

CONSOLIDATED SERVICE PLAN

FOR

APPLETREE METROPOLITAN DISTRICT NOS. 1 AND 2

FOUNTAIN, COLORADO

Submitted:

June 30, 2006

Amended and resubmitted:

August 3, 2006

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## SUMMARY

The following is a summary of general information regarding the proposed Districts provided for the convenience of the reviewers of this Consolidated Service Plan (the "Service Plan"). Please note that the following information is subject in all respects to the more complete descriptions contained elsewhere in this Service Plan.

Proposed Districts:	Appletree Metropolitan District Nos. 1 and 2
Property Owner:	APPLETREE 220, LLC, a Colorado limited liability company
Developer:	APPLETREE 220, LLC, a Colorado limited liability company
Development:	Residential and commercial project on approximately 221 acres of real property located in Fountain, Colorado, El Paso County, Colorado.
Proposed Improvements:	Water, wastewater, street improvements and safety protection, park and recreation, drainage, landscaping, and mosquito control.
Infrastructure Capital Costs:	\$21,500,000 (both Districts combined)
Initial Debt Authorization:	\$10,850,000 (both Districts combined) \$4,500,000 District 1 \$6,350,000 District 2
Total Debt Authorization:	\$15,000,000 (both Districts combined) \$6,000,000 District 1 \$9,000,000 District 2
Proposed Projected Mill Levy:	35 Mills for Debt Service 5 Mills for Operations and Maintenance
Mill Levy Cap:	45 Mills Total
Functions of the Developer:	The Developer identified above, or its successors and assigns, will initially meet the obligations of operations, maintenance, and funding of organizational costs subject to reimbursement as provided by law.
Functions of the Districts:	The Districts will see that all infrastructure is designed and constructed to appropriate City of Fountain standards. All roads will be dedicated to and maintained by the City of Fountain. The Developer may provide financial assistance

for construction and maintenance. The Districts, through their respective mill levies and such other fees as may be set, shall provide the necessary financing to pay for the infrastructure.

Material Modifications:

Modification to this Service Plan shall be required if there is a change in the mill levy cap; the imposition of any new rate, fee, toll, penalty or charge; or a change in the basic services or facilities provided by the Districts, and for any other matter described as a material modification by state law or as required by this Service Plan, whichever is more restrictive.

Current Population:

0

Estimated Valuation at  
Build-out:

Actual Value	\$211,150,000
Assessed Value (7.96%)	\$16,807,540

## I. INTRODUCTION

### A. General Overview

This consolidated service plan ("Service Plan") for Appletree Metropolitan District Nos. 1 and 2 (hereinafter collectively known as "Districts") constitutes a combined service plan for two Title 32 special districts proposed for organization to serve the needs of a new mixed-use community to be known as "Appletree" located in the City of Fountain, Colorado ("Fountain"). Appletree is generally located east of Marksheffel Road and south of Peaceful Valley Road. Appletree (the "Project") is planned for 849 residential units. Additional residential development is expected to occur in Norris Ranch Metropolitan District Nos. 1 and 2 and commercial development is expected to occur in the Norris/Appletree Business Improvement District. Exhibit A contains a vicinity map, boundary maps of the Districts, and corresponding legal descriptions.

Considerable public infrastructure will be constructed to provide the required storm drainage, sanitary sewer, water, streets, traffic and safety and park and recreation improvements needed for the area. This Service Plan addresses the public improvements, which may be provided and otherwise financed by the Districts and demonstrates how the Districts will work together to provide the necessary public improvements. Exhibit B estimates the costs associated with the public infrastructure to be funded by the Districts. Maps depicting the general location of the public infrastructure to be funded by the Districts are attached hereto as Exhibit C.

The maps, drawings, and other exhibits attached hereto are illustrative of a general concept for the Project, and are submitted only for the purpose of Service Plan approval. These drawings, maps and exhibits are not being submitted for any type of site or development plan approval. Approval of this Service Plan shall under no circumstance (i) constitute any site or other development plan approval for the Project; or (ii) indicate the City's acceptance of the drawings, maps and other exhibits for any land development approval whatsoever.

1. Multiple District Structure. This Service Plan is submitted in accordance with Part 2 of the Special District Act (§32-1-201, et seq., C.R.S.). It defines the powers and authorities of, as well as the limitations and restrictions, on the Districts. This Service Plan further sets forth the general parameters for the working relationship between Appletree Metropolitan District Nos. 1 and 2 (containing residential development). Appletree Metropolitan District Nos. 1 and 2 shall be referred to individually herein as "District 1" and "District 2," respectively, and collectively referred to herein as "the Districts."

The Districts will be responsible for managing the construction and operation of public facilities and improvements needed for the Project and for providing the funding and tax base needed to support the Financing Plan for capital improvements and for operations. The "Financing Plan" discussed throughout this Service Plan refers to a consolidated financial plan for the Districts which sets forth the manner in which the public improvements for the Project are anticipated to be financed.

Due to the relationship between and among the Districts, various agreements are expected to be executed clarifying the respective responsibilities and the nature of the functions and services to be provided by each District. The agreements are intended to help assure the orderly development of essential services and facilities resulting in a community that, at build-out, is both an aesthetic and economic asset to Fountain.

District 1 is expected to contain all property within phase one of the Project and District 2 is expected to contain all property within phase two. No property will be included into more than one District. Initially, the Districts will have the same boundary (the approximate 0.517 acres described in the "Initial Boundary of Appletree Metropolitan District Nos. 1 and 2" attached hereto as Exhibit A). Post-formation of the Districts, the 0.517 acres will be excluded from one of the Districts in accordance with Section 32-1-501 et seq., C.R.S., and shall be accomplished prior to the issuance of any Bonds, as that term is defined in Section V. of this Service Plan.

2. Benefits of Multiple District Structure.

a. Coordinated Services. As presently planned, development of the Project will proceed in two phases, each of which will require the extension of public services and facilities. The multiple district structure will assure that the construction and operation of each phase of public facilities will be administered consistent with a long-term construction and operation program.

b. Debt Allocation. Allocation of the responsibility for paying debt for capital improvements will be managed through development of a unified financing plan for those improvements to be funded by the Districts.

c. Bond Interest Rates. The use of the Districts to provide for a portion of the cost of infrastructure in Appletree will allow for the issuance of bonds at competitive interest rates. The use of a two-district structure allows the Districts to coordinate the timing and issuance of bonds in such a way as to assure that improvements are constructed in conformance with the intended phases of development.

3. Configuration of Districts. Legal descriptions and maps of the initial boundaries of the Districts, consisting of approximately 0.5 acres, are attached hereto as Exhibit A. A legal description and map of property proposed for inclusion within one, but not any more than one, of the boundaries of the Districts (the "inclusion area"), is attached hereto as Exhibit A-1.

The Districts will not change their respective territorial boundaries without the consent of Fountain; however Fountain's consent shall not be necessary for inclusion of any property identified in Exhibit A-1. Consistent with the provisions of the preceding paragraph and notwithstanding any other contrary provision contained in this Service Plan, including but not limited to the projections set forth in the Financial Plan, the boundaries of the Districts shall not overlap without the prior consent of the Fountain City Council by Resolution. In the event overlap is permitted, the more restrictive of any limitations set forth in this Service Plan for either District, including but not limited to

debt limit, debt maturity limit or mill levy cap, shall apply. Additionally, the District shall not consent to the organization of any other Districts organized under the Special District Act within their boundaries or within the inclusion area described on Exhibit A-1, without the prior approval of the Fountain City Council by Resolution.

The service area for the Districts will be within their respective physical boundaries, as may be adjusted from time to time consistent with the provisions contained herein. The Districts have the power to impose taxes and other charges permitted by law only within their respective service areas to fund their individual obligations. The Districts are expected to contain all of the residential development within the Project.

4. Long-Term District Plan. After all bonds or other debt instruments have been issued by the Districts and adequate provision has been made for payment of all debt of the Districts and for operation of all of the District facilities not conveyed to Fountain or other entities, if any, the electorate of each of the Districts will have the opportunity to consider either the consolidation of the Districts into a single entity, or the dissolution of one or both of the Districts. The Districts will consider consolidation and/or dissolution at the time at which the Districts' debt has been paid or adequate provision has been made for the repayment thereof, and adequate provisions have been made to ensure the continued operation of all of the facilities of the Districts that have not been conveyed. Ultimately, control of these decisions will rest with the electorate in each District. Nothing herein contained shall be deemed to preclude or prevent Fountain from initiating dissolution of either or both of the Districts pursuant to and in accordance with the provisions of Part 7 of the Special District Act, Section 32-1-701, et. seq., C.R.S.

B. General Financial Information and Assumptions

The projected assessed valuations are shown in the Financing Plan attached hereto as Exhibit D. The Districts anticipate obtaining financing for capital improvements initially through Developer advances secured by promissory notes, then subsequently through the Districts' issuance of limited tax general obligation bonds or other debt instruments. Limited tax general obligation debt will be payable from revenues derived from ad valorem property taxes and from other legally available sources. The imposition by either of the Districts of any rates, fees, tolls, penalties or charges except as identified in this Service Plan and the Financing Plan shall be a material modification of this Service Plan. The Financing Plan demonstrates one method that might be used by the Districts to finance the cost of infrastructure as well as general operating and administrative costs. At the time bonds or other debt instruments are proposed to be issued, alternative financing plans may be employed and utilized by the Districts without further approval from Fountain so long as said alternative plans are materially consistent with the Financing Plan.

Due to probable credit enhancements and other support expected from the Developer, the Financing Plan demonstrates that the cost of infrastructure described herein and the operation and administrative costs can be provided with reasonable mill levies. The estimated figures contained in the Financing Plan and this Service Plan



depicting costs of infrastructure and operations will not constitute legal limits on the financial powers of the Districts; however, the Districts shall not be permitted to issue bonds which are not in compliance with the bond registration and issuance requirements of Colorado law, or with any limitations set forth in this Service Plan, including but not limited to debt limit, debt maturity term, maximum net effective interest rate, or mill levy cap.

The financial structure contemplated in the Financing Plan demonstrates that the risks associated with development of the Project will be borne initially by the Developer of the Project and then by bondholders. Due to the nature of liabilities associated with issuance of Developer-owned debt, the entire risk of development will rest with the Developer until such time as the Districts reach sufficient assessed valuation to support the debt service requirements of the bonds issued. Fountain is assured that the risks of development and the responsibility for repayment of debt issued by the Districts for the Project will be borne solely by the residents and property owners of the Project, and will never become the responsibility, in any degree, of Fountain.

Additionally, Fountain can be assured that there are now legal and financial controls on special district indebtedness, which operate to limit indebtedness that residents can expect to pay. Generally, under current state law provisions, a special district cannot sell valid indebtedness payable from property tax revenues in excess of fifty percent (50%) of its valuation for assessment unless a statutory exception applies to such indebtedness. Excepted from this limitation is indebtedness which is rated or insured, in minimum denominations of five hundred thousand dollars, issued to financial institutions or institutional investors, payable from a limited debt service mill levy not to exceed forty five (45) mills, or indebtedness that is secured as to the payment of principal and interest by a letter of credit, line of credit or other credit enhancement. In addition, state securities laws do not provide exemption from registration for special district indebtedness not meeting such minimum requirements.

#### C. Contents of Service Plan

This Service Plan consists of a financial analysis and preliminary engineering plan showing how the facilities and services for the Project can be provided and financed by the Districts on a coordinated basis. Numerous items are included in this Service Plan in order to satisfy the requirements of law for formation of special districts.

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 similar services, was obtained from the Developer. Construction cost estimates were assembled by Drexel Barrell, which has experience in the costing and construction of similar facilities. The attorneys of Grimshaw & Harring, P.C., which represents numerous special districts, provided legal advice in the preparation of this Service Plan. The Developer provided financial recommendations and advice in the preparation of the Service Plan. Stan Bernstein & Associates, Inc. provided assistance with the development of the Financing Plan attached hereto as Exhibit D.

D. Modification of Service Plan

This Service Plan has been designed with sufficient flexibility to enable the Districts to provide required services and facilities for Appletree under evolving circumstances without the need for numerous amendments. While the assumptions upon which this Service Plan are generally based are reflective of current or anticipated zoning for the property within the Project, 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 in the event of zoning changes. Modification of the general types of 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 property located within the Districts' service area.

