thereto, and any change order, revision, and/or modification thereof.

ee. "Preliminary Budget Documents:" those documents prepared by the Operating District for submission to the Taxing District during the Planning Year, which may include a schedule for deposits into the Construction Fund Account and "Service Account" (defined below) and may include a proposed Construction Schedule for the Budget Year.

ff. "Service:" the provision of operations, maintenance and administrative services by the Operating District to the Taxing District, and the provision of water, sewer and such other services by the Operating District for which it shall be entitled to a User Fee, as the same is defined hereinbelow.

gg. "Service Account:" the account created by the Operating District for the purpose of holding funds to be expended for the operational expenses of the Districts and for other purposes contemplated in this Agreement.

hh. "Service Costs:" costs derived from the financing model, as set forth in the Service Plan and which may be amended from time to time, that are associated with the operation, maintenance, and administrative costs incurred in the performance of the duties and services required by this Agreement.

ii. "Service Fund:" the account, owned and established by the Operating District, into which the Taxing District shall deposit the Estimated Service Costs and the Service Costs for the Facilities and Services.

jj. "Service Plan:" the Consolidated Service Plan for Foxhill Metropolitan District Nos. 1 and 2 as approved by the Douglas County Board of County Commissioners, dated _____, as the same may be amended from time to time either by the Districts (informally as non-material modifications under Colorado law) or by official action of Douglas County. Any reference herein to the Service Plan shall include any and all amendments thereto, formal or otherwise, provided that the records of the Districts indicate or imply their approval of such amendments.

kk. "Taxing District:" Foxhill Metropolitan District No. 2.

ll. "Users:" the residents, property owners, or Persons served by, or receiving Service from, the Operating District.

mm. "User Fees:" periodic fees imposed and collected by the Operating District from residents and property owners in the Taxing District for monthly or other periodic Service provided by the Operating District.

ARTICLE III

**FINANCING OF THE FACILITIES AND OPERATIONS, MAINTENANCE AND ADMINISTRATIVE SERVICES
GENERAL TERMS**

3.1 No Additional Electoral Approval Required. Authorization for the issuance of debt, fiscal year spending, revenue collections and other constitutional matters requiring voter approval for purposes of this Agreement, the construction of Facilities, and the provision of operation, maintenance and administrative services pursuant to the terms hereof, was obtained from the Districts' electorate at elections held in accordance with law and pursuant to due notice. The performance of the terms of this Agreement requires no further electoral approval. To the extent that further voter authorization is required to give effect to any provision of this Agreement, the Taxing District agrees to use best efforts to obtain voter approval therefor and, if necessary, to cooperate in obtaining approval of an amendment to the Service Plan at the request of the Operating District. If any claim is filed in a court of competent jurisdiction that seeks to have this Agreement or any portion hereof declared void or unenforceable, or in any manner otherwise affecting this Agreement which could have a material adverse effect on any bonds issued by the Districts; or on the ability of the Operating District to conduct the activities

contemplated herein, the Taxing District shall take all necessary action and use best efforts to provide sufficient funds to the Operating District to enable it to perform all executory obligations hereunder. The Districts shall vigorously oppose such claims and the Taxing District shall cooperate in taking all such other curative action requested by the Operating District.

3.2 Payments for Capital and Service Costs. The Districts acknowledge and agree that the maximum amount of Capital Costs and Service Costs that may become due under this Agreement are not permitted to materially exceed the projections set forth in the Service Plan, as the same may be amended from time to time pursuant to the Special District Act and pursuant to the terms of the Service Plan. In the event the Operating District determines that inflation, contingencies or other unforeseen matters require an increase in the maximum amount of Capital Costs or Service Costs necessary for the Districts, and additional authorization is necessary to implement the terms of this Agreement to meet such requirements, the Taxing District agrees to use best efforts to obtain such additional authorization and, if necessary, to obtain approval of a Service Plan amendment. If, despite best efforts to do so, the Taxing District is not able to obtain such additional authorization and/or any necessary amendment to the Service Plan, the Operating District may, in its sole discretion, make downward adjustments of Capital Costs and Service Costs as necessary to equal the aggregate amount of authorization at that time. In the event such downward adjustments are made to Capital Costs and Service Costs by the Operating District, the Operating District shall notify the Taxing District of the revised amounts within 30 days thereafter. Capital Costs and Service Costs due under this Agreement shall be paid by the Taxing District upon the execution of this Agreement in payments to the Construction Account and Service Account, respectively, unless the following options are exercised:

a. Annual Payment Option for Capital Costs. At the Taxing District's option, it may pay the Capital Costs due hereunder to the Construction Account on an annual basis, in amounts determined in accordance with Article IV hereof; said payments shall be made without interest, except in an Event of Default. The Taxing District will have the option each year, in conjunction with the preparation of budgets under Article IV hereof, to either pay the then remaining balance of the maximum amount of Capital Costs in full, in an amount not to exceed the Capital Costs due under this Agreement, or to elect the Annual Payment Option described above and pay the Estimated Capital Costs for the next succeeding year as determined hereunder, subject to the provisions of Section 3.2.c. and Section 3.9 hereof. Election of the Annual Payment Option shall be made by way of written notice to the Operating District, at the time budget review and approval is conducted pursuant to Article IV hereof, and shall be deemed to have occurred in the absence of such notice upon adoption of a budget for the Budget Year in question by the Taxing District. The amount of payment due for the Annual Payment Option shall not be less than the greater of the amounts set forth in the Service Plan for capital construction costs or in the Final Budget of any given year, except as such amounts are adjusted and modified as permitted or required herein or in the Service Plan, but in no event in excess of the Maximum Annual Payment. The Districts recognize that the amounts set forth in the Service Plan are expressed in dollars which, in accordance with the Service Plan, may be adjusted for numerous factors subject to the overall limitation of the amount of debt of the Taxing District as set forth in the Service Plan.

b. Annual Payment Option for Service Costs. At its option, the Taxing District may pay the maximum amount of Service Costs due hereunder in annual payments to Service Account, in amounts determined in accordance with Article V hereof, payable without interest except in cases of an Event of Default. The Taxing District will have the option each year in conjunction with preparation of budgets in accordance with Section 5.7.c hereof to either pay in full the then remaining balance of the maximum amount of Service Costs, in an amount not to exceed the Service Costs due hereunder, or to elect the Annual Payment Option described above and pay Estimated Service Costs as derived in accordance with Section 5.7.c. hereof for the next succeeding year. Election by the Taxing District of the Annual Payment Option shall be made by delivery of a notice to the Operating District at the time budget review and approval is conducted pursuant to Section 5.7.c hereof and shall be deemed to have occurred in the absence of such notice upon adoption of a budget for the Budget Year in question by the Taxing District. The amount of payment due under the Annual Payment Option shall be not less than the greater of the amount set forth in the Service Plan for Service Costs or in the Final Budget of any given year, except as such amounts are adjusted and modified as permitted herein or in the Service Plan, but in no event in excess of the Maximum Annual Payment. The Districts recognize that the amounts set forth in the Service Plan are expressed in dollars which, in accordance with the Service Plan, may be adjusted for numerous factors subject to the overall limitation of the amount of debt of the Taxing District as set forth in the Service Plan.

c. Bond Payments. The Districts agree that the Taxing District shall use its best efforts to issue general obligation bonds at the points in time identified in the financial model contained in the Service Plan, as such financial model may be amended from time to time with or without a formal Service Plan amendment. If such bonds are issued, the Taxing District shall pay the proceeds thereof to the Operating District in full or partial satisfaction of the Taxing District's obligation to pay Capital Costs. All such payments received by the Operating District shall be applied to reduce the then remaining balance of the maximum amount of Capital Costs due under this Agreement to the Operating District. If the Taxing District has issued bonds and transferred the proceeds to the Operating District in full or partial fulfillment of its obligation to pay Capital Costs, the Taxing District's obligation to pay annual Service Costs and Capital Costs due under this Agreement shall be limited to the net revenue available to it after all annual payments are made on its bonds so that in no event shall it be required to make a payment hereunder in any year which would cause it to be unable to make full and timely payments of principal and interest on such bonds as the same become due and payable. The Taxing District shall also receive a credit against future Estimated Capital Costs if the net proceeds transferred to the Operating District exceed the Estimated Capital Costs for the year of issuance.

3.3 Accounts.

a. Upon the execution of this Agreement, the total Capital Costs and Service Costs due under this Agreement, or the Maximum Annual Payment for the year of execution hereof, shall be paid by the Taxing District to the Accounts, subject to the provisions of Section 3.2 (c) hereof. The total cumulative deposits into the Accounts by the Taxing District to cover Capital Costs and Service Costs shall not exceed the maximum amount of Capital Costs and Service Costs due hereunder, except as the same may be revised from time to time pursuant to, or as permitted, herein. The Districts specifically agree that in any given Budget Year, the

payments required pursuant to this Agreement may be more or less than the amounts required under the Final Budget as a result of adjustments to such amounts as permitted or required under Articles IV and VI hereof or elsewhere in this Agreement.

b. The Operating District may borrow funds or issue revenue bonds secured by the obligation of the Taxing District to faithfully perform its obligations under this Agreement. Accordingly, and pursuant to the authorization approved by the Taxing District's electorate at an election duly called and held in accordance with law and pursuant to Sections 3.6 and 3.7 hereof, the Taxing District hereby pledges its full faith and credit to the punctual performance of its obligations, financial or otherwise, under this Agreement, subject to and limited by the Maximum Mill Levy. The Taxing District further agrees that this Agreement constitutes contractual general obligation indebtedness that is subordinate to any bonds it issues and as limited hereby. Notwithstanding anything else to the contrary in this agreement, the Service Costs and Capital Costs shall be considered contractual debt of the Taxing District and shall not be considered general obligation bonds pursuant to Section 11-59-103(9) C.R.S., or under the limitations of the Service Plan.