II. NEED FOR NEW DISTRICTS AND GENERAL POWERS

A. Need for Metropolitan Districts

Operations and maintenance of water, sanitary sewer, storm drainage, street and traffic safety and associated landscaping, and park and recreation improvements may initially be provided by the Districts during the construction phases, with said operations to be assumed by Fountain, Widefield School District 3, Widefield Water and Sanitation District and/or the Fountain Sanitation District, as applicable, upon final acceptance thereof. Fountain does not consider it feasible or practicable to provide the Project with the public improvements generally described in this Service Plan. Consequently, it is necessary that the proposed Districts be organized to provide the residents and taxpayers with the necessary public improvements.

B. General Powers of Districts

The Districts will have power and authority to provide the services and facilities described in this Section both within and outside their respective boundaries, in accordance with law. The powers and authorities of the Districts shall be allocated and further refined in an intergovernmental agreement between the Districts, as more specifically addressed in Section III.A. of this Service Plan (the "District IGA"). For purposes of the Special District Control Act, the District IGA shall not constitute an amendment of this Service Plan and will not expand or alter the powers, duties, functions, services, or facilities the Districts are authorized hereunder to provide.

The installation and construction of all facilities and the provision of all services by the Districts shall at all times be subject to and comply with all applicable city standards, requirements and regulations, including but not limited to all applicable Fountain conveyance, acceptance; and warranty requirements. Any attempt to over-rule or exempt the Districts from Fountain's zoning regulations through any statutory location and extent process shall be deemed a material modification of this Service Plan.

It is proposed that the Districts provide the following services and facilities:

1. Wastewater. Design, acquisition, installation, and construction of a complete sanitary sewage collection and transmission system, consisting of, but not limited to, collection mains, laterals, transmission lines, and pumping facilities and all necessary, incidental and appurtenant facilities, land and easements. Wastewater services will be provided by the Fountain Sanitation District ("FSD") or Widefield Water and Sanitation District ("WWSD") for those portions of the Project situate within each of those existing districts. Wastewater improvements shall be dedicated to FSD or WWSD, as appropriate, for ownership and maintenance in accordance with and subject to satisfaction of applicable procedures and requirements for acceptance of such facilities and improvements. Except for financing and/or constructing the sanitary sewer collection mains, laterals, transmission lines, and pumping facilities necessary to serve the Project, the District shall have no authority to operate a sanitary sewer system or provide any services otherwise provided by FSD or WWSD without first complying with Colorado law, including without limitation, Section 32-1-107, C.R.S. Under no circumstances shall private service laterals be financed by the Districts. The owner of the property served shall have the ultimate responsibility for the operation, maintenance, repair and replacement of private sewer service laterals.

2. Water. Design, acquisition, installation, and construction of a complete potable water distribution system, including, but not limited to, transmission lines, distribution mains, pumping facilities, and easements and appurtenant facilities. Potable water will be provided by Fountain or WWSD for those portions of the Project situate within Fountain or WWSD, as applicable, and subject to availability. All potable water improvements shall be transferred to Fountain or WWSD, as applicable, subject to and in accordance with applicable procedures and requirements for acceptance of such facilities and improvements. Except for financing and/or constructing water transmission lines, distribution mains, and pumping facilities and related appurtenances, the District shall have no authority to operate a potable water system or otherwise provide any of the potable water services provided by Fountain or WWSD without first complying with Colorado law, including without limitation, Section 32-1-107, C.R.S. The Districts shall not appropriate, purchase, lease or otherwise acquire any water or water rights or water supplies for use within or without the Districts' boundaries without first obtaining the prior written approval of Fountain or WWSD, as applicable, which approval(s) may be withheld for any reason.

3. Street Improvements and Safety Protection. Design, acquisition, installation, and construction of arterial and collector street improvements and related safety protection devices including, but not limited to, bridges, fencing, trails, lighting, landscaping, traffic and safety controls and devices. Streets are to be dedicated to Fountain for ownership and permanent maintenance, upon completion and final acceptance and subject to satisfaction of all applicable Fountain acceptance requirements and procedures. Any street related medians and landscaping, together with any entrance features, will be owned and maintained by the Districts unless the same, at Fountain's option, are accepted by Fountain for operation and maintenance purposes. Fountain will

only maintain those improvements located within public right of way that have been accepted by Fountain, as the case may be.

4. Parks and Recreation. Design, acquisition, installation, construction, operation and maintenance of park and recreational facilities including, but not limited to, active parks, pocket parks, open spaces, trails, fencing and landscaping. With the prior approval of Fountain, the Districts' public parks shall be transferred to either Fountain or Widefield School District 3, upon satisfaction of all customary conveyance and acceptance procedures and requirements and subject to all applicable warranties.

At Fountain's option and with its consent, the unimproved open space area will be transferred and conveyed (not dedicated) to Fountain, and once completed in accordance with applicable Fountain standards and specifications, any regional trail improvements located within the open space areas will also be transferred and conveyed to Fountain, subject to any and all applicable warranty requirements. All other parks, including pocket parks and any other recreational facilities or improvements constructed or financed by the Districts, will be owned, operated and maintained by the Districts; provided, however, that the Districts will transfer and convey to Fountain any park or other recreation improvement or property that Fountain determines should be part of its municipal park and recreation system.

All park and recreation facilities of the Districts will be available to all Fountain residents on the same basis and without discrimination as to fees or charges and, in particular, as to any fee or charge imposed for the use of any park pavilion or other park area. Fountain shall have the right, subject to such reasonable requirements as the Districts may impose, to use park and recreation facilities of the Districts for Fountain-sponsored or Fountain-provided recreation programs.

5. Drainage. Design, acquisition, installation and construction of all necessary drainage facilities (offsite and onsite) including, but not limited to, detention ponds, culverts, pipes, channels, swales, and weirs in accordance with an approved Fountain drainage plan and in conjunction with adjoining drainage features. Subject to Fountain's prior consent, which consent may be withheld for any reason, and satisfaction of all Fountain's procedures and requirements for acceptance of such facilities, all drainage facilities shall be dedicated to Fountain which shall maintain the same.

6. 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.

7. Legal Powers. The powers of the Districts will be exercised by their respective Board of Directors to the extent necessary to provide the services contemplated in this Service Plan necessary to serve the Project. The foregoing improvements and services, along with all other activities permitted by law, will be undertaken in accordance with, and pursuant to the procedures, conditions, and limitations contained in the Special District Act, other applicable statutes, and this

Service Plan, whichever is more restrictive, as any or all of the same may be amended from time to time.

8. Other. In addition to the powers enumerated above, the Districts shall also have the following authority:

a. To seek amendment of this Service Plan as needed, subject to compliance with all appropriate statutory procedures, except that the Districts shall not have the authority to seek amendment by means of the forty five day notice provision of Section 32-1-207(3)(b), C.R.S., without the prior written approval of Fountain; 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

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, but only to the extent contemplated by this Service Plan and as necessary to serve the Project.

C. Limitation on General Powers

Notwithstanding any other provision contained in this Service Plan to the contrary, the Districts' general powers shall be limited by and shall be exercised in accordance with the following limitations:

a. Location of Services and Facilities. The Districts shall have the power and authority to provide the services and facilities described in this Service Plan within their territorial boundaries and, to the limited extent provided in this Service Plan, without their territorial boundaries. All services and facilities shall be provided in accordance with all Fountain standards and specifications, and those of the Districts; however, in the event of a conflict or inconsistency, Fountain's standards shall control.

b. Property Acquisition. The Districts shall not purchase from or reimburse the Developer or its successors and assigns for any land, easements, licenses, water rights or property that the Developer, in the absence of the Districts formation, would be required to dedicate and convey to Fountain or any other public entity at no cost. Any such purchase or reimbursement by the Districts shall constitute a material modification of this Service Plan.

c. Eminent Domain. The Districts shall not exercise or attempt to exercise the power of eminent domain or dominant eminent domain without the prior approval of Fountain.

d. Inclusion/Exclusion of Territory. The Districts shall not enlarge, reduce or in any way change their territorial boundaries by the inclusion or exclusion of property pursuant to Sections 32-1-401 and 32-1-501, C.R.S. of the Special District Act, without first obtaining prior written approval of Fountain, except as to the initial boundaries of the Districts described on Exhibit A or the inclusion area described on Exhibit A-1.

e. Additional Facilities and Services. The construction of any facilities and the provision of any services not generally contemplated or described in this Service Plan, without the prior written approval of Fountain, shall constitute a material modification hereof.

### III. PROPOSED AND EXISTING AGREEMENTS

#### A. Intergovernmental Agreement

The relationship between the Districts, including formalizing the intent of the Districts to jointly finance the construction of certain regional improvements and setting forth the Districts' intent to have common management in order to reduce administrative and operational costs may be established by means of the District IGA. A form of the District IGA is attached hereto as Exhibit E.

#### B. Other Agreements/Authority

The Districts may enter into additional intergovernmental and other private agreements to better ensure long-term provision of the improvements and services and effective management, including but not limited to agreements with property owner associations existing within Appletree and other public and private service providers. All such agreements are authorized to be provided by each, pursuant to Colorado Constitution, Article XIV, Section 18(2)(a) and Sections 29-1-201, et seq., Colorado Revised Statutes.

### IV. OPERATING COSTS

Estimated costs for operating functions are presented in the Financing Plan attached hereto as Exhibit D and are initially forecasted at approximately \$50,000.00 per year per District. Until such time as the Districts are able to support their operations and maintenance expenses through the imposition of property taxes, the Developer will finance any shortfall in such costs, by execution of a Reimbursement Agreement, generally in the form attached hereto as Exhibit F.

### V. FINANCING PLAN

If necessary, the Developer may arrange for credit enhancements needed for the initial debt to be issued by the Districts. Limited tax general obligation debt will be issued by the Districts as accepted by the market. It is anticipated that the initial debt service mill levy of each District will be thirty-five (35) mills and the operations/maintenance mill levy of each District will be five (5) mills. District 1 is to

issue its debt as phase one of the Project is developed; District 2 is to issue its debt only after phase one of the Project is substantially completed and phase two of the Project has commenced. Exceptions to the timing of issuance of debt set forth above may be approved by the Fountain City Council by Resolution.

Subject to each District's Debt Limit and other limitations set forth herein, the Districts may authorize, issue, sell, and deliver such bonds, notes, contracts, reimbursement agreements, lease purchase agreements, or other obligations evidencing or securing a borrowing (collectively, "Bonds") as are permitted by law. The Districts shall have a total mill levy cap for debt service and operations of forty five (45) mills; provided, however, that in the event the method of calculating assessed valuation is changed after the date of the approval of this Service Plan, the mill levy limitation applicable to such debt may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Boards of Directors of the Districts 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 valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation.

Attached as Exhibit D is a Financing Plan that shows how the proposed services and facilities may be financed by the Districts. The Financing Plan demonstrates one method that might be used by the Districts; however, alternative financing plans may be employed and utilized by the Districts without additional approval, so long as such plans are within the parameters and limits contained herein and do not constitute a material modification.

The combined debt limit ("Debt Limit") for the Districts will be Fifteen Million Dollars (\$15,000,000.00), inclusive of organizational costs, and costs of issuance, including debt service reserves, capitalized interest, underwriter's discount and bond issuance legal fees. Said Debt Limit is allocated Six Million Dollars (\$6,000,000.00) to District 1 and Nine Million Dollars (\$9,000,000.00) to District 2. The Districts shall not submit ballot issues to their voters requesting issuance of more than an aggregate of Fifteen Million Dollars (\$15,000,000.00) of Bonds without authorization of Fountain City Council by Resolution.

The Districts are authorized to issue in total up to Ten Million Eight Hundred and Fifty Thousand Dollars (\$10,850,000) in Bonds ("Initial Debt Limit") without further approval of the City Council by Resolution, and up to the Debt Limit, but if and only if the issuance of any Bonds exceeding the Initial Debt Limit is authorized by Fountain City Council by Resolution. Said Initial Debt Limit is allocated Four Million Five Hundred Thousand Dollars (\$4,500,000) to District 1 and Six Million Three Hundred Fifty Thousand Dollars (\$6,350,000) to District 2. Bonds shall be permitted to be issued on a schedule and in such year or years as the Districts determine shall meet the needs of the Financing Plan and phased to serve development as it occurs. The maximum voted interest rate for Bonds is 12%. The maximum underwriting discount is 2%. The maximum term of Bonds issued by the Districts shall be thirty (30) years. In addition,

and without in any way extending said thirty (30) year maximum maturity, District 1 and District 2 shall not, after 2037 and 2047, respectively, issue Bonds the net proceeds of which are used for any purpose other than refunding existing Bonds unless otherwise agreed to in advance by the Fountain City Council by Resolution. All Bonds issued to refund existing Bonds shall have a net present value savings of at least 5%.