3.4 Disbursements of Funds. The Operating District shall have the sole authority to withdraw monies from the Accounts and shall be accountable to the Taxing District for the funds so withdrawn and payments made therefrom, upon receipt of reasonable advance request. Funds deposited by the Taxing District into the Accounts, together with interest earned thereon, shall only be used to pay Capital Costs and Service Costs incurred by the Operating District pursuant to this Agreement. By its execution hereof, the Districts covenant, promise and agree not to undertake any act or commit any omission with respect to the Accounts, the moneys contained therein, or the Facilities, which would adversely affect the tax-exempt status of the interest paid on any tax-exempt bonds issued by the Districts for the purpose of funding the Accounts or constructing or acquiring the Facilities.

3.5 Total Capital Costs Carry-Forward. Except as set forth herein, or as otherwise agreed by the Districts, that portion of the Estimated Capital Costs set forth in the Final Budget, which exceeds the limits described in Section 4.4.b. hereof in any Budget Year and which cannot be paid by the Taxing District in such Budget Year because of such limits, shall automatically "carry forward" to the next Budget Year and shall become due as part of the next year's Estimated Capital Costs. This shall continue, and all amounts carried forward shall continue to accrue, from year to year until all previous and current Estimated Capital Costs are paid in full by the Taxing District to the Operating District in accordance with this Agreement.

3.6 Pledge of Security for Payment. The financial obligations of the Taxing District assumed hereunder shall be contractual, general obligation debt and shall be payable from *ad valorem* property taxes generated as a result of the certification of a mill levy not to exceed the Maximum Mill Levy, except as such obligations may actually be paid from any and all other revenues lawfully permitted to be used for such purpose. The full faith and credit of the Taxing District, subject to the Maximum Mill Levy and as limited hereby, is pledged to the punctual payment of all amounts to be paid hereunder. To the extent necessary, the amounts to be paid hereunder shall be paid out of the general revenue of the Taxing District or out of any funds legally available for that purpose, including bonds issued thereby. In order to generate and/or

reimburse said general revenue, and for the purpose of providing the necessary funds to pay all amounts due hereunder, the Taxing District's Board shall annually determine, fix and certify a mill levy for *ad valorem* property taxes to the Douglas County Board of County Commissioners, which, when levied on the taxable property located in the Taxing District, shall raise revenues which, when added to other funds of the Taxing District legally available therefor, will be sufficient to promptly and fully pay all amounts due hereunder, as well as all other general obligation indebtedness of the Taxing District, subject to the Maximum Annual Payment. The Taxing District further covenants to maintain a schedule of rates, fees, tolls and charges with respect to the provision of public services by the Operating District, which shall be sufficient, together with the proceeds of general *ad valorem* property taxes, if any, to pay the amounts to be paid hereunder, along with all other general obligation indebtedness of the Taxing District.

3.7 Effectuation of Pledge of Security, Current Appropriation The funds required to pay all amounts due hereunder are hereby formally appropriated for that purpose, and said amounts shall be included in the annual budget and appropriation resolution in each year that the obligations herein authorized remain outstanding and/or unpaid. No provision of any constitution, statute, resolution or other order or measure enacted after the execution of this Agreement shall, in any manner, be construed as limiting or impairing the obligation of the Taxing District to levy *ad valorem* property taxes in a manner other than as set forth herein, or as limiting or impairing the obligation of the Taxing District to levy, administer, enforce and collect the *ad valorem* property taxes for the payment of the obligations hereunder.

It shall be the Taxing District's duty to ratify and carry out the provisions hereof with reference to the levy and collection of *ad valorem* property taxes specified herein, and to require the officers of the Taxing District to cause the appropriate officials of Douglas County, to levy, extend and collect the same in the manner provided by law for the purpose of providing funds for the prompt payment of all amounts to be paid hereunder as they come due. Said duty must be exercised annually, at the time and in the manner provided by law for the levying of the Taxing District's taxes. Said tax, when collected, shall be applied only to the payment of the amounts to be paid hereunder and to other general obligation indebtedness of the Taxing District, as herein specified.

The Districts recognize that at the time of preparation of this Agreement it was anticipated that changes or modifications to this Agreement might be necessary as a result of requirements or regulations of the State Securities Commission or other regulatory authorities. Therefore, this Agreement may be modified as necessary to obtain authorization or consent from such Persons for this Agreement to be executed and continue in legal force and effect. This statement of permitted modification and amendment shall be deemed to supersede any contrary provision contained herein or in the Service Plan, if any, but shall not be deemed to limit the rights or powers of the Districts to modify or amend this Agreement as otherwise permitted herein or in the Service Plan.

3.8 Limited Defenses; Specific Performance It is understood and agreed by the Taxing District that its obligations hereunder are absolute, irrevocable, and unconditional except as specifically stated herein, and so long as any of its obligations remain unfulfilled, it shall not assert any rights of setoff, counterclaim, estoppel, or other defenses to its payment obligations, or

take or fail to take any action which would delay a payment to the Operating District or impair the Operating District's ability to receive payments due hereunder, notwithstanding any fact, circumstance, dispute, or any other matter. The Taxing District acknowledges that the Operating District may issue bonds or notes in order to enable the Operating District to fulfill its obligations hereunder and in so doing, the Operating District will rely upon performance of the Taxing District of its payment obligations hereunder to produce revenue for the Operating District sufficient to enable the Operating District to pay its Bonds.

Further, the Taxing District acknowledges that the Operating District may obtain financial commitments and security for its Bonds from third parties who shall be entitled to rely on the payment obligations of the Taxing District contained hereunder with respect to obligations that the Operating District makes in connection with such security. Accordingly, it is acknowledged by the Districts that the purpose of this Section 3.8 is to ensure that the Operating District receives all payments due herein in a timely manner in order to enable the Operating District to pay debt service on its Bonds for the benefit of Bondholders and such third parties. Notwithstanding that the Bondholders are not in any manner third party beneficiaries of this Agreement and do not have any rights in or rights to enforce, or consent to amendments of, this Agreement, the Taxing District acknowledges and agrees that unless payments are made to the Operating District during the pendency of any litigation, which may arise hereunder in connection with alleged defenses other than those specifically set forth in this Section 3.8, all payments shall be made by the Taxing District for the purpose of enabling the Operating District to make payments on its Bonds until such claims have been adjudicated. Notwithstanding that this Agreement specifically prohibits and limits defenses and claims of the Taxing District, in the event the Taxing District believes that it has valid defenses, setoffs, counterclaims, or other claims other than specifically permitted by this Section 3.8, it shall, nevertheless, make all payments to the Operating District as described herein and then may attempt or seek to recover such payments by actions at law or in equity for damages or specific performance, respectively.

In addition, and without limiting the generality of the foregoing, the obligations of the Taxing District to transfer funds to the Operating District for each payment described herein shall survive any determination by a court of the invalidity of this Agreement as a result of a failure, or alleged failure, of any of the directors of the Districts to properly disclose any potential conflicts of interest related hereto in any way, pursuant to Colorado law, provided that such disclosure is made on the record of Districts' meetings as set forth in their official minutes.

3.9 The Taxing District's General Obligation Bonds. The Taxing District acknowledges that the Service Plan permits it to issue general obligation Bonds or other instruments of debt solely for purposes of performing the Service Plan requirements. The Taxing District further acknowledges and agrees that the Service Plan contemplates that general obligation Bonds or other evidences of debt will be issued by the Taxing District solely for purposes of paying Capital Costs to the Operating District in general compliance with the Service Plan. Accordingly, unless the Service Plan is amended as permitted therein, the Taxing District agrees to, and shall, pay all of the proceeds of its Bonds, except capitalized interest, costs of issuance and reserve funds, to the Operating District immediately upon receipt of the same, or shall provide the Operating District with the right to requisition such funds as may be required pursuant to any indenture or other document entered in connection with the issuance of general

obligation Bonds, which amounts, when received by the Operating District, shall be allocated to the payment of Capital Costs and/or Service Costs as directed by the Taxing District. The Taxing District shall not be entitled to retain for its own use any such proceeds except capitalized interest, reserve funds, and in order to reimburse its general funds for the reasonable costs of issuance of such Bonds or other indebtedness until all obligations hereunder have been performed. If the Taxing District has issued general obligation Bonds and transferred the proceeds to the Operating District in partial fulfillment of its obligation to pay Capital Costs, the Taxing District's obligation to pay Service Costs and Capital Costs due under this Agreement shall be limited to the net revenue available to it after all annual payments are made on its Bonds so that in no event shall it be required to make a payment hereunder in any year which would cause it to be unable to make full and timely payments of principal and interest on such Bonds as the same become due and payable. The Taxing District shall receive a credit against future Estimated Capital costs if the net proceeds transferred to the Operating District exceed the Estimated Capital Costs for the year of issuance.

ARTICLE IV

FINANCING OF THE FACILITIES; ANNUAL CONSTRUCTION BUDGET; CONSTRUCTION OF THE FACILITIES

4.1 Preliminary Budget Process. During each year, the Operating District, in consultation with the Taxing District, shall prepare and submit to the Taxing District, upon request, a set of the Preliminary Budget Documents for the forthcoming Budget Year. If requested, the Operating District shall so deliver the Preliminary Budget Documents on or before September 15 of each Planning Year. The Preliminary Budget Documents shall set forth the Estimated Capital Costs for the Budget Year in accordance with generally accepted accounting principles. Those portions of the Facilities that are included in the Preliminary Budget Documents for planned construction shall be so included by the Operating District in light of the place and location of development in the Districts and after consultation with the Taxing District. The Estimated Capital Costs for each Budget Element shall include the Operating District's current best estimates of the cost of constructing those Budget Elements contemplated in the proposed budget, together with all costs incurred in furtherance of the Construction of the Facilities.

4.2 Budget Review and Approval. On or before October 15 of the Planning Year, the Taxing District shall review the Preliminary Budget Documents and either: (a) approve them, in which case the Preliminary Budget Documents shall become the Final Budget for the Budget Year; or (b) propose written additions to and/or deletions therefrom to the Operating District. Subject to the obligation of the Taxing District to pay Capital Costs or the Estimated Capital Costs to the Operating District, the Taxing District may propose additions and/or deletions of items from those portions of the Preliminary Budget Documents which directly obligate the Taxing District to appropriate and expend funds during the Budget Year, as set forth in Section 4.3, below.

4.3 Budget Revision. The Districts shall discuss and attempt to reach an agreement with respect to the Preliminary Budget Documents. In the event that no such agreement can be reached regarding any proposed additions and/or deletions to the Preliminary Budget Documents, then the Preliminary Budget Documents with any amendments made by the Operating District shall become the Final Budget, and budgeting, appropriation, and payment of the amounts required hereunder by the Taxing District shall be determined by referring to this Agreement; except as set forth below in Sections 4.4 and 4.6, the Taxing District's obligation to deposit funds to the Construction Account shall equal the maximum amount of Capital Costs which could become due hereunder or, if the Taxing District elects to pay the Estimated Capital Costs annually, the minimum payment required for the Budget Year in question, subject to the Maximum Annual Payment.

4.4 Automatic Budget Revision.

a. If the Taxing District: (a) fails to approve the Preliminary Budget Documents; (b) fails to timely provide written proposals for additions and/or deletions to the Preliminary Budget Documents; or (c) fails to adopt a resolution concerning any timely furnished written proposals; then the Preliminary Budget Documents for the Estimated Capital Costs shall become the Final Budget only insofar as the amounts budgeted therein for Budget Elements do not exceed the amounts allocated for the Budget Year in the Service Plan, as amended from time to time, or the Maximum Annual Payment. By way of example, should certain Facilities be proposed for the Budget Year and no written proposal therefor is submitted or no resolution of the Board of the Taxing District is approved in a timely fashion, then the Facilities in question shall be deemed approved and budgeted to the extent that money adequate to complete said Facilities is or has been allocated on the schedule and as set forth within the Service Plan for any and all Facilities for the year in question.

b. Notwithstanding anything to the contrary in this Article IV, in the event that the Taxing District elects to pay the Estimated Capital Costs on an annual basis, it shall only be required to fund the Maximum Annual Payment. If the Taxing District has issued Bonds and transferred the proceeds to the Operating District in partial fulfillment of its obligation to pay Capital Costs, its obligation to pay Service Costs and Capital Costs shall be limited to the net revenue available to it after all payments due on an annual basis are made on its Bonds so that in no event shall it be required to make any payment(s) hereunder which would cause it to be unable to make full and timely payments of principle and interest on such Bonds as the same become due and payable in succeeding years. The Taxing District shall also receive a credit against future Estimated Capital costs if the net proceeds transferred to the Operating District exceed the Estimated Capital Costs for the year of issuance. Any debt issued by the Taxing District for any purpose other than in satisfaction of its obligations under this Agreement shall be subordinate to its obligations hereunder.

c. It is anticipated that the funds for Capital Costs will be provided through the issuance of general obligation Bonds by the Taxing District in amounts sufficient to enable it to pay the Capital Costs or, at its option, the Estimated Capital Costs set forth in the Final Budget for each Budget Year, as the same may be adjusted as set forth herein; provided, however, that the Taxing District shall retain the discretion and authority to provide for and raise said funds in

any manner lawfully available to it, including but not limited to: (i) the issuance of Bonds (whether general obligation or revenue Bonds), debentures, notes, certificates, anticipation notes, and such other general or special obligations (including lines of credit) as it shall, in its sole discretion, determine to issue or incur; (ii) utilization of the Taxing District's power to raise funds in respect of the property and facilities located within its boundaries, via the imposition of fees, charges, and general *ad valorem* property taxes; and/or (iii) the creation and maintenance of debt reserve and contingency funds. In selecting one of the above courses of action in any one, specific instance, the Taxing District shall not be deemed to have surrendered, waived or delegated any powers with respect to the determination of the manner in which other financial obligations imposed by this Agreement are to be satisfied and otherwise discharged.

4.5 Appropriation of and Provision for Capital Fund. Following the preparation of Final Budget for the Budget Year pursuant to Sections 4.1 through 4.4 above, and provided that the Taxing District issues Bonds as contemplated in Sections 3.2.c and 3.9 hereof, the Taxing District shall budget, appropriate and transfer funds to the Construction Account for the Budget Year as required under the Final Budget and under Sections 3.2.c. and 3.9 to meet the full amount of Final Budget and its Sections 3.2.c and 3.9 obligations during the forthcoming Budget Year.

4.6 Adjustment of Annual Payment. If the Taxing District elects the Annual Payment Option of the Estimated Capital Costs, the Districts may, by mutual agreement, increase or reduce the deposit paid by the Taxing District into Construction Account (as set forth in Sections 4.2, 4.3 and 4.4, above). The Taxing District may also elect to increase the Annual Payment Option in any year. To the extent any Annual Payment Option is reduced or increased pursuant to this Agreement, or in the event Bond proceeds have been transferred to the Operating District pursuant to Sections 3.2.c. and 3.9 hereof, the remaining amount of Capital Costs due under this Agreement shall be adjusted proportionately. Unless the Districts agree otherwise, after due authorization, in no event shall any reduction or increase result in a reduction or increase in the obligation on the part of the Taxing District to pay the maximum amount of Capital Costs to the Operating District which could become due hereunder. In no event shall the Taxing District be required to fund an increase in excess of the Maximum Annual Payment.

4.7 Deposit and Funding of Capital Costs. If, upon determination of the Final Budget and no later than March 1 of an applicable Budget Year, the Taxing District has elected to pay the Estimated Capital Costs for the Budget Year, it shall make a deposit into the Construction Account to be used exclusively by the Operating District for funding the construction of the Facilities in an amount equal to the Estimated Capital Costs for the said Budget Year, subject to limitations as set forth herein. The Operating District shall account for the funds withdrawn from Construction Account. In the event that cost estimates as budgeted are insufficient to cover the Capital Costs incurred for those portions of the Facilities included in a Final Budget, and in the event construction contract change orders and similar such causes increase the costs incurred for the Facilities Construction, the Operating District shall call for supplemental deposits to be placed into Construction Account by the Taxing District as may be necessary to cover such increased costs, subject to the limitations of the Maximum Annual Payment. The Taxing District shall make such supplemental deposits within 30 days of the Operating District's request; in no event shall any such request result in a reduction or increase in the obligation on the part of the

Taxing District to pay to the Operating District the maximum amount of Capital Costs which could become due hereunder.

Any interest earned on the funds in the Construction Account shall be first applied toward payment of Construction costs. Any excess of the Estimated Capital Costs deposited by the Taxing District, and earned interest not expended for Construction as provided above, shall be returned to the Taxing District within 180 days following final payment of all costs relating to the completion of all of the Facilities set forth in the Service Plan.

4.8 Construction Account Ownership and Fiscal Year Spending. The funds deposited by the Taxing District into the Construction Account shall at all times remain the funds of the Taxing District until disbursed from the Construction Account; additionally, upon deposit, said funds shall be deemed part of the fiscal year spending of the Taxing District pursuant to Article X, Section 20 of the Colorado Constitution (TABOR). The foregoing funds expended from the Construction Account shall not be part of the fiscal year spending of the Operating District, which is acting as owner and manager, and which receives no funds from the Taxing District other than to provide Services, Facilities, and programs for the Taxing District.

All funds deposited by the Operating District into the Construction Account under this Agreement shall at all times remain the funds of the Operating District until disbursed from the Construction Account; additionally, upon deposit, said funds shall be deemed part of the fiscal year spending of the Operating District pursuant to Article X, Section 20 of the Colorado Constitution. The foregoing funds expended from the Construction Account shall not be part of the fiscal year spending of the Taxing District, which receives no funds from the Operating District.

4.9 Limitation of Authorization. The Districts recognize that certain obligations imposed upon the Districts by this Article IV constitute "debt," as the same is defined in the Colorado Constitution. At a duly called and noticed election, the electorate of the Taxing District authorized the incurring of indebtedness in an amount sufficient to fund the various obligations imposed by this Agreement, and also provided the Districts with the authority to enter into this Agreement. In no event shall any commitment, covenant, promise, or other obligation under this Agreement require the issuance or incurring of indebtedness by the Districts in excess of their respective voted indebtedness authorization.