Any Bonds issued to reimburse the Developer for monies advanced and used to pay the Districts' construction costs shall be included in the Initial Debt Limit and Debt Limit provided herein and shall bear interest at an annual rate not to exceed 8%. The net proceeds of Bonds issued by the Districts to third parties shall be used to retire the Districts' Bonds issued to the Developer before being used for any other purpose. Bonds issued to the Developer by District 1 and District 2 shall mature no later than 2037 and 2047, respectively, at which time such Bonds shall be cancelled and any and all unpaid balances of such Bonds shall be deemed discharged and paid in full.

The Initial Debt Limit and Debt Limit apply to any and all revenue bonds, lease purchase agreements, intergovernmental agreements, or multiple-fiscal year obligations that are incurred by the Districts, whether or not those obligations constitute debt within the meaning of any statutory or constitutional debt limitation provisions, except construction, operation and maintenance contracts that are subject to annual appropriation. All Bonds issued by the Districts may be payable from any and all legally available revenues of the Districts, including general ad valorem taxes to be imposed upon all taxable property within the Districts. The Districts will also rely upon various other revenue sources authorized by law. These will include the power to assess fees, rates, tolls, penalties, or charges as provided in the Special District Act or other State statutes. The Districts currently anticipate collecting a system development fee ("SDF") in the estimated amount of One Thousand Eight Hundred Dollars (\$1,800) per single family detached residence and One Thousand Two Hundred Dollars (\$1,200) per single family attached residence. The SDF is identified in the Financing Plan and is anticipated to be collected by the Districts at or before the issuance of a certificate of occupancy. The imposition by either of the Districts of any rates, fees, tolls, penalties or charges, other than those specifically identified in this Service Plan or the Financing Plan shall constitute a material modification of this Service Plan.

In the discretion of the Boards of Directors, but without relieving any District of its obligations and liabilities with respect thereto, the Districts may set up other qualifying entities to manage, fund, construct and operate facilities, services, and programs. To the extent allowed by law, any entity created by the Districts will remain under the control of their respective Boards of Directors.

The Financing Plan demonstrates that the Districts will have the financial capability to discharge the proposed indebtedness with reasonable mill levies assuming reasonable increases in assessed valuation and assuming the rate of build-out estimated in the Financing Plan. Prior to issuance of Bonds by either District, the District seeking to issue Bonds shall be required to submit a letter from an investment banking firm or other financial advisor listed in the Bond Buyers Marketplace to Fountain, which letter shall



confirm the availability of bond financing for the District within the parameters set forth in the Service Plan, as the same may be amended from time to time.

At the request of Fountain, bond documents may be reviewed and commented upon in advance.

## VI. INFRASTRUCTURE ANALYSIS

### A. Improvements.

This Service Plan describes the public services and facilities anticipated to be provided by the Districts. Without limiting the generality of the foregoing and for clarification purposes only, the Districts anticipate and, through this Service Plan, are authorized to construct and finance certain public improvements outside the boundaries of the Districts, but only to the extent expressly contemplated by this Service Plan. Exhibit B identifies the public improvements currently planned to be designed, acquired, installed or constructed by the Districts for the public improvements related to the Project.

The public improvements identified in Exhibit B (the general location of which are depicted in Exhibit C) have been presented for illustration only, and the exact design, phasing, and location of the improvements will be determined at the time each phase of the Project is approved by Fountain.

### B. Standards of Construction / Statement of Compatibility

With respect to the municipal services and facilities described in Section II of this Service Plan:

1. All streets and safety protection devices will be designed, installed, acquired and constructed in accordance with Fountain's standards and specifications and any other applicable local, state or federal rules and regulations.

2. All potable water system facilities will be designed, installed, acquired and constructed in accordance with the standards of the Colorado Department of Public Health and Environment, and all such facilities will also meet all design criteria and other standards or requirements established by Fountain, and any other applicable local, state or federal rule or regulation.

3. All sanitary sewer collection facilities and related improvements will be designed, installed, acquired and constructed in accordance with all applicable standards of the Fountain Sanitation District and the Colorado Department of Public Health and Environment. All such facilities will also meet any applicable criteria established by Fountain, and any other applicable local, state or federal rule or regulation.

4. All storm sewer, flood and surface drainage facilities and systems shall be designed, installed, acquired, constructed, and operated and maintained, where

applicable, in accordance with all applicable criteria established by Fountain, and any other applicable local, state or federal rule or regulation.

5. All park and recreational facilities will be constructed in accordance with engineering and design requirements appropriate for the surrounding terrain, and shall be compatible with all applicable criteria established by Fountain, and any other applicable local, state or federal rule or regulation.

6. All public improvements that are intended to be ultimately owned, operated and maintained by Fountain, will be transferred to Fountain only upon satisfaction of all Fountain requirements and criteria for acceptance of public improvements, including but not limited to the conveyance of necessary easements and rights-of-way for the operation and maintenance of the public improvements, and all applicable warranty standards.

## VII. COMPLIANCE

### A. Annual Report.

No later than April 1 of each year, the Districts will submit to Fountain an annual report as described in Section 32-1-207(3)(d), C.R.S.

### B. Dissolution.

Upon an independent determination of the Fountain City Council by Resolution that the purposes for which the Districts were created have been accomplished, the Districts agree to file petitions in the District Court in and for El Paso County, Colorado for dissolution, pursuant to the applicable State statutes. In no event shall a dissolution occur until the Districts have provided for the payment or discharge of all of their outstanding indebtedness and other financial obligations as required pursuant to State statutes, and the operation and maintenance obligations of the Districts are assumed by other responsible entities.

### C. Modification.

Any one of the following will constitute a modification of this Service Plan requiring a Resolution of the Fountain City Council, unless Fountain determines that formal modification of the Service Plan is necessary pursuant to the material modification provisions of Section 32-1-207(2), C.R.S.:

1. any change in the stated purpose of the Districts or addition to or type of facilities, improvements or programs provided by the Districts;

2. any issuance by the Districts of financial obligations not expressly authorized by this Service Plan or under circumstances inconsistent with the Districts' ability to discharge such obligations as shown in Financing Plan, or of any change in Debt Limit, or change in maximum mill levy;

3. any material change in the type of improvements or estimated cost for improvements from what is stated in Exhibit B to the Service Plan;

4. failure to comply with requirements of this Service Plan concerning the dedication of improvements or the acquisition and conveyance of any interest in real property;

5. the division of a District pursuant to Sections 32-1-1101(1)(f) and 32-1-1101(1.5), C.R.S.;

6. an event or condition contemplated in Section 32-1-207(2), C.R.S.;

7. the occurrence of any event or condition that is otherwise identified herein as constituting a material modification of the Service Plan;

8. the use or threatened use of the power of eminent domain or dominant eminent domain by the Districts;

9. the inclusion of additional territory within either Districts' boundaries other than the inclusion area identified on Exhibit A-1;

10. the exclusion of territory from the Districts' boundaries other than the initial district boundaries identified on Exhibit A or the inclusion area identified on Exhibit A-1;

11. a change in the purpose of the Districts as contemplated herein;

12. a consolidation of any District with any other Title 32 District;

13. a material change in the type of services, improvements or infrastructure to be provided by the Districts;

14. a payment by either District for any interest in real property, which must otherwise be dedicated for public use or the District's use in accordance with any governmental ordinance, regulation or law;

15. an attempt to overrule or exempt the Districts from Fountain Zoning Regulations or other statutory location and extent process;

16. an attempt by either of the Districts to amend the Service Plan by use of the forty-five (45) day notice provision provided in Section 32-1-207(3)(b), C.R.S.;

17. the imposition by either of the Districts of any rates, fees, tolls, penalties or charges, except for the SDF identified in this Service Plan and the Financing Plan.

D. Notice to Property Owners

The Districts will endeavor that the developers of the property within the Districts' boundaries or the inclusion area described on Exhibit A-1 provide written notice at the time of closing to their initial respective purchasers, regarding the existence of the Districts and of any taxes, charges or assessments which the Districts may or have authority to impose, from time to time. The form of such notice shall be generally as attached hereto as Exhibit G, and shall be recorded in the real property records of El Paso County, Colorado against the property within the Districts' boundaries and the inclusion area described on Exhibit A-1.

E. Conclusion.

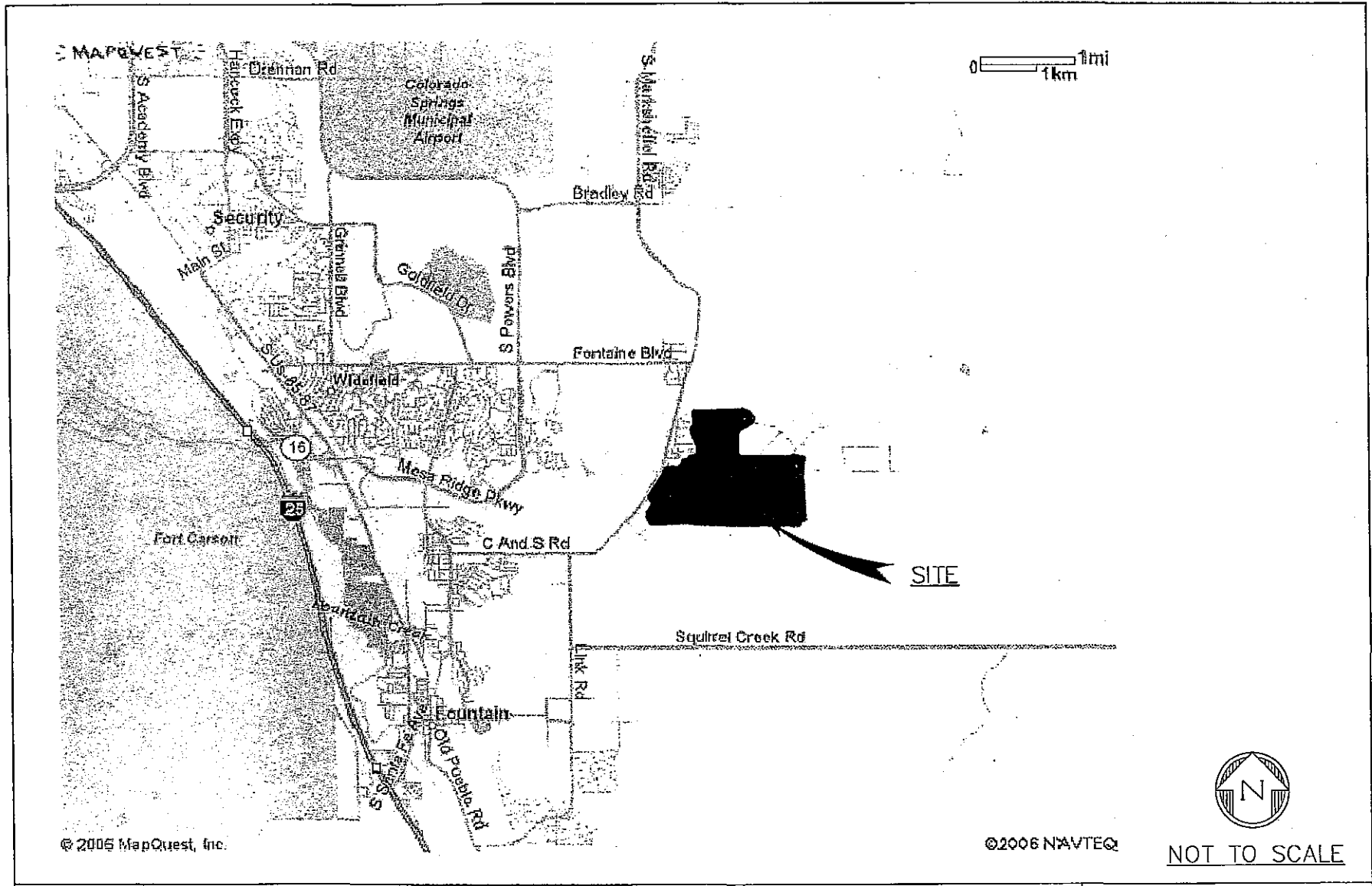
It is submitted that this Service Plan as required by § 32-1-203(2), C.R.S., has established that:

- a. There is sufficient existing and projected need for organized service in the area to be served by the Districts;
- b. The existing service in the area to be served by the Districts is inadequate for present and projected needs;
- c. The Districts are capable of providing economical and sufficient service to the area within its boundaries;
- d. The area included in the Districts will have the financial ability to discharge the proposed indebtedness on a reasonable basis.