4.10 Operating District to Construct and Acquire Improvements. The Operating District will, on behalf of the Taxing District, contract for and supervise the construction and acquisition of the Facilities described in the Service Plan and the applicable Final Budget for each Budget Year in such manner as the Operating District shall reasonably determine to be in the best interests of the Districts. Pursuant to this Agreement, the Operating District shall schedule, phase, and configure the Facilities to accurately and adequately provide for the needs of District's residents and property owners as reflected in development plans for the community, as the same may be revised officially from time to time and as development demands require. All construction shall be subject to good faith efforts of the Operating District to obtain all necessary governmental approvals. The Operating District shall exercise its best efforts to

comply with Colorado law and other applicable rules, regulations and orders in its contractual undertakings concerning the Construction and acquisition of the Facilities.

4.11 Final Plans and Specifications.

a. Prior to the construction and/or acquisition of any specific portion of the Facilities, the Operating District shall prepare and submit Plans to the Taxing District for specific Facilities. If no objection to the Plans is received within 15 days from the date of submittal, the Taxing District shall be deemed to have approved such Plans. If, within 15 days from the date of submittal of such Plans, the Taxing District provides a written objection to the Operating District, the Operating District and the Taxing District shall meet to resolve the objection and to arrive at an agreement in that regard. Said written objection shall only be valid if it alleges one or more of the following:

1. Such Plans are not in substantial compliance with generally accepted architectural and/or engineering standards; and/or
2. Such Plans are not in substantial compliance with any approved, final plat as approved by the proper legal entities or regulatory agencies having legal jurisdiction over a final plat of property within the Taxing District or the Operating District; and/or
3. Such Plans are not in substantial compliance with design standards applicable to the Districts or any other regulatory agency having jurisdiction over the matters concerned in such Plans.

If an agreement can not be reached between the Operating District and the Taxing District within 15 days from the date of said written objection, the matter shall be submitted to an appropriate professional engineer as may be agreed upon by the Districts, who shall, at the expense of the Taxing District, review such Plans for compliance with regard to the standards set forth in subparagraphs 1, 2, and 3 above, and whose decision regarding compliance, or regarding adjustments to accomplish compliance, shall be final. If said engineer finds that the objections are invalid, the Operating District may commence Construction. If said engineer finds that adjustments are needed to overcome valid objections, the Operating District may make such adjustments and thereafter commence Construction. If the Operating District disagrees with any adjustments suggested by said engineer, it may either: (a) elect not to build that portion of the Facilities at that time; (b) prepare alternate Plans and resubmit them to the Taxing District for approval as provided in Section 4.11 hereof; or (c) review alternate Plans with said engineer to work out acceptable alternatives utilizing sound engineering practice and then revise such Plans to satisfy all valid objections. In the event that the engineer approves said alternatives, the Operating District may make the changes to such Final Plans and proceed to construct the Facilities pursuant to this Agreement.

4.12 Construction Contracts. The Operating District shall cause Construction of the Facilities to be commenced on a timely basis subject to receipt of all necessary governmental approvals and the terms of this Agreement. The Operating District shall make available to the Taxing District copies of any and all construction contracts and related documents concerning

the Facilities. The Operating District shall diligently and continuously prosecute to completion the Construction of the Facilities. Approval of any change orders for which funds are or may be made available pursuant hereto shall be in the sole discretion of the Operating District after informational consultation with the Taxing District. The Taxing District shall have the right upon written request to review in advance all proposed change orders that will result in an increase in the total amount, taken in the aggregate, of the amount budgeted, appropriated and paid by the Taxing District into the Accounts for the Budget Year in question. Nothing in this or any other paragraph, Article or Section of this Agreement shall be construed to mean that any change order, or change orders, shall effect an expansion of any District's total financing obligation under this Agreement except as specifically permitted herein or in the Service Plan. The Taxing District shall not direct any Construction activities.

4.13 Completion of Construction. Prior to the final acceptance of any portion of the Facilities by the Operating District and prior to the issuance of a final certificate of payment under the terms of any construction contract, the Operating District shall take into account opinions expressed by the Taxing District, if any, and shall approve final payment and issue a final certificate of payment if the Operating District believes in good faith and pursuant to generally accepted standards of engineering and construction review, that construction has been accomplished in compliance with the conditions and terms of the construction contract involved.

4.14 Construction Claims. The Operating District agrees that it shall, to the extent it is practical and cost-effective as reasonably determined by the Operating District, assert against any contractor involved in constructing any Facilities which are contemplated by this Agreement any claim that the Operating District may have against the contractor according to the terms of any construction contract and/or construction guarantee and/or warranty.

4.15 Waiver of Requirements. The Districts agree that for so long as the Districts are holding joint Board meetings, the requirements of this Article IV with respect to the submission, review and approval of various documents shall be waived; provided, however that the minutes of the Districts' Board meetings reasonably reflect a cooperative effort of the Districts to prepare and adopt budgets, review and approve construction plans, and conduct other activities required by this Article IV.

ARTICLE V

OWNERSHIP AND OPERATION OF THE FACILITIES PAYMENT FOR SERVICES

5.1 The Facilities. Except as otherwise provided herein, the Operating District shall own all the Facilities and shall be responsible for the operation and maintenance of all the Facilities.

5.2 Sale of the Facilities. Notwithstanding any provision hereof to the contrary, in the event that the Operating District finds it is in the best interests of the Operating District and the Taxing District to sell, transfer, lease, dedicate, or otherwise convey any interest in any Facilities, or a part thereof, to another governmental, quasi-governmental, private, or utility

service supplier, the Operating District may do so upon such reasonable terms as are determined by the Operating District consistent with the Service Plan and provided that tax-exempt Bonds of the Districts are not negatively affected. The Districts agree and acknowledge that the Service Plan contemplates that water, wastewater, roads, and other facilities may be transferred or leased to other governmental entities for operation and maintenance purposes, and that such entities shall have the right to impose and collect service charges for services they provide. Nothing contained herein shall constrain the ability of the Operating District to enter into and perform such agreements or enter into and perform singular agreements for coordinated provision of services among various governments.

5.3 Management Services. The Operating District shall perform the following services for the Taxing District:

- a. Serve as the “official custodian” and repository for the Taxing District’s records, and emergency communication services for the Operating District’s Facilities, file space, incidental office supplies and photocopying, meeting facilities and reception services.
- b. Coordination of all Board meetings to include:
 - 1. Preparation and distribution of agenda and information packets.
 - 2. Preparation and distribution of meeting minutes.
 - 3. Attendance at Board meetings
 - 4. Preparation, filing and posting of legal notices required in conjunction with the meeting.
 - 5. Other details incidental to meeting preparation and follow-up.
- c. Ongoing maintenance of an accessible, secure, organized and complete filing system for the Taxing District’s official records.
- d. Monthly preparation of checks and coordination of postings with an accounting firm.
- e. Periodic coordination with an accounting firm for financial report preparation and review of financial reports.
- f. Insurance administration, including evaluating risks, comparing coverage, processing claims, completing applications, monitoring expiration dates, processing routine written and telephone correspondence, etc. Ensure that all contractors and subcontracts maintain required coverage for the Taxing District’s benefit.

g. Election administration, including preparation of election materials, publications, legal notices, pleadings, conducting training sessions for election judges, and generally assisting in conducting the election.

h. Budget preparation, including preparation of proposed budget in coordination with an accounting firm, preparation of required and necessary publications, legal notices, resolutions, certifications, notifications and correspondence associated with the adoption of the annual budget and certification of the tax levy.

i. Response to inquiries, questions and requests for information from the Taxing District's property owners and residents and others.

j. Drafting proposals, bidding contract and construction administration, and supervision of contractors.

k. Analysis of financial condition and alternative financial approaches, and coordination of Bond issue preparation.

l. Oversee investment of District funds based on investment policies established by the Board but in any case in accordance with state law.

m. Provide liaison and coordination with other governments.

n. Coordinate activities and provide information as requested to an external auditor engaged by the Board.

o. Establish and maintain system for selling and recording water and sewer taps including an inventory management system.

p. Supervise and ensure contract compliance of all Taxing District's service contractors, including the establishment and maintenance of preventive maintenance programs.

q. Coordinate legal, accounting, engineering and other professional services to the Taxing District.

r. Perform other services with respect to the operation and management of the Taxing District as requested by their Boards.

In addition to these services, when other services are necessary in the opinion of the Operating District, the Operating District shall recommend the same to the Taxing District, or perform such services and report to the Taxing District the nature of such services, the reason they were required, and the result achieved. The Operating District may, with the approval of the Taxing District, provide professional services and operation and maintenance services to the Taxing District in lieu of retaining consultants or contractors to provide those services.