Therefore, it is requested that the City Council of the City of Fountain, Colorado, adopt a resolution that approves this "Consolidated Service Plan for Appletree Metropolitan District Nos. 1 and 2" as submitted. A proposed resolution approving this Consolidated Service Plan is attached hereto as Exhibit H.

**EXHIBIT A**

Vicinity Map, Boundary Map of Districts, and Legal Descriptions

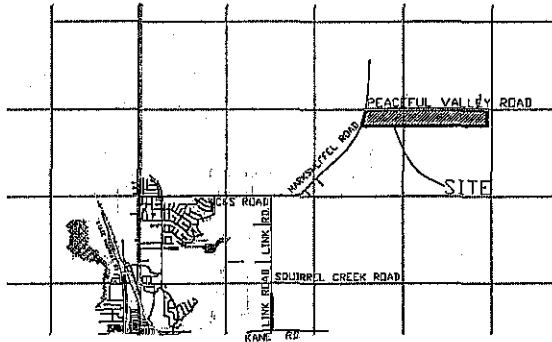


NOTE:  
THIS MAP IS NOT A LAND SURVEY  
PLAT OR IMPROVEMENT SURVEY  
PLAT, THE PURPOSE OF THIS MAP  
IS TO GRAPHICALLY SHOW THE  
REFERENCED VICINITY.

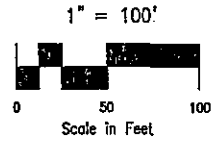
VICINITY MAP

Drexel, Barrell & Co. Engineers • Surveyors	
DATE: 06/27/2006	DWG. NO. EXH
JOB NO: C7856-1	SHEET 4 OF 8

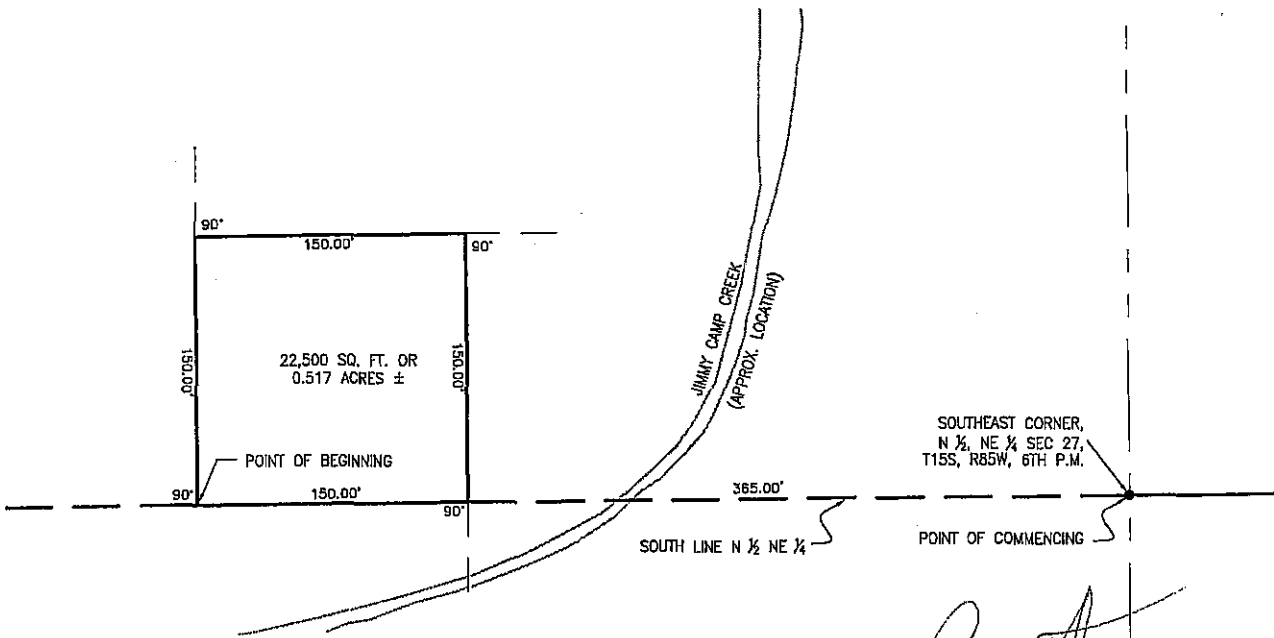
INITIAL BOUNDARY OF  
APPLETREE METROPOLITAN  
DISTRICT NOS. 1 AND 2



VICINITY MAP  
NTS



JOB NO.: 27-001  
DATE: JUNE 20, 2006



**LEGAL DESCRIPTION**

THAT PORTION OF THE SOUTH 150.00 FEET OF THE NORTH HALF OF THE NORTHEAST QUARTER OF SECTION 27, TOWNSHIP 15 SOUTH, RANGE 65 WEST OF THE 6TH P.M., EL PASO COUNTY, COLORADO, DESCRIBED AS FOLLOWS: COMMENCING AT THE SOUTHEAST CORNER OF THE NORTH HALF OF THE NORTHEAST QUARTER OF SAID SECTION 27; THENCE WESTERLY ON THE SOUTH LINE OF SAID NORTH HALF 150.00 FEET TO THE POINT OF BEGINNING; THENCE ANGLE RIGHT 90°, 150.00 FEET; THENCE ANGLE RIGHT 90°, 150.00 FEET, THENCE ANGLE RIGHT 90° SOUTHERLY, 150.00 FEET TO SAID SOUTH LINE OF SAID NORTH HALF; THENCE ANGLE RIGHT 90° WESTERLY, 150.00 FEET TO THE POINT OF BEGINNING AND CONTAINING 22,500 SQUARE FEET, OR 0.517 ACRES, MORE OR LESS.

*J. J. Burnett*

ENGINEERING AND SURVEYING INC. **ESI**

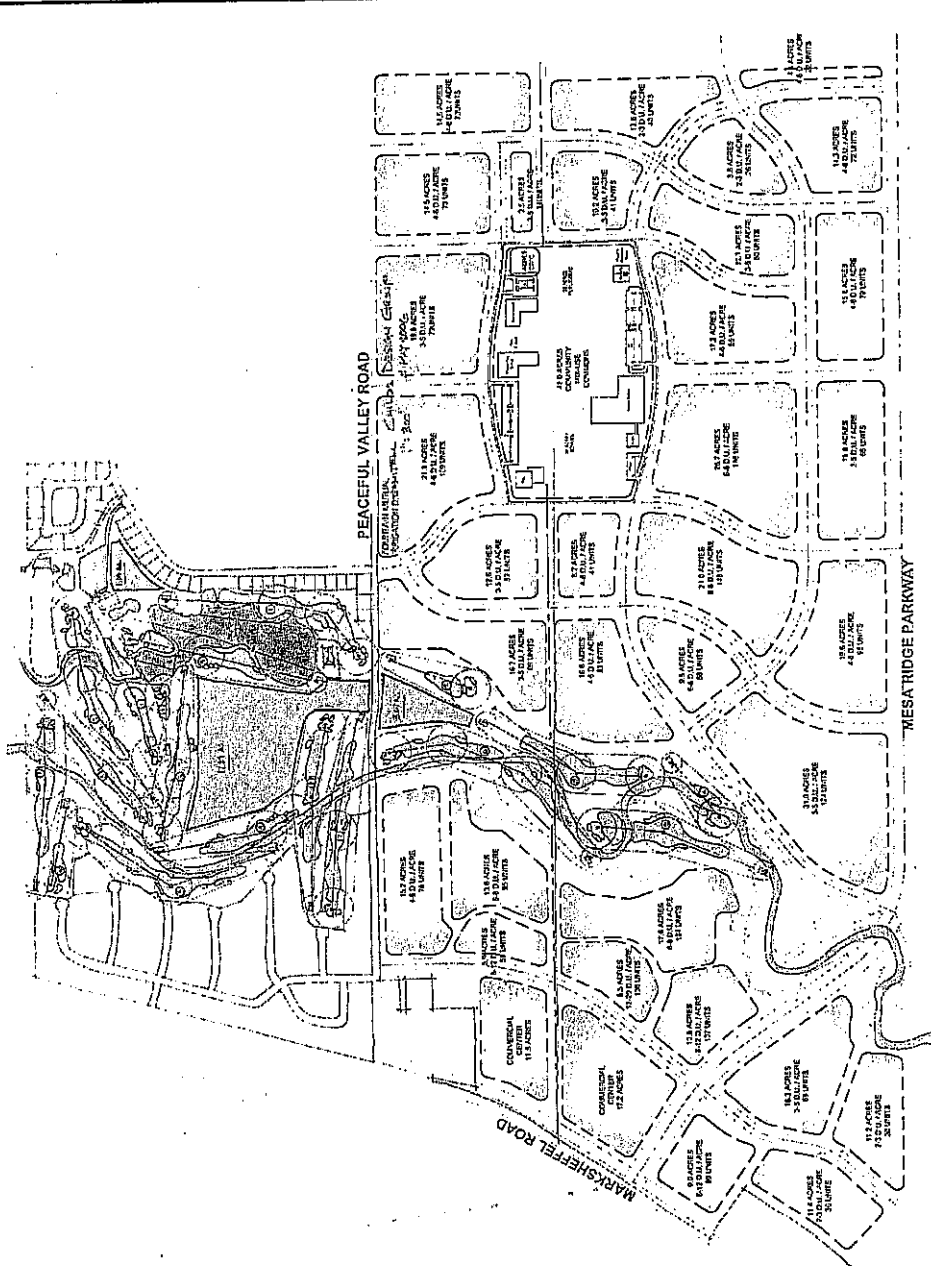
15 NORTH NEVADA AVE.  
COLORADO SPRINGS, CO 80903  
(719) 955-5485, FAX (719) 444-8427

PRELIMINARY PROJECT DATA:

LAND USE	DENSITY	ACRES	UNITS	% OF UNITS
RESIDENTIAL	34.5 DU / ACRE	58.72	202	
	4.8 DU / ACRE	56.1	51	
	6.8 DU / ACRE	13.6	5	
	8.12 DU / ACRE	5.5	5	
COMMERCIAL		11.5		
COMMUNITY COMMONS-ARK USE		0.26		(INCLUDING 1 AC CIVIC)
PARKS, DETENTION, CREEK ROADS, EASEMENTS		55.14		
TOTALS		222	277	

NORRIS 552 LAND USE CHART				
LAND USE	DENSITY	ACRES	UNITS	% OF UNITS
RESIDENTIAL	2.4 DU / ACRE	45	108	
	3.5 DU / ACRE	87	308	
	4.8 DU / ACRE	56.1	161	
	6.8 DU / ACRE	74	508	
	8.12 DU / ACRE	16.8	197	
	12.24 DU / ACRE	8.5	139	
COMMUNITY COMMONS-ARK USE		34.71		
COMMERCIAL		7		
PARKS, DETENTION, CREEK ROADS, EASEMENTS		160.89		
TOTALS		522	1815	

APPLETREE GOLF		
LAND USE	ACRES	UNITS
ADDITIONAL RESIDENTIAL	19	103
PROPOSED TOTAL (PRELIMINARY)	783	2265



THOMAS & THOMAS
   
 1500 W. 10th Street
   
 ANCHORAGE, ALASKA 99501
   
 Phone: (907) 562-1111
   
 Fax: (907) 562-1112
   
 E-mail: info@thomasandthomas.com
   
 Date: May 11, 2006

MORLEY COMPANIES
   
 15 North Hancock, Colorado Springs, CO 80903

TERRAVISIONS
   
 1150 S. GARDNER DR., SUITE 310
   
 MESA RIDGE PARK, CO 80919

# NORRIS 552/ APPLETREE

## CONCEPT PLAN

May 11, 2006

2265.00

04.03.06



**EXHIBIT A-1**

Inclusion Area

# ESI

ENGINEERING AND SURVEYING, INC.