5.4 Record Keeping and Financial Planning.

a. In connection with the Construction, acquisition, operation, maintenance, and administration of the Facilities, the Operating District shall maintain accounts for the Taxing District in accordance with generally accepted accounting principles, and present regular financial reports, including summaries of receipts and disbursements. These materials shall be available for examination by the Taxing District during regular business hours upon written request. If the Taxing District causes an audit of the books of account and financial reports maintained pursuant to this Section and said audit shall lead to a legal determination of negligence, fraud, or knowing misconduct in the performance of the duties required of the Operating District by this Agreement, the Operating District shall promptly reimburse the Taxing District for the cost of the audit as well as for any additional sums deemed payable as a result of the audit. Otherwise, the costs of such audit shall be borne by the Taxing District.

b. The Operating District shall also:

1. Assist any auditors hired by the Taxing District in the preparation of its yearly audit as required by the laws of the State of Colorado; and

2. Assist the Taxing District in analyzing the Taxing District's long and short-term capital improvements needs and assist in the development of long and short-term capital improvement plans to meet those needs; and

3. Advise and assist the Taxing District by analyzing the Taxing District's long and short-term financial needs and presenting the Taxing District with long and short-term financial proposals to meet those needs; and

4. Keep and maintain accurate files of all contracts concerning the Facilities, and all other records necessary to the orderly administration and operation of the Facilities which are required to be kept by statute or by regulation of the State of Colorado or the United States; and

5. Advise and assist the Taxing District in making applications for and in administering various state and federal grant programs, and operate and maintain the Facilities in accordance with the requirements of such programs and in accordance with all federal, state, and local laws and regulations; and

6. Perform such other services as may from time to time be reasonably necessary to assure that the Taxing District is in compliance with all applicable federal and state statutes and regulations and with county and local laws applicable to the operation of the Facilities; provided, however, that all such expenditures shall be made and reimbursed in accordance with this Agreement.

5.5 The Operating District to Provide Operators. The Operating District shall provide operators, which operators shall perform duties including, but not necessarily limited to the following:

- a. Operation and maintenance of the Facilities to be operated and maintained by the Operating District.
- b. Cooperation with state, county, and federal authorities in providing such tests, as are necessary to maintain compliance with appropriate governmental standards.
- c. Permitting and supervising the connection of lines to private developments.
- d. Coordinating construction with various utility companies to ensure minimum interference with the Facilities.
- e. Performing normal maintenance and normal repairs necessary to continue the efficient operation of the Facilities.
- f. Providing for the services of subcontractors necessary to maintain and continue the efficient operation of the Facilities.
- g. Providing for emergency preparedness, consisting of a centralized telephone number maintained to provide adequate response to emergencies, including but not limited to, interruption of service because of line breaks, freeze-ups, or other mechanical problems.

5.6 Major Repairs and Replacements. The Operating District shall maintain and operate the Facilities including the procuring of all inventory, chemicals, parts, tools, equipment, and other supplies necessary to perform the services required under this Article. Major Repairs or Replacement to the Facilities shall be paid by the Taxing District. Such payments shall be made within 30 days from the date on which the Operating District presents an itemized estimate of the cost of the Major Repairs or Replacement. Except for Emergency Repairs, and any Major Repairs or Replacements which are not funded by the Taxing District, all Major Repairs or Replacements must be previously approved by the Taxing District.

5.7 Financial Matters.

a. **Payment of Service Costs.** Unless the Taxing District pays the maximum amount of Service Costs that could become due hereunder upon execution hereof, the Taxing District shall pay all Service Costs in accordance with this Article V. It is the desire and intent of the Districts that, to the extent possible, the operation, maintenance, and administration costs incurred by the Operating District in the performance of the duties and services required by this Agreement be paid through the operation of this Article by the imposition by the Taxing District of taxes against the taxable property lying within their boundaries, thus and to that extent avoiding the necessity for the Operating District to exercise its power to assess fees, rates, tolls and/or charges for the purpose of paying all or any part of such costs directly on Users. Nevertheless, nothing herein shall be construed as a limitation on the powers granted to the Operating District by Colorado law, and/or as restated in this Agreement, to recoup all or any

portion of such operation, maintenance, and administration costs which are not paid through the operation of this Article, and whether or not they exceed the Service Costs, through the use of such alternative measures as the Operating District may be authorized by Colorado law to utilize for that purpose.

b. Preliminary Budget Process. During each year, the Operating District, in consultation with the Taxing District and in the same manner as is provided in Article IV, above, shall prepare and submit to Taxing District a set of Preliminary Budget Documents for the forthcoming Budget Year. The Operating District shall deliver the Preliminary Budget Documents to the Taxing District on or before September 15 of each Planning Year. The Preliminary Budget Documents shall set forth the Estimated Service Costs for the Budget Year in accordance with generally accepted accounting principles. Estimated Service Costs for each Budget Element shall include the Operating District's current best estimates of the operation, maintenance, and administration costs to be incurred by the Operating District in the performance of the Service required by this Agreement.

c. Budget Review and Approval. On or before October 15 of the Planning Year, the Taxing District shall either: (a) approve the Preliminary Budget Documents (in which case the Preliminary Budget Documents shall become Final Budget for the Budget Year), or (b) propose in writing to the Operating District additions to and/or deletions from the Preliminary Budget Documents. Subject to the obligation to pay the maximum amount of Total Services Costs which could become due hereunder or Estimated Service Costs to the Operating District, as set forth herein, the Taxing District may propose such additions to and/or deletions from those portions of the Preliminary Budget Documents which directly obligate the Taxing District to appropriate and expend funds for services during the Budget Year.

d. Budget Revision. The Districts shall discuss and attempt to reach an agreement with respect to the Preliminary Budget Documents. In the event that no agreement can be reached between the Operating District and the Taxing District with regard to any proposed additions and/or deletions to the Preliminary Budget Documents, then the Preliminary Budget Documents with any amendments agreed to by the Operating District shall be Final Budget, and budgeting, appropriation, and payment of the amounts called for hereunder shall be determined by reference to this Agreement and except as set forth below, the Taxing District's obligation to deposit funds to Service Account shall equal the maximum amount of Service Costs which could become due hereunder, or if elected, Estimated Service Costs required for the Budget Year in question.

e. Automatic Budget Revision.

1. If the Taxing District (a) fails to approve the Preliminary Budget Documents, or (b) fails to provide written proposal for additions and/or deletions to the Preliminary Budget Documents in a timely fashion, or (c) proposes written proposal for additions and/or deletions to the Preliminary Budget Documents in a timely fashion but no resolution by each Board concerning said proposals is adopted in a timely fashion; then the Preliminary Budget Documents with any amendments agreed to by the Operating District and Estimated

Service Costs shall be Final Budget, and Estimated Service Costs for the Budget Year shall be paid in accordance with this Article V.

2. Notwithstanding anything set forth above to the contrary in this Article V, in the event that the Taxing District does not pay the maximum amount of Service Costs which could become due hereunder upon execution hereof, the Taxing District shall only be required to fund the Maximum Annual Payment. Should the maximum amount to be funded under the operation of this subparagraph 2 be less than Estimated Service Costs, then the "carry-forward" concepts of Section 3.5 hereof for Capital Costs shall likewise apply for Estimated Service Costs.

3. It is anticipated that the funds for Service Costs will be provided through the levying of ad valorem property taxes by the Taxing District in amounts sufficient to enable the Taxing District to pay the maximum amount of Service Costs which could become due hereunder or, at the Taxing District's option, Estimated Service Costs for each Budget Year; provided, however that the Taxing District shall retain the discretion and authority to provide for and raise said funds in any manner lawfully available to the Taxing District including, but not limited to: (i) the issuance of Bonds (whether general obligation or revenue Bonds), debentures, notes, certificates, anticipation notes, and such other general or special obligations of the Taxing District (including lines of credit) as the Taxing District shall in its discretion determine to issue or incur; (ii) the utilization of the Taxing District's power to raise funds in respect of the property and facilities located within its boundaries, as, for example, through the imposition of fees and charges; and/or (iii) the creation and maintenance of operations reserves and contingency funds. The Taxing District shall not be deemed to have surrendered or delegated any powers with respect to the determination of the manner in which the financial obligations imposed by this Agreement are to be satisfied and otherwise discharged. It is specifically contemplated and agreed by the Districts that the Taxing District's obligation to pay Service Costs in the maximum amount set forth in Section 2.1 hereof is a general obligation indebtedness of the Taxing District subject to limitations expressed herein, and that mill levies imposed by the Taxing District for such costs shall be treated and constitute debt service mill levies for all legal and constitutional purposes. Revenues received by the Operating District shall be deemed and constitute revenues for Services provided.

5.8 Appropriation of and Provision for Service Fund. Following the preparation of Final Budget for the Budget Year pursuant to Section 5.7 above, the Taxing District shall budget, appropriate and prepare to transfer funds to Service Account for the Budget Year as required under Section 5.10 and as required under Final Budget to meet the full amount of Final Budget during the forthcoming Budget Year, or such portion thereof as may be funded through the Maximum Annual Payment, as described in Section 5.7.e.2, above, whichever is the lesser amount.

5.9 Adjustment of Annual Payment. If the Taxing District does not pay the maximum amount of Service Costs set forth in Section 2.1 hereof upon execution hereof, it shall be deemed to have made a continuing election to pay Estimated Service Costs on an annual basis until such time as the Taxing District affirmatively elects to pay and actually pays the then remaining balance of the maximum amount of Service Costs set forth in Section 2.1 hereof. The Districts

may, as set forth in Section 5.7 above, agree to increase or reduce the deposit by the Taxing District into Service Account on an annual basis for Estimated Service Costs. The Taxing District may also unilaterally decide to increase the payment in any year. Unless otherwise agreed by the Districts after due authorization, in no event shall any reduction or increase result in a reduction or increase in the obligation on the part of the Taxing District to pay the maximum amount of Service Costs defined in Section 2.1 hereof to the Operating District, subject to the limitations of the Maximum Annual Payment.