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AREA 1 LEGAL DESCRIPTION:

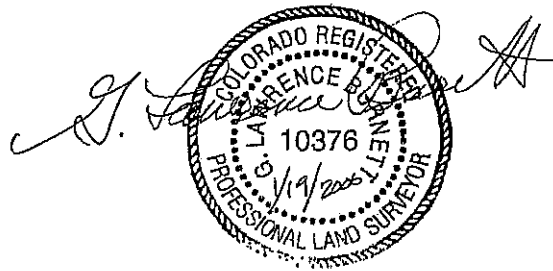
THOSE PORTIONS OF THE NORTH HALF OF THE NORTH HALF OF SECTION 26 AND OF THE NORTH HALF OF THE NORTH HALF OF SECTION 27, TOWNSHIP 15 SOUTH, RANGE 65 WEST OF THE 6TH P.M., EL PASO COUNTY, COLORADO DESCRIBED AS FOLLOWS: COMMENCING AT THE NORTHEAST CORNER OF SAID SECTION 26; THENCE WESTERLY ON THE NORTHERLY LINE OF SECTION 26, A DISTANCE OF 257.00 FEET TO A FOUND YELLOW PLASTIC SURVEYORS CAP STAMPED 11997; THENCE S 00°25'07" W (SAID BEARING AND ALL OTHERS USED IN THIS DESCRIPTION BEING ASSUMED AND RELATIVE TO THE WESTERLY LINE OF LOT 1, PEACEFUL VALLEY LAKE ESTATES FILING NO. 2 AS RECORDED IN PLAT BOOK Z-2 AT PAGE 5 OF THE RECORDS OF EL PASO COUNTY) ON THE WESTERLY LINE OF SAID LOT 1 A DISTANCE OF 30.00 FEET TO THE POINT OF BEGINNING; THENCE S 00°25'07" W ON SAID WESTERLY LINE, 927.93 FEET TO AN ANGLE POINT ON THE WESTERLY LINE OF LOT 7 IN THE AFOREMENTIONED FILING NO. 2; THENCE S 00°07'30" W ON THE WESTERLY LINE OF SAID LOT 7, A DISTANCE OF 348.27 FEET TO THE SOUTHWEST CORNER OF SAID LOT 7 BEING A FOUND YELLOW PLASTIC SURVEYOR'S CAP ON A NO. 5 REBAR; THENCE N 89°59'02" W ON THE SOUTH LINE OF THE NORTH HALF OF THE NORTH HALF OF SAID SECTION 26, A DISTANCE OF 2408.96 FEET TO THE SOUTHWEST CORNER OF THE NORTH HALF OF THE NORTH HALF OF SAID SECTION 26, BEING A FOUND HOOK & ASSOCIATES ONE AND ONE-HALF ALUMINUM SURVEYOR'S CAP STAMPED PLS 10956; THENCE S 89°48'58" W ON THE SOUTH LINE OF THE NORTH HALF OF THE NORTH HALF OF SAID SECTION 26, A DISTANCE OF 2641.19 FEET TO THE SOUTHEAST CORNER OF THE NORTH HALF OF THE NORTH HALF OF SAID SECTION 27, BEING A FOUND NO. 5 REBAR; THENCE S 89°54'39" W, ON THE SOUTH LINE OF THE NORTH HALF OF THE NORTH HALF OF SAID SECTION 27, A DISTANCE OF 3064.57 FEET; (THE FOLLOWING THREE (3) COURSES ARE ON THE EASTERLY RIGHT OF WAY LINE OF EXISTING MARKSHEFFEL ROAD) (60 FOOT RIGHT OF WAY) (1). N 33°00'56"E, 241.74 FEET; (2). ON THE ARC OF A CURVE TO THE LEFT, HAVING A CENTRAL ANGLE OF 18°13'24", A RADIUS OF 2394.61 FEET, AN ARC DISTANCE OF 761.62 FEET; (3). N 14°47'32" E, TANGENT TO THE LAST MENTIONED CURVE, 14.91 FEET THE WESTERLY EXTENSION OF THE NORTHERLY LINE OF THE TRACT OF LAND DESCRIBED UNDER RECEPTION NO. 200093254 OF THE SAID RECORDS; THENCE N 89°13'56" E ON SAID EXTENSION, 26.75 FEET TO THE NORTHWEST CORNER OF THE LAST MENTIONED TRACT; (THE FOLLOWING THREE (3) COURSES ARE ON THE WESTERLY, SOUTHERLY AND EASTERLY LINES OF THE LAST MENTIONED TRACT OF LAND) (1). S 15°17'33" W, 323.44 FEET TO A FOUND ALUMINUM SURVEYORS CAP STAMPED "9853"; (2). THENCE N 89°13'20" E, 604.77 FEET TO A RECOVERED ALUMINUM CAP STAMPED PLS 9853; (3). N 00°32'48" W, 310.73 FEET TO THE NORTHEAST CORNER OF THE LAST MENTIONED TRACT OF LAND BEING

15 N. Nevada • Colorado Springs, Colorado 80903 • (719) 955-5485 • FAX (719) 444-8427

EXHIBIT A-1  
INCLUSION AREA

MONUMENTED BY A FOUND NO. 5 REBAR, SAID POINT BEING THE SOUTHWESTERLY CORNER OF THE TRACT OF LAND DESCRIBED IN BOOK 5172 AT PAGE 805 OF THE SAID RECORDS; (THE FOLLOWING THREE (3) COURSES ARE ON THE BOUNDARY LINE OF THE LAST MENTIONED TRACT OF LAND); (1). N 89°16'33" E, 229.57 FEET; (2). N 00°52'25" E, 190.10 FEET; (3). S 89°14'02" W, 229.26 FEET TO THE EASTERLY LINE OF RESTORATION CHURCH SUBDIVISION, AS RECORDED UNDER RECEPTION NO. 98097213 OF THE SAID RECORDS; THENCE N 00°45' 58" W ON SAID EASTERLY LINE, 40.00 FEET TO THE SOUTH LINE OF BOWEN SUBDIVISION AS RECORDED IN PLAT BOOK A-3 AT PAGE 37 OF THE SAID RECORDS; THENCE N 89°14'02" E ON THE SOUTHERLY LINE OF SAID BOWEN SUBDIVISION AND ON THE SOUTHERLY LINE OF PEACEFUL VALLEY SHOPETTE NO. 1 AS RECORDED IN PLAT BOOK Y-2 AT PAGE 24 OF THE RECORDS, 229.26 FEET TO THE SOUTHEASTERLY CORNER OF THE LAST MENTIONED SUBDIVISION; THENCE N 00°45'58" W ON THE EASTERLY LINE OF THE LAST MENTIONED SUBDIVISION, 150.00 FEET TO THE NORTHEAST CORNER THEREOF, SAID POINT LYING ON THE NORTH LINE OF SAID SECTION 27; THENCE N 89°14'02" E ON SAID NORTH LINE, 1850.69 FEET TO THE NORTHEAST CORNER OF SAID SECTION 27 BEING MONUMENTED BY A FOUND 2 AND ONE HALF INCH ALUMINUM SURVEYORS CAP ON A NO. 6 REBAR, PROPERLY STAMPED AND ALSO STAMPED NOLTE 1999 PLS 25955; THENCE S 81°34'19" E ON THE SOUTH LINE OF PEACEFUL VALLEY ROAD (60 FOOT RIGHT OF WAY) 202.00 FEET TO AN ANGLE POINT THEREON; THENCE N 89°53'14" E ON A LINE 30.00 FEET SOUTH OF THE NORTH LINE OF THE AFOREMENTIONED SECTION 26, AND ON THE SOUTH LINE OF PEACEFUL VALLEY ROAD AS DESCRIBED IN BOOK 2277 AT PAGE 978 AND IN BOOK 795 AT PAGE 377 OF THE SAID RECORDS, 2442.02 FEET TO THE EAST LINE OF THE NORTHWEST QUARTER OF SAID SECTION 26; THENCE S 89°43'02" E ON A LINE 30.00 FEET SOUTHERLY FROM AND PARALLEL WITH THE NORTH LINE OF SAID SECTION 26, A DISTANCE OF 2419.77 FEET TO THE POINT OF BEGINNING, CONTAINING A CALCULATED AREA OF 9,634,000 SQUARE FEET MORE OR LESS, OR 221.166 ACRES, MORE OR LESS.

Prepared by:  
Engineering & Surveying, Inc.  
15 North Nevada Ave.  
Colorado Springs  
CO 80903



AREA 2 LEGAL DESCRIPTION:

PARCEL A:

A PORTION OF THE SOUTHEAST QUARTER OF SECTION 22, AND THE SOUTHWEST QUARTER OF SECTION 23, TOWNSHIP 15 SOUTH, RANGE 65 WEST, OF THE 6TH P. M., IN THE CITY OF FOUNTAIN, COUNTY OF EL PASO, STATE OF COLORADO, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 22; THENCE N00°30'07"W, A DISTANCE OF 60.00 FEET TO A POINT ON THE NORTHERLY RIGHT-OF-WAY LINE OF PEACEFUL VALLEY ROAD AS DESCRIBED IN BOOK 795 AT PAGE 377 OF THE RECORDS OF SAID EL PASO COUNTY; THENCE S88°42'08"W ALONG SAID NORTHERLY RIGHT-OF-WAY LINE A DISTANCE OF 300.00 FEET TO THE POINT OF BEGINNING; THENCE CONTINUE S88°42'08"W ALONG SAID NORTHERLY RIGHT-OF-WAY LINE, A DISTANCE OF 259.90 FEET TO THE SOUTHEAST CORNER OF THE TRACT OF LAND DESCRIBED IN BOOK 2745 AT PAGE 707 OF THE RECORDS OF SAID EL PASO COUNTY; (THE FOLLOWING 2 COURSES ARE ALONG THE BOUNDARY OF SAID TRACT OF LAND) (1) THENCE N13°33'35"W, A DISTANCE OF 144.65 FEET; (2) THENCE N86°00'34"W, A DISTANCE OF 170.00 FEET TO THE NORTHEAST CORNER OF LOT 1, PEACEFUL VALLEY COUNTRY CLUB ESTATES FILING NO.1 AS RECORDED IN PLAT BOOK X-2 AT PAGE 55 OF THE RECORDS OF SAID EL PASO COUNTY; (THE FOLLOWING 6 COURSES ARE ALONG THE EASTERLY BOUNDARY OF SAID PEACEFUL VALLEY COUNTRY CLUB ESTATES FILING NO. 1) (1) THENCE N86°00'34"W, A DISTANCE OF 176.92 FEET; (2) THENCE N88°40'32"W, A DISTANCE OF 517.17 FEET; (3) THENCE N05°22'33"E, A DISTANCE OF 221.10 FEET; (4) THENCE N36°53'50"E, A DISTANCE OF 62.80 FEET; (5) THENCE N78°15'49"E A DISTANCE OF 632.53 FEET; (6) THENCE N49°11'53"W A DISTANCE OF 577.56 FEET TO THE SOUTHEAST CORNER OF LOT B, REPLAT OF LOT 29 IN PEACEFUL VALLEY COUNTRY CLUB ESTATES NO. 1 AND A PORTION OF SECTION 22 AS RECORDED IN PLAT BOOK B-3 AT PAGE 12 OF THE RECORDS OF SAID EL PASO COUNTY; THENCE N22°13'44"W ALONG THE EASTERLY LINE OF SAID LOT B, A DISTANCE OF 180.61 FEET; (THE FOLLOWING 7 COURSES ARE ALONG THE EASTERLY BOUNDARY OF SAID PEACEFUL VALLEY COUNTRY CLUB ESTATES FILING NO.1); (1) N13°56'26"E, A DISTANCE OF 171.73 FEET; (2) N03°35'39"E A DISTANCE OF 291.67 FEET; (3) THENCE N33°25'41"E, A DISTANCE OF 210.51 FEET; (4) THENCE N16°30'43"E, A DISTANCE OF 182.86 FEET; (5) THENCE N48°17'02"E, A DISTANCE OF 279.89 FEET; (6) THENCE N20°53'37"W, A DISTANCE OF 128.16 FEET; (7) THENCE N87°19'29"W, A DISTANCE OF 245.36 FEET TO THE SOUTHEAST CORNER OF THE TRACT OF LAND DESCRIBED IN BOOK 2858 AT PAGE 285 OF THE RECORDS OF SAID EL PASO COUNTY; (THE FOLLOWING 3 COURSES ARE ALONG THE BOUNDARY OF SAID TRACT) (1) THENCE N02°40'31"E, A DISTANCE OF 20.00 FEET; (2) THENCE N87°19'29"W, A DISTANCE OF 20.00 FEET; (3) S02°40'31"W, A

DISTANCE OF 20.00 FEET TO A POINT ON THE NORTH LINE OF LOT 47 OF SAID PEACEFUL VALLEY COUNTRY CLUB ESTATES FILING NO. 1) (1) THENCE N87°19'29"W, A DISTANCE OF 20.00 FEET; (2) THENCE N45°20'15"W, A DISTANCE OF 42.23 FEET; (3) THENCE N09°44'40"E, A DISTANCE OF 263.78 FEET; (4) THENCE N00°45'29"W, A DISTANCE OF 40.00 FEET; THENCE CONTINUE N00°45'29"W A DISTANCE OF 2.00 FEET TO A POINT ON THE NORTH LINE OF THE SOUTHEAST ONE QUARTER OF SAID SECTION 22; THENCE N89°21'16"E ALONG SAID NORTH LINE, A DISTANCE OF 1142.38 FEET TO THE EAST QUARTER CORNER OF SAID SECTION 22; THENCE N89°35'01"E ALONG THE NORTH LINE OF THE SOUTHWEST QUARTER OF SECTION 23, A DISTANCE OF 1480.21 FEET TO THE NORTHWEST CORNER OF LOT 13, APPLE RIDGE SUBDIVISION AS RECORDED IN THE EL PASO COUNTY RECORDS UNDER RECEPTION NUMBER 202086000; THENCE SOUTHERLY AND ALONG THE BOUNDARY OF SAID APPLE RIDGE SUBDIVISION THE FOLLOWING 9 COURSES; (1)THENCE S00°24'59"E, A DISTANCE OF 320.67 FEET; (2)THENCE S12°37'12"E, A DISTANCE OF 71.87 FEET; (3)THENCE S33°33'41"E, A DISTANCE OF 51.65 FEET; (4)THENCE S52°42'56"E, A DISTANCE OF 63.84 FEET; (5)THENCE S59°46'33"E, A DISTANCE OF 111.20 FEET; (6)THENCE S60°58'47"E, A DISTANCE OF 36.88 FEET; (7)THENCE S69°49'39"E, A DISTANCE OF 72.92 FEET; (8)THENCE S53°15'26"E, A DISTANCE OF 100.38 FEET; (9)THENCE S38°02'32"E, A DISTANCE OF 58.38 FEET TO A POINT ON THE NORTHERLY RIGHT-OF-WAY LINE OF ROLLING RIDGE ROAD AS PLATTED IN PEACEFUL VALLEY LAKE ESTATES FIRST FILING, RECORDED IN PLAT BOOK L-2 AT PAGE 54 OF THE RECORDS OF SAID EL PASO COUNTY; (THE FOLLOWING 2 COURSES ARE ALONG THE NORTHERLY RIGHT-OF-WAY LINE OF SAID ROLLING RIDGE ROAD) (1) THENCE ALONG THE ARC OF A CURVE TO THE LEFT HAVING A RADIUS OF 430.00 FEET, A CENTRAL ANGLE OF 00°31'57" AND A LENGTH OF 4.00 FEET; (2) THENCE S57°13'27"W, A DISTANCE OF 160.38 FEET TO THE SOUTHEASTERLY CORNER OF LOT 10, APPLETREE SUBDIVISION FILING NO. 3; THENCE SOUTHERLY AND ALONG THE BOUNDARY OF SAID APPLETREE SUBDIVISION FILING NO. 3 THE FOLLOWING 9 COURSES; (1)THENCE N32°46'33"W, A DISTANCE OF 120.00 FEET; (2)THENCE S57°13'27"W, A DISTANCE OF 326.83 FEET; (3)THENCE S53°33'45"W, A DISTANCE OF 94.03 FEET; (4)THENCE S43°43'59"W, A DISTANCE OF 96.19 FEET; (5)THENCE S33°41'58"W, A DISTANCE OF 96.19 FEET; (6)THENCE S23°39'58"W, A DISTANCE OF 96.19 FEET; (7)THENCE S13°37'58"W, A DISTANCE OF 96.19 FEET; (8)THENCE S03°39'49"W, A DISTANCE OF 95.38 FEET; (9)THENCE N89°19'27"E, A DISTANCE OF 120.00 FEET TO A POINT ON THE WESTERLY RIGHT-OF-WAY LINE OF ROLLING RIDGE ROAD; THENCE ALONG THE WESTERLY RIGHT-OF-WAY LINE OF ROLLING RIDGE ROAD S00°40'33"E, A DISTANCE OF 277.10 FEET; THENCE S89°19'27"W, A DISTANCE OF 120.00 FEET; THENCE S00°40'33"E, A DISTANCE OF 886.36 FEET; THENCE S89°20'40"W, A DISTANCE OF 239.96 FEET; THENCE S00°39'21"E, A DISTANCE OF 120.00 FEET TO A POINT ON THE NORTHERLY RIGHT-OF-WAY LINE OF PEACEFUL VALLEY ROAD; (THE FOLLOWING 3 COURSES ARE ALONG THE

SAID NORTHERLY RIGHT-OF-WAY LINE OF PEACEFUL VALLEY ROAD) (1) THENCE S89°20'40"W, A DISTANCE OF 698.04 FEET; (2) THENCE N82°06'57"W, A DISTANCE OF 202.36 FEET; (3) THENCE S88°42'08"W, A DISTANCE OF 303.98 FEET TO THE POINT OF BEGINNING, CONTAINING 143.105 ACRES (6,233,670 SQUARE FEET), MORE OR LESS.

PARCEL B:

A PORTION OF THE SOUTHWEST QUARTER OF SECTION 23, TOWNSHIP 15 SOUTH, RANGE 65 WEST OF THE 6TH P. M., IN THE CITY OF FOUNTAIN, EL PASO COUNTY, COLORADO DESCRIBED AS FOLLOWS: COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 23, THENCE N00°30'07"W, A DISTANCE OF 60.00 FEET TO A POINT ON THE NORTH RIGHT-OF-WAY LINE OF PEACEFUL VALLEY ROAD AS DESCRIBED IN BOOK 795, PAGE 377 OF THE RECORDS OF SAID EL PASO COUNTY; (THE FOLLOWING 3 COURSES ARE ALONG THE NORTHERLY RIGHT- OF WAY LINE OF SAID PEACEFUL VALLEY ROAD) (1) THENCE N88°42'08"E, A DISTANCE OF 3.98 FEET; (2) THENCE S82°06'56"E, A DISTANCE OF 202.36 FEET; (3) THENCE N89°20'39"E A DISTANCE OF 1058.04 FEET, TO A POINT ON THE WESTERLY RIGHT-OF-WAY LINE OF ROLLING RIDGE ROAD, SAID POINT BEING THE POINT OF BEGINNING; THENCE S89°20'39"W ALONG THE NORTH RIGHT-OF-WAY LINE OF PEACEFUL VALLEY ROAD, A DISTANCE OF 360.00 FEET; THENCE N00°39'21"W, A DISTANCE OF 120.00 FEET; THENCE N89°20'39"E, A DISTANCE OF 239.96 FEET; THENCE N00°40'33"W, A DISTANCE OF 886.36 FEET; THENCE N89°19'27"E A DISTANCE OF 120.00 FEET TO A POINT ON THE WESTERLY RIGHT-OF-WAY LINE OF ROLLING RIDGE ROAD; THENCE S00°40'33"E ALONG THE WESTERLY RIGHT-OF-WAY LINE OF SAID ROLLING RIDGE ROAD, A DISTANCE OF 1006.40 FEET TO THE POINT OF BEGINNING. EXCEPT THOSE PORTIONS HEREOF PLATTED AS APPLE TREE SUBDIVISION FILING NO.1 ACCORDING TO THE PLAT THEREOF RECORDED DECEMBER 14, 1990 IN PLAT BOOK E-4 AT PAGE 134 AND PLATTED AS APPLE TREE SUBDIVISION FILING NO. 2 ACCORDING TO THE PLAT THEREOF RECORDED MAY 21, 1993 IN PLAT BOOK E-5 AT PAGE 239.

PARCEL C-1:

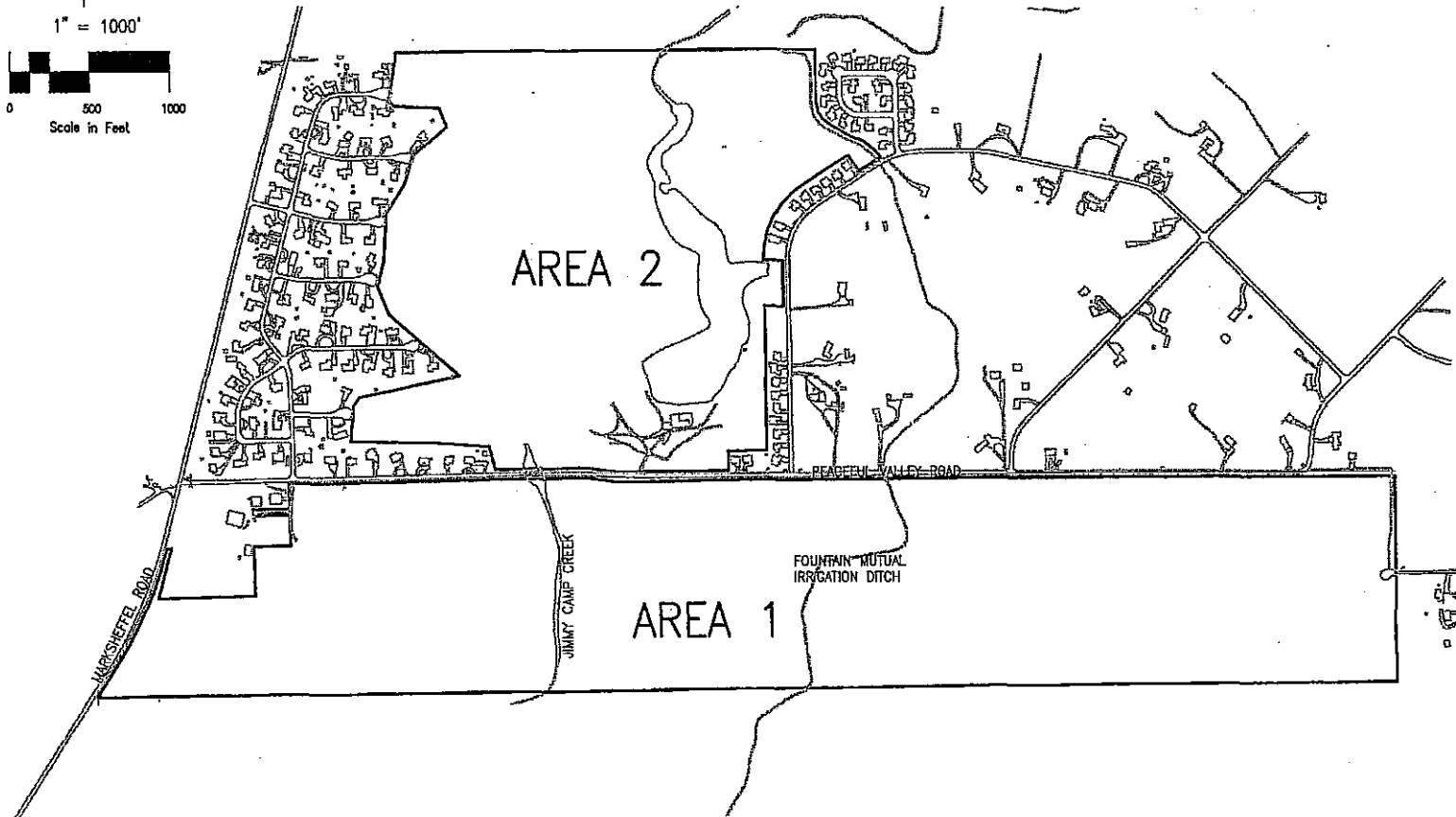
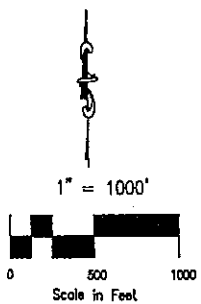
LOT 1 IN APPLE TREE SUBDIVISION FILING NO. 3, AS RECORDED IN PLAT BOOK H-5, AT PAGE 30 OF THE EL PASO COUNTY RECORDS, STATE OF COLORADO.