5.10 Service Accounts.

a. Deposit. In accordance with Article III above, unless otherwise agreed by the Operating District and the Taxing District, the Taxing District will have deposited into Service Account the maximum amount of Service Costs which could become due hereunder or, if not paid, will have deposited (or shall be required to make a deposit for the initial Budget Year of this Agreement, Estimated Service Costs in the amount of \$100,000.00. Commencing in the Budget Year which immediately follows the initial Budget Year and continuing thereafter, the Taxing District shall deposit Estimated Service Costs for such Budget Year into Service Account in such amounts as the Districts may agree to in the preparation of Final Budget, but unless otherwise agreed, such deposit shall be in an amount not less than Estimated Service Costs in the Final Budget for the Budget Year in question. Said deposit shall be made on or before March 1 of the Budget Year. The Operating District shall have the authority to make withdrawals or payments from Service Account, and the funds deposited in Service Account, together with interest earned thereon, shall be used solely for the purpose of paying Service Costs for the Budget Year.

b. Adjustments for Deficiencies. If it appears to the Operating District that Service Costs for the Budget Year will exceed the amount deposited into Service Account by the Taxing District, the Operating District may, by written notice, call for supplemental deposits to cover such increased costs and the Taxing District shall make such supplemental deposits into Service Account within 10 days after receipt of such written notice. If and in the event Service Costs exceed the amount deposited in Service Account or exceed the amount of Estimated Service Costs permitted to be paid under Section 5.7.e.2. hereof, and/or a call for supplemental deposits would result in a deposit by the Taxing District that exceeds permitted payment amounts for the year in question, the Operating District may fund the deficiency through its powers to impose rates, fees, tolls, penalties, and charges under Colorado law directly on all Users with or without the consent of the Taxing District.

c. Accounting. All deposits and/or withdrawals made with respect to Service Account shall be separately accounted for by the Operating District. In all cases, the Operating District shall use its best efforts in the operation, maintenance, and administration of the Facilities to not exceed Estimated Service Costs for Service during the Budget Year.

5.11 Service Account Ownership and Fiscal Year Spending. All funds deposited by the Taxing District into Service Account at all times shall remain the funds of the Taxing District until disbursed from said Account but upon deposit shall be deemed to be part of the fiscal year spending of the Taxing District pursuant to Colorado Constitution Article X, Section 20. Funds

expended from Service Account shall not be part of the fiscal year spending of the Operating District, which is acting as owner and manager, and which is receiving no funds from the Taxing District other than to provide services, facilities, and programs for the Taxing District.

All funds deposited by the Operating District into Service Account at all times shall remain the funds of the Operating District until disbursed from said Account and shall be deemed to be part of the fiscal year spending of the Operating District's pursuant to Article X, Section 20 of the Colorado Constitution, but the Operating District's funds expended from Service Account shall not be part of the fiscal year spending of the Taxing District, which are receiving no funds from the Operating District.

5.12 Limitation of Authorization. The Districts recognize that certain obligations imposed upon the Taxing District by this Article constitute "debt" (as defined in the Constitution of the State of Colorado). At duly called and noticed elections, the electorate of the Taxing District authorized the incurring of indebtedness by the Taxing District in an amount sufficient to fund the various obligations imposed by this Agreement, and also approved entry into this Agreement by the Taxing District. In no event shall any commitment, covenant, promise, or other obligation under this Agreement require the issuance or incurring of indebtedness by the Districts in excess of their respective voted indebtedness authorization.

5.13 Waiver of Requirements. The Districts agree that for so long as the Districts are holding joint Board meetings, the requirements of this Article V with respect to the submission, review and approval of various documents shall be waived; provided, however, that the Minutes of the Districts' Board meetings reasonably reflect a cooperative effort of the Districts to prepare and adopt budgets, review and approve maintenance and other plans, and conduct other activities required by this Article V.

ARTICLE VI

CONTRACT SERVICES; SPECIAL PROVISIONS

6.1 Contract Service Area. For purposes of this Agreement, and to clarify the continuing obligation of the Operating District to provide Service to the Taxing District and its inhabitants, the territory currently within the boundaries of the Taxing District (as the same is enlarged or reduced from time to time) is hereinafter referred to as the "Contract Service Area." No enlargement or reduction of Contract Service Area or any other amendment of this Agreement may be made except by mutual agreement entered into with the same formality as that employed in the execution of this Agreement. Nothing herein shall be construed to provide the Operating District with a veto power over inclusions or exclusions of land approved by the Board of the Taxing District's but the Operating District shall hold a veto power over any Taxing District's inclusion from becoming a part of Contract Service Area under this Agreement.

6.2 General Provision Regarding Service; Charges.

a. Contract Service. The Operating District agrees to provide Service contemplated by the Service Plan to the Taxing District provided that the Taxing District

observes and performs the covenants and agreements hereof. Service shall be provided pursuant to duly adopted rules and regulations of the Operating District. The Operating District shall be permitted to enter into such agreements with other entities or Persons for the provision of water and sanitation services. Such arrangements shall be permitted, as deemed appropriate by the Operating District, which are reasonably necessary, consistent with the Service Plan, to secure necessary Service for the Taxing District.

b. Maintenance Services. The Operating District shall maintain all the Facilities in such manner as is necessary in its sole discretion to provide Service to the Taxing District of the quality contemplated in the Service Plan. The Taxing District agrees that the Operating District shall be entitled to provide Service to any Facilities by contract with lawfully authorized service providers.

c. Rights of the Operating District. The Taxing District grants to the Operating District the right to construct, own, use, connect, disconnect, modify, renew, extend, enlarge, replace, convey, abandon or otherwise dispose of any and all of the real property, improvements thereto, the Facilities or appurtenances thereto, and any and all other interests in property, real, personal or otherwise within the Taxing District's control to enable the Operating District to perform its obligations to provide Service to the Taxing District. The Taxing District grants to the Operating District the right to occupy any place, public or private, which the Taxing District might occupy for the purpose of fulfilling the obligations of the Operating District as set forth herein. To implement the purposes of this Agreement, the Taxing District agrees to exercise such authority, to do such acts, and to grant such easements as may reasonably be requested by the Operating District, provided that any legal, engineering, technical or other services required, or costs incurred, for the performance of this obligation shall be performed by a Person or Persons in the employment of or under contract with, and paid by, the Operating District.

d. User Fees and Development Fees. The Operating District may establish, revise, impose and collect (or assign collection of) all fees, rates, tolls and charges permitted by Colorado Law for Services or Facilities provided within the Taxing District by the Operating District either directly or by contract through other entities, including surcharges for Service provided under contracts or other arrangements developed by the Operating District. All such charges shall be referred to as and be "User Fees." In addition, the Operating District may at any time impose, set or change the rate of, and/or waive or discontinue, system development charges, tap fees, participation charges, and such other rates, fees, tolls, charges, penalties, or combinations thereof, which are utilized for any purpose, and may waive any such fees or charges for classes of Users. User Fees and Development Fees are separate charges and one does not include the other or any part thereof. Development Fees shall be uniform among members of each class of Users within the contract Service Area as "class" is defined by the Operating District. User Fees and Development Fees shall remain in full force and effect until the Operating District shall deem it necessary to raise or lower either or both of such charges. The Taxing District agrees that it shall not permit any connection to or use of the Facilities by any Person without the Operating District's written consent unless this Agreement has been voluntarily terminated by the Districts in accordance with the provisions hereof. In no event shall connection to the Facilities be permitted unless an appropriate tap permit has been received

by Persons desiring to connect to the Facilities and unless the Operating District consents thereto, which consent shall not be unreasonably withheld.

e. Fee Imposition and Collection; Reserves. User Fees and Development Fees established by the Operating District shall be reasonably related to the overall cost of Service and Facilities for which such rates, fees, tolls, and charges are imposed. Methods of collection and schedules of charges for Service may be applied uniformly among Users similarly situated. Methods of collection and schedules of connection charges for Contract Service Area shall be determined by the Operating District. The Operating District shall have the right to delegate or assign its fee imposition and collection power to a billing or service entity of its choice.

f. Taxing District's Surcharge. The Operating District shall have sole authority to impose all charges for Service; provided, however, that for the purpose only of satisfying its obligations to the Operating District hereunder, or retiring the Taxing District's general obligation or other indebtedness, and the interest thereon outstanding as of the date hereof or as the same may be issued or refunded from time to time, the Taxing District may request that the Operating District impose surcharges on the Operating District's User Fees and Development Fees for the purpose of supplementing other revenues of the Taxing District in the payment by the Taxing District of any such general obligation or other indebtedness. Conditional upon granting its consent to such request, the Operating District hereby agrees to and shall impose and collect such surcharges in the same manner along with its own charges and shall remit the same to the Taxing District as and when collected.

g. Right to Provide Service. The Taxing District agrees that it shall not attempt to provide services or facilities of any kind to its residents and property owners without first offering the Operating District the opportunity to provide such services or facilities, and in no event shall services or facilities be provided by the Taxing District which are intended under the Service Plan to be provided by the Operating District. The Taxing District further agrees that it shall not impose any fee or charge of any kind on any person without consent of the Operating District which may be denied by the Operating District if it believes, in its sole and reasonable discretion, that such fee or charge would materially adversely affect the financial structure of the Operating District or interfere with the Operating District's performance of this Agreement, including payment of its Bonds or other obligations. In no event shall the Taxing District be entitled to impose any fee or charge of any kind with respect to any element of any Service or Facility, or the availability thereof, which is the subject of this Agreement.

h. Changes in Fees. It is mutually agreed that the duration of this Agreement is such that the passage of time will require changes in the charges to be made for Service to be rendered hereunder in the Contract Service Area. The Operating District may modify the schedule of charges for Services provided hereunder, from time to time, in its discretion, provided:

1. Such modification will become effective not earlier than 30 days after any changed schedule of charges shall be adopted by the Operating District.