PARCEL C-2:

A PERPETUAL EASEMENT FOR THE MAINTENANCE, REPAIR, REPLACEMENT, AND OPERATION OF A WATER IRRIGATION LINE, INCLUDING NECESSARY PIPES, VALVES, METERS, AND FIXTURES OVER, UNDER, AND ACROSS A PORTION OF LOT 2, APPLE TREE SUBDIVISION

FILING NO.3 AS CREATED BY AND DESCRIBED IN AN EASEMENT  
AGREEMENT RECORDED JULY 2, 1995 AT RECEPTION NUMBER 96082796 OF  
THE EL PASO COUNTY RECORDS, STATE OF COLORADO.

EXHIBIT A-1  
INCLUSION AREA



ENGINEERING AND SURVEYING INC.  
**ESI**

JOB NO.: 27-001  
DATE: JUNE 22, 2006

15 NORTH NEVADA AVE.  
COLORADO SPRINGS, CO 80903  
(719) 955-5485, FAX (719) 444-8427



EXHIBIT B  
Estimated Costs of Improvements

Capital Improvements	Estimated Cost
<b>Roadway</b>	
Roadways (grading, curb, gutter, sidewalk, paving, street lights, traffic signals)	\$10,275,000
JCC Bridge	\$1,350,000
Mesa Ridge/Marksheffel Intersection	\$450,000
<b>Water</b>	
Onsite Water Main	\$2,250,000
Offsite 16" DIP Water Main (6,000 lf)	\$900,000
<b>Sanitary Sewer</b>	
Onsite Sanitary Sewer Main	\$1,500,000
Offsite 15" Sanitary Sewer Main (8,000 lf)	\$675,000
<b>Drainage</b>	
Drainage and Flood Control	\$1,800,000
<b>Mosquito Control</b>	
Mosquito Control	\$500,000
<b>Parks and Rec</b>	
Recreation Center (10K SF @ 140/SF w/ indoor pool)	\$1,050,000
Park (10 acres)	\$300,000
Landscape	\$450,000
<b>Total Improvements</b>	<b>\$21,500,000</b>

\*Costs are in 2006 dollars.

\*\*Costs include the following markups: 20% contingency, 15% for engineering, surveying and materials testing, and 10% for construction management services.

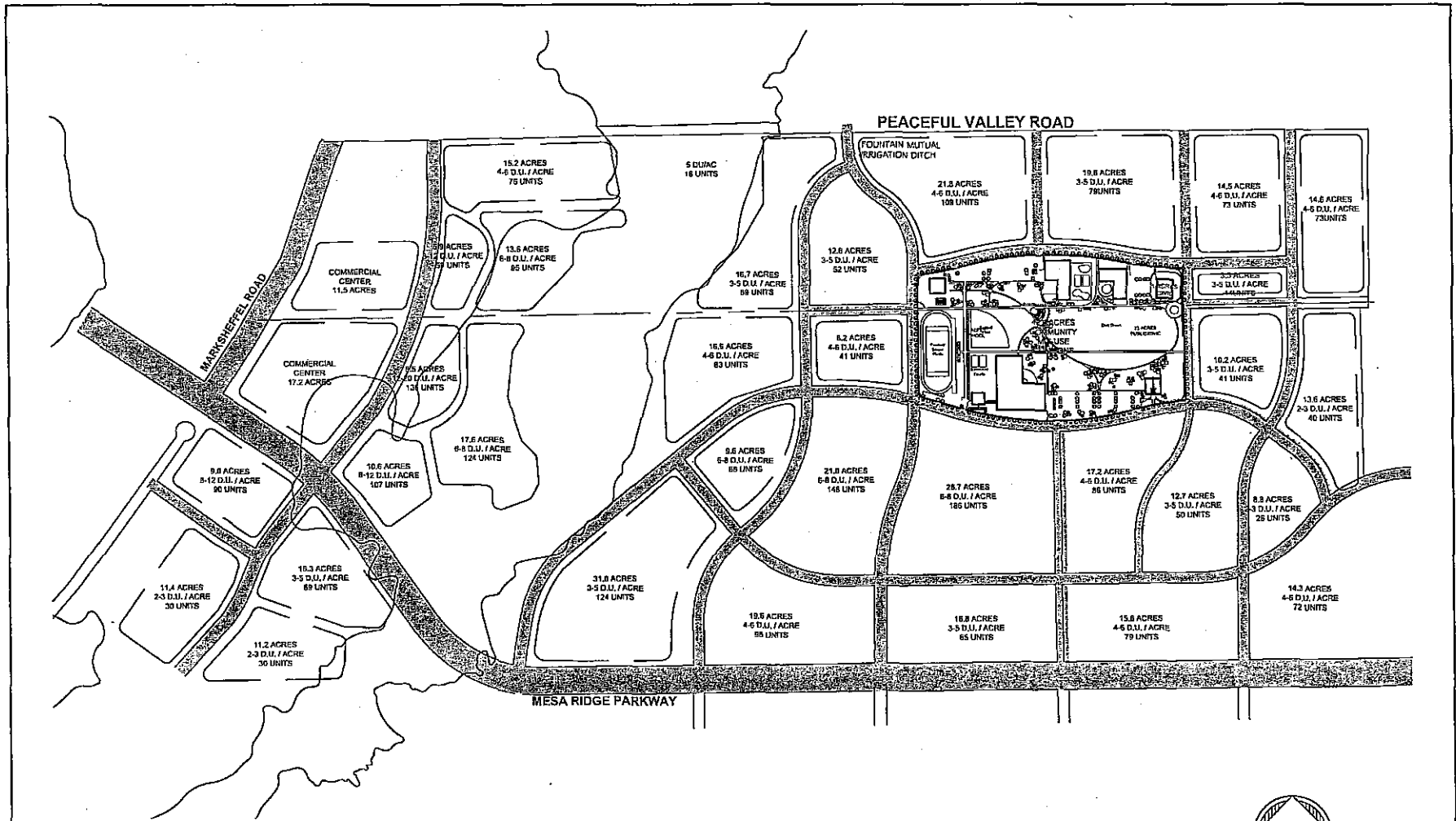
\*\*\*May want to include additional 5% for inflation costs.

\*\*\*\*Roadway costs include estimated costs of grading, curb and gutter, sidewalk, pavement, street lights and traffic signals.

\*\*\*\*\*Utility costs include the main and all fittings as required for the system.

**EXHIBIT C**

Maps Depicting Proposed Improvements



**LEGEND:**



..... PROPOSED TRAFFIC IMPROVEMENTS



SCALE: 1"=1000'



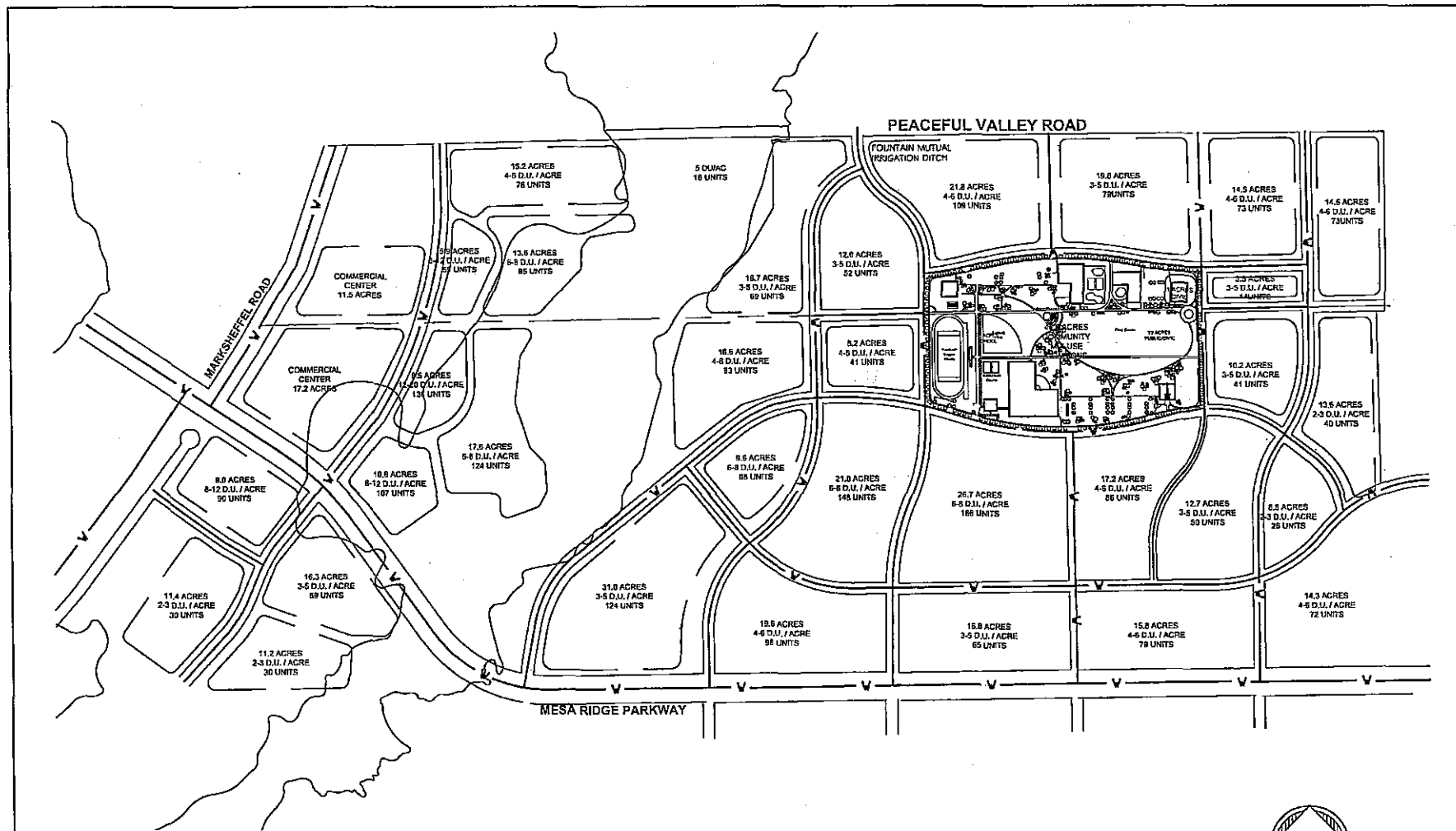
**NOTE:**  
THIS MAP IS NOT A LAND SURVEY PLAT OR IMPROVEMENT SURVEY PLAT, THE PURPOSE OF THIS MAP IS TO GRAPHICALLY SHOW THE REFERENCED ROADWAY IMPROVEMENTS.

**PROPOSED TRAFFIC IMPROVEMENTS**

Drexel, Barrell & Co.  
Engineers • Surveyors

DATE:  
06/27/2006  
JOB NO:  
C7856-1

DWG. NO.  
**EXH**  
SHEET 5 OF 8



**LEGEND:**

— v — ..... PROPOSED WATER LINE



SCALE: 1"=1000'



**NOTE:**  
THIS MAP IS NOT A LAND SURVEY  
PLAT OR IMPROVEMENT SURVEY PLAT,  
THE PURPOSE OF THIS MAP IS TO  
GRAPHICALLY SHOW THE REFERENCED  
ROADWAY IMPROVEMENTS.