2. The Operating District will take reasonable steps to notify the Taxing District and each Customer in Contract Service Area of such change within a reasonable time after such change has been adopted.

i. Rules and Regulations. All rules and regulations, and amendments thereto, placed in force by the Operating District from time to time concerning the operation of the Facilities and provision of any Service shall be as fully enforceable in Contract Service Area as inside the Operating District. The Taxing District retains the full right to make and enforce rules not inconsistent with the Operating District's rules to govern Users in Contract Service Area. The Taxing District agrees to exercise any rule making or police power it may have to assist the Operating District in enforcing the Operating District's rules and regulations.

j. Variable Water Supply. The Districts agree and recognize that resources needed for Service for Contract Service Area are dependent upon resources with respect to which the supply is variable in quantity and beyond the control of the Operating District. No liability shall attach to the Operating District on account of any failure to accurately anticipate availability of the water supply, or the possibility that it may be expended, or because of an actual failure of the water supply due to occurrences beyond the reasonable control of the Operating District.

k. Limitation of Services. The Districts agree that in order to comply with any applicable law, rule, directive or order, and to enable it to provide adequate Service to the Operating District and the Taxing District, as well as other Users of the Operating District in time of shortage or other practical or legal limitations on the ability of the Operating District to provide the Service contemplated hereby, the Operating District may limit the delivery of Service.

l. Suspension of Construction of the New Facilities. In order to reduce the likelihood of the limitation of delivery of Service to Users, the Operating District may suspend the construction of the Facilities in Contract Service Area. The Operating District agrees to give a 6 month, advance written notice to the Taxing District of such suspension, unless the Operating District reasonably determines that circumstances require a shorter period.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

7.1 General Representations. In addition to the other representations, warranties and covenants made by the Districts herein, the Districts make the following representations, warranties and covenants to each other, and may be held liable for any loss suffered as a consequence of any misrepresentation or breach under this Article VII:

a. Each District has the full right, power and authority to enter into, perform and observe this Agreement.

b. Neither the execution of this Agreement, the consummation of the transactions contemplated hereunder, nor the fulfillment of or by the compliance with the terms and conditions of this Agreement by each District will conflict with or result in a breach of any terms, conditions, or provisions of, or constitute a default under, or result in the imposition of any prohibited lien, charge, or encumbrance of any nature under any agreement, instrument, indenture, or any judgment order, or decree to which any District is a party of by which any District is bound.

c. This Agreement is the valid, binding and legally enforceable obligation of the Districts and is enforceable in accordance with its terms.

d. The Districts shall keep and perform all of the covenants and agreements contained herein and shall take no action that could have the effect of rendering this Agreement unenforceable in any manner.

ARTICLE VIII

DEFAULT, REMEDIES AND ENFORCEMENT

8.1 Events of Default. The violation of any provision of this Agreement by any District, the occurrence of any one or more of the following events, and/or the existence of any one or more of the following conditions shall constitute an Event of Default under this Agreement.

a. The failure to pay any payment when the same shall become due and payable as provided herein and to cure such failure within 3 business days of receipt of notice from the Operating District of such failure;

b. The failure to perform or observe any other covenants, agreements, or conditions in this Agreement on the part of any District and to cure such failure within 10 days of receipt of notice from the other District of such failure;

c. The filing of a voluntary petition under federal or state bankruptcy or insolvency laws by the Taxing District or the Operating District or the appointment of a receiver for any of the Taxing District's assets which is not remedied or cured within 30 days of such filing or appointment;

d. Assignments by the Taxing District for the benefit of a creditor and a failure to cure such assignments within 10 days of receipt of written notice from the Operating District; or

e. The dissolution, insolvency, or liquidation of the Taxing District or the Operating District and a failure to cure such dissolution, insolvency or liquidation within 10 days of receipt of written notice.

8.2 Remedies on Occurrence of Events of Default.

a. Statement of Damages. It is agreed that the damage to the Operating District for failure of the Taxing District to perform this Agreement in all its essential parts will be not less than the reproduction cost of the Facilities installed, replaced or used by the Operating District to supply Service to Contract Service Area less the capital costs previously paid by the Taxing District, which damage the Taxing District agrees to pay immediately upon demand by the Operating District.

b. Rights and Remedies. Upon the occurrence of an Event of Default, the Districts hereto shall have the following rights and remedies that may be pursued hereof:

1. In the event of breach of any provision of this Agreement, including but not limited to the failure of the Taxing District to appropriate funds after a Final Budget is determined, and the failure of the Operating District to commence Construction, if not prohibited by law, regulation or other circumstances beyond the Operating District's control, within a reasonable time after the start of each Budget Year for which funds were appropriated for Construction, in addition to contractual remedies, any District may ask a court of competent jurisdiction to enter a writ of mandamus to compel the Board of the defaulting District to perform its duties under this Agreement, and any District may seek from a court of competent jurisdiction temporary and/or permanent injunctions, or orders of specific performance, to compel the other to perform in accordance with the obligations set forth under this Agreement.

2. The Districts may protect and enforce their rights under this Agreement by such suit, action, or special proceedings as they shall deem appropriate, including without limitation any proceedings for specific performance of any covenant or agreement contained herein, for the enforcement of any other appropriate legal or equitable remedy, or for the recovery of damages caused by breach of this Agreement, including attorney's fees and all other costs and expenses incurred in enforcing this Agreement. If, at any time, there shall cease to be electors in the Operating District, or if no electors of the Operating District are willing to act as directors of the Operating District, the Taxing District may ask a court of competent jurisdiction to designate the proper persons to assume control of the Operating District for purposes of causing the performance of the Operating District's obligations under this Agreement.

3. To foreclose any and all liens in the manner specified by law.

4. To terminate this Agreement as provided herein; and

5. The Operating District shall have the right to accelerate any remaining unpaid amounts up to a maximum of the aggregate of the then-unpaid balance of the maximum amount of Capital Costs which could become due hereunder, as well as the maximum amount of Service Costs which could become due, both through the remainder of the term of this Agreement to make all such amounts immediately due and payable to the Operating District; and

6. To take or cause to be taken such other actions as they reasonably deem necessary.

c. Delay or Omission No Waiver. No delay or omission of any District to exercise any right or power accruing upon any Event of Default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such Event of Default, or acquiescence therein.

d. No Waiver of One Default to Affect Another; All Remedies Cumulative. No waiver of any Event of Default hereunder by any District shall extend to or affect any subsequent or any other then existing Event of Default or shall impair any rights or remedies consequent thereon. All rights and remedies of the Districts provided herein may be exercised with or without notice, shall be cumulative, may be exercised separately, concurrently or repeatedly, and the exercise of any such right or remedy shall not affect or impair the exercise of any other right or remedy.

e. No Affect on Rights. Except as otherwise provided by law, no recovery of any judgment by the Districts shall in any manner or to any extent affect any rights, powers, and remedies of the Districts hereunder, but such rights, powers and remedies of the Districts shall continue unimpaired as before.

f. Discontinuance of Proceedings on Default; Position of Parties Restored. In case any District shall have proceeded to enforce any right under this Agreement and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to such District, then and in every such case the Districts shall be restored to their former positions and rights hereunder, and all rights, remedies, and powers of the Districts shall continue as if no such proceedings had been taken.

g. Termination. This Agreement may be terminated by the Districts or a court of competent jurisdiction only upon the provision of 1 year, advance written notice and upon the date of such termination, the Districts shall thereafter have no further obligations, duties, or rights hereunder, provided, however, that:

1. As a condition precedent to termination by the Taxing District and in recognition of the integrated nature and need for the continued funding of the Facilities, as well as the possibility that the Operating District may borrow against the anticipated performance by the Taxing District of the payment and financial obligations set forth herein, the Districts agree that prior to the time of termination, all remaining payments and financial obligations set forth in this Agreement shall be paid into the Accounts by the Taxing District; and

2. As a condition precedent to termination by the Operating District and in recognition of the need on the part of the Taxing District for the continued provision of all of the Services contemplated hereby, the Operating District shall either (1) transfer to the Taxing District, free and clear of encumbrances and in its entirety, its interest in the Facilities and in each and every one and all of the water rights, contracts, leases, easements, properties held in

fee, and any other personal, real or intangible property then held or owned by the Operating District and necessary for the continued provision of the Services contemplated hereby at the level then provided, or (2) make said transfer to another governmental entity or entities pursuant to such terms and conditions as may be satisfactory to the Board of the Taxing District or, in the event said transfer is to be made pursuant to a plan for dissolution of the Operating District, in accordance with Colorado law, as may be held in accordance with that law by the District Court in and for the county or counties in which the Districts are located or such other ruling body as may at the time have jurisdiction.

ARTICLE IX

INSURANCE AND INDEMNIFICATION

9.1 Indemnification. To the extent permitted by law, the Operating District agrees to hold the Taxing District harmless from the claims of third persons arising out of the Operating District's operation, maintenance, extension and enlargement of the Facilities under color of this Agreement and to defend, at its expense, all actions for damages arising out of such action which may be brought against the Taxing District by third persons. In the event of an occurrence or loss out of which a claim arises or could arise, the Taxing District agrees to transmit in writing and at once, any notice of information received or learned by the Taxing District concerning such claim. Except at its own cost, the Taxing District agrees not to voluntarily make any payment, assume any obligation or incur any expense in connection with the subject matter of this paragraph. No claim shall lie against the Operating District hereunder unless as a condition precedent thereto, the Taxing District has fully complied with the provisions of this Agreement nor until the amount of the Taxing District's obligation to pay shall have been fully determined.

9.2 Insurance. The Districts shall each maintain the following types of insurance coverage with companies and in amounts acceptable to each District's Board but in no event lower than the governmental immunity limits in effect from year to year notwithstanding the amounts set forth below, the cost of which for the Operating District shall be a component of Service Costs budgeted annually in accordance with Article V, above:

a. General liability coverage in the minimum amount of \$150,000.00 per person/per occurrence and \$600,000.00 total per occurrence, or in an amount reflecting the current level of governmental immunity exceptions provided by statute, whichever is greater, protecting the Districts and their officers, directors, and employees against any loss, liability, or expense whatsoever from personal injury, death, property damage, or otherwise, arising from or in any way connected with management, administration, and operations.

b. Directors and officers liability coverage (errors and omissions) in the minimum amount of \$150,000.00 per person/per occurrence and \$600,000.00 total per occurrence, or in an amount reflecting the current level of governmental immunity provided by statute, whichever is greater, protecting the Districts and their directors and officers against any loss, liability, or expense whatsoever arising from the actions and/or inaction's of the Districts and their directors and officers in the performance of their duties.

c. Operations coverage designed to insure against injury to the property of third parties or the person of those third parties caused by the operations by the parties in the minimum amount of \$150,000.00 per person/per occurrence and \$600,000.00 total per occurrence, or in the amount reflecting the current level of governmental immunity provided by statute, whichever is greater.

9.3 Worker's Compensation. The Operating District shall make provisions for worker's compensation insurance, social security employment insurance and unemployment compensation for its employees performing this Agreement as required by any law of the State of Colorado or the federal government and shall, upon written request, exhibit evidence thereof to the Taxing District.

9.4 Certificates. Within 30 days of a written request, each District shall furnish to the other, certificates or memoranda of insurance showing compliance with the foregoing requirements. Said certificates or memoranda of each District shall state that the policy or policies will not be canceled or altered without at least 30 days prior written notice to each District.

ARTICLE X

MISCELLANEOUS

10.1 Relationship of Parties. This Agreement does not and shall not be construed as creating a joint venture, partnership, or employer-employee relationship between the Districts. The Districts intend that this Agreement be interpreted as creating an independent contractor relationship. Pursuant to that intent, it is agreed that the conduct and control of the work required by this Agreement shall be solely with the Operating District which shall be free to exercise reasonable discretion in the performance of its duties under this Agreement. Neither District shall, with respect to any activity, be considered an agent or employee of the other District.

10.2 Liability of the Districts. No provision, covenant or agreement contained in this Agreement, nor any obligations herein imposed upon any District nor the breach thereof, nor the issuance and sale of any Bonds by any District, shall constitute or create an indebtedness or other financial obligation of the other District within the meaning of any Colorado constitutional provision or statutory limitation, subject however, to the obligation of the Taxing District to pay Bond proceeds to the Operating District pursuant to Section 3.2.c. and Section 3.9 hereof.

10.3 Assignment. Except as set forth herein or as contemplated in the Service Plan, neither this Agreement, nor any of any District's rights, obligations, duties or authority hereunder may be assigned in whole or in part by any District without the prior written consent of the other District which consent shall not be unreasonably withheld. Any such attempt of assignment shall be deemed void and of no force and effect. Consent to one assignment shall not be deemed to be consent to any subsequent assignment, nor the waiver of any right to consent to such subsequent assignment.

10.4 Modification. This Agreement may be modified, amended, changed or terminated, except as otherwise provided herein, in whole or in part, only by an agreement in writing duly authorized and executed by the Districts. No consent of any third party shall be required for the negotiation and execution of any such agreement.

10.5 Integration. This Agreement contains the entire agreement between the Districts and no statement, promise or inducement made by either District or the agent of any District that is not contained in this Agreement shall be valid or binding.

10.6 Severability. Invalidation of any of the provisions of this Agreement or of any paragraph, sentence, clause, phrase, or word herein, or the application thereof in any given circumstance, shall not affect the validity of any other provision of this Agreement.

10.7 District Dissolution. In the event any District seeks to dissolve pursuant to Section 32-1-701 C.R.S., et seq., as amended, it shall provide written notification of the filing or application for dissolution to the other District concurrently with such filing.

10.8 Survival of Obligations. Unfulfilled obligations of the Districts arising under this Agreement shall be deemed to survive the expiration of this Agreement, the completion of the Facilities that are subject of this Agreement, or termination of this Agreement by court order. Said obligations shall be binding upon and inure to the benefit of the Districts and their respective successors and permitted assigns.

10.9 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Colorado.

10.10 Headings for Convenience Only. The headings, captions and titles contained herein are intended for convenience and reference only and are not intended to construe the provisions hereof.

10.11 Debt Must Comply with Law. Nothing herein shall be deemed nor construed to authorize or require the Taxing District or the Operating District to issue Bonds, notes, or other evidences of indebtedness on terms, in amounts, or for purposes other than as authorized by Colorado law.

10.12 Colorado Constitutional Matters. If any provision hereof is declared void or unenforceable due to a purported violation of Article X, Section 20 of the Colorado Constitution, the District involved in such violation shall perform such tasks as may be necessary to cure such violation, including but not limited to acquiring such voter approvals, either in advance of, or following, an action as may be allowed by law.

10.13 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.

10.14 Persons Interested Herein. Except as expressly provided in Section 1.3 thereof, nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any Person other than the Districts, any right, remedy, or claim under or by reason of this Agreement or any covenants, terms, conditions, or provisions thereof, and all of the covenants, terms, conditions, and provisions in this Agreement by and on behalf of the Districts shall be for the sole and exclusive benefit of the Districts.

10.15 Notices. Except as otherwise provided herein, all notices or payments required to be given under this Agreement shall be in writing and shall be hand delivered or sent by certified mail, return receipt requested, or air freight, to the following addresses:

If to Foxhill Metropolitan District No. 1:

Foxhill Metropolitan District No. 1
1805 Shea Center Drive, Suite 100
Highlands Ranch, CO 80129

Attn: President

With a copy to:

White, Bear & Ankele Professional Corporation
1805 Shea Center Drive, Suite 100
Highlands Ranch, CO 80129

Attn: David S. O'Leary, Esq.

If to Foxhill Metropolitan District No. 2:

Foxhill Metropolitan District No. 2
1805 Shea Center Drive, Suite 100
Highlands Ranch, CO 80129

Attn: President

With a copy to:

White, Bear & Ankele Professional Corporation
1805 Shea Center Drive, Suite 100
Highlands Ranch, CO 80129

Attn: David S. O'Leary, Esq.

All notices or documents delivered or required to be delivered under the provisions of this Agreement shall be deemed received 1 day after hand delivery or 3 days after mailing. Any District by written notice so provided may change the address to which future notices shall be sent.

10.16 District Records. The Districts shall have the right to access and review each other's records and accounts, at reasonable times during District's regular office hours, for purposes of determining compliance by the Districts with the terms of this Agreement. Such access shall be subject to the provisions of Public Records Act of the State of Colorado contained in Article 72 of Title 24, C.R.S. In the event of disputes or litigation between the Parties hereto, all access and requests for such records shall be made in compliance with the Public Records Act.

10.17 Impairment of Credit. None of the obligations of any District hereunder shall impair the credit of the other Party.

10.18 Recovery of Costs. In the event of any litigation between the Districts hereto concerning the subject matter hereof, the prevailing District in such litigation shall be entitled to receive from the losing District, in addition to the amount of any judgment or other award entered therein, all reasonable costs and expenses incurred by the prevailing District in such litigation, including reasonable attorney fees.

10.19 Compliance with Law. The Districts agree to comply with all federal, state and local laws, rules and regulations which are now, or in the future may become applicable to the Districts, to their business or operations, or to services required to be provided by this Agreement.

10.20 Instruments of Further Assurance. The Districts each covenant that they will do, execute, acknowledge, and deliver or cause to be done, executed, acknowledged, and delivered, such acts, instruments, and transfers as may reasonably be required for the performance of their obligations hereunder.

10.21 Taxes. Each District assumes responsibility for itself, and any of its employees, for payment of all federal, state and local taxes or contributions imposed or required under unemployment insurance, worker's compensation, social security and income tax laws.

[The balance of this page left intentionally blank.]

IN WITNESS WHEREOF, the Districts have executed this Agreement as of the day and year first above written.

FOXHILL METROPOLITAN DISTRICT NO. 1

By: DRAFT - Not for Execution
President

ATTEST:

DRAFT - Not for Execution
Secretary

STATE OF COLORADO)

COUNTY OF _____)

ss.

The foregoing Agreement was acknowledged before me on this _____ day of _____, 2005, by _____ as President and _____ as Secretary of Foxhill Metropolitan District No. 1.

WITNESS my hand and official seal.

My Commission expires: _____

DRAFT - Not for Execution
Notary Public