**PROPOSED WATER LINE  
DISTRIBUTION IMPROVEMENTS**

Drexel, Barrell & Co.  
Engineers • Surveyors

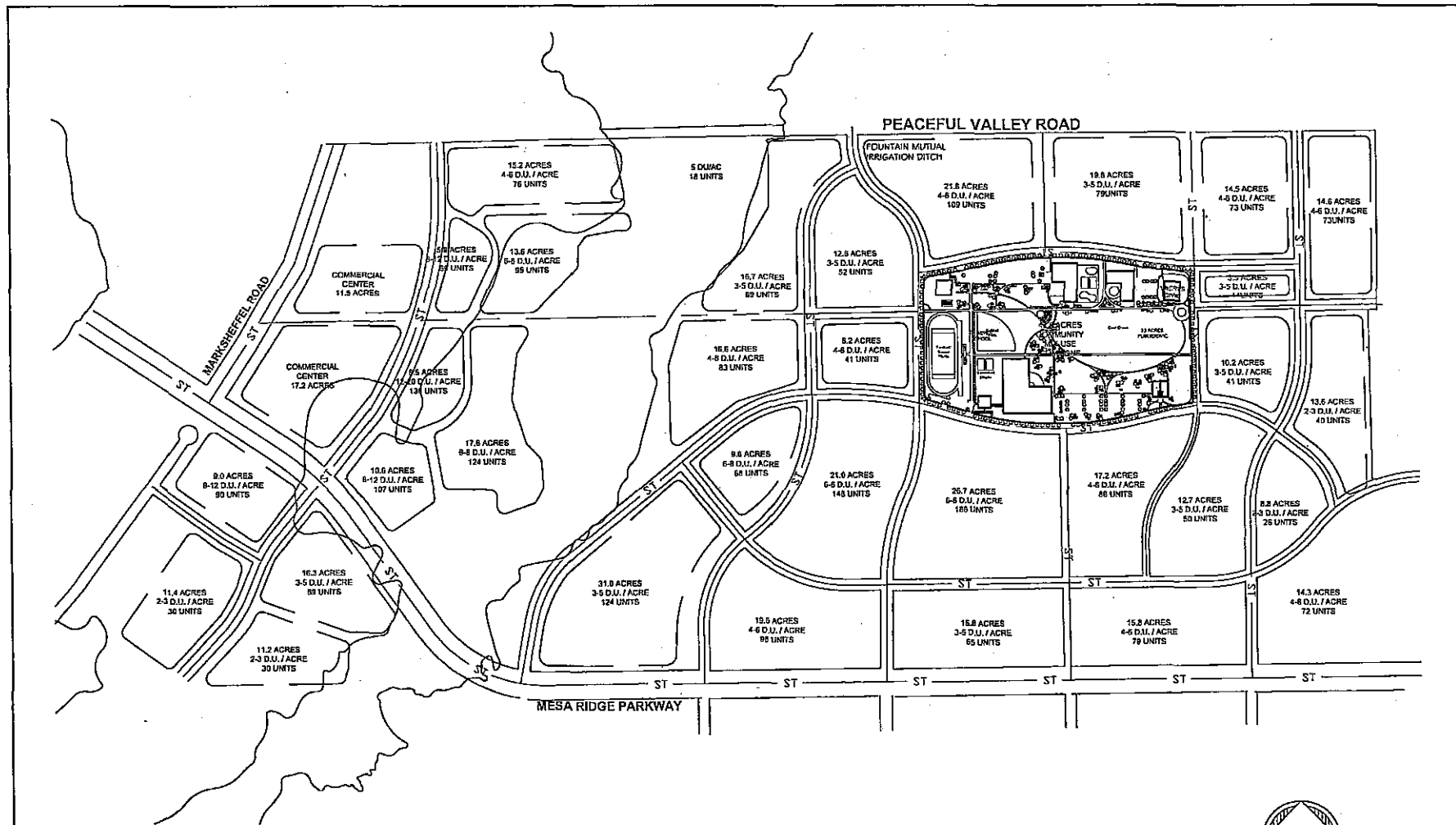
DATE:  
06/27/2006

DWG. NO.

JOB NO:  
C7856-1

EXH

SHEET 6 OF 8



**LEGEND:**

—— ST      - - - - - PROPOSED STORM SEWER



SCALE: 1"=1000'



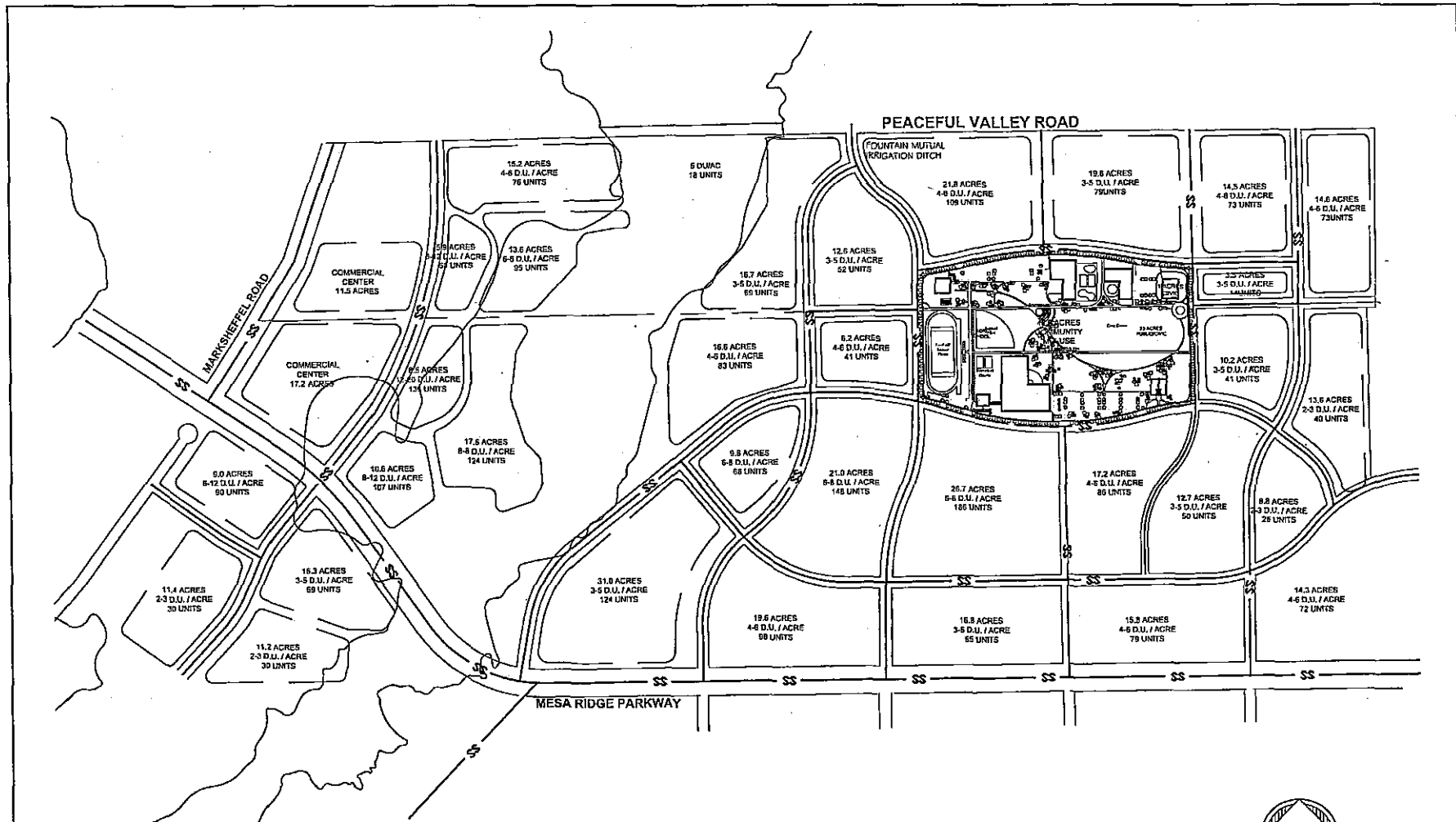
**NOTE:**  
THIS MAP IS NOT A LAND SURVEY  
PLAT OR IMPROVEMENT SURVEY PLAT,  
THE PURPOSE OF THIS MAP IS TO  
GRAPHICALLY SHOW THE REFERENCED  
STORM SEWER IMPROVEMENTS.

**PROPOSED STORM  
SEWER IMPROVEMENTS**

Drexel, Barrell & Co.  
Engineers • Surveyors

DATE:  
06/27/2006  
JOB NO:  
C7856-1

DWG. NO.  
**EXH**  
SHEET 7 OF 8



**LEGEND:**

— SS — PROPOSED SANITARY SEWER



SCALE: 1"=1000'



**NOTE:**  
THIS MAP IS NOT A LAND SURVEY  
PLAT OR IMPROVEMENT SURVEY PLAT,  
THE PURPOSE OF THIS MAP IS TO  
GRAPHICALLY SHOW THE REFERENCED  
ROADWAY IMPROVEMENTS.

**PROPOSED SANITARY  
COLLECTION IMPROVEMENTS**

Drexel, Barrell & Co.  
Engineers • Surveyors

DATE:  
06/27/2006  
JOB NO:  
C7856-1

DWG. NO.  
**EXH**  
SHEET 8 OF 8

**EXHIBIT D**

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:** Tom Clark, Project Manager, TerraVisions, LLC  
Darwin Horan, Chris Fellows  
Rick Kron, Esq., Grimshaw & Haring, P.C.  
Mark McAskin Esq., Grimshaw & Haring, P.C.

**FROM:** Stan Bernstein  
Amy Bernstein

**DATE:** August 1, 2006

**SUBJECT:** Fifth Draft – Financial Model – Appletree Metropolitan Districts #1 and #2

**INTRODUCTION AND SCOPE**

Stan Bernstein and Associates, Inc. has assembled Financial Models for Appletree Metropolitan Districts #1 and #2 based upon key assumptions provided by H.F. Holdings, LLC. The Financial Models were assembled in order to provide a conceptual understanding of the amount of Limited Tax General Obligation Bonds (the Limited G.O. Bonds) that could ultimately be supported by the Appletree Metropolitan Districts #1 and #2 (the "Districts"). The Limited G.O. Bonds are assumed to be issued by the Districts to reimburse infrastructure costs funded by H.F. Holdings, LLC (the "Developer").

The Financial Models present, to the best knowledge and belief of the Developer (based upon assumptions provided by the Developer), the Districts' expected cash position and results of cash receipts and disbursements for the forecast period. Accordingly, the Financial Models reflect the Developer's judgment, as of the date of this report, of the expected conditions within the Districts' boundaries and the Districts' expected course of action. The assumptions disclosed in the Financial Models are those of the Developer and have not been independently reviewed by Stan Bernstein and Associates, Inc.



**FUTURE RATES OF RESIDENTIAL BUILDOUT AND RELATED ASSESSED VALUATION, AND POTENTIAL BONDING CAPACITY**

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

For financial planning purposes it is assumed that a portion (approximately 5.0 mills or a minimum of \$50,000 each year as recommended by the Developer) of the property tax revenues generated from the 40 mills assumed to be levied by each District will be used to pay the Districts' administrative costs. The property tax revenues not used to pay administrative costs will be available to make annual interest and principal payments on outstanding Limited G.O. Bonds.

This draft indicates that the Districts could support the following Limited G.O. bonds. For each District the initial bond issue assumes 30-year amortization and 7% interest rates and all subsequent bond issues assume up to 30-year amortization and 6% interest rates. It is possible, depending upon buildout rates, assessed valuation, actual administrative expenditures, interest rates and debt service coverage requirements that the Districts could be able to issue more or less than the identified \$10,850,000 of Limited G.O. Bonds. The actual amount, and the timing, of the Limited G.O. Bonds that will be issued by the Districts will be based upon interest rates, debt service coverage requirements imposed by bond investors, administrative expenditures, and buildout and related assessed valuation.

<u>District</u>	<u>Date of Issue</u>	<u>Gross Issue Amount</u>
Appletree District #1	12/1/2011	\$1,700,000
	12/1/2016	1,800,000
	12/1/2025	<u>1,000,000</u>
	Total	<u>\$4,500,000</u>
Appletree District #2	12/1/2021	\$1,400,000
	12/1/2025	1,800,000
	12/1/2029	<u>3,150,000</u>
	Total	<u>\$6,350,000</u>

The key assumptions with respect to future residential buildout, and related assessed valuation buildup, within the boundaries of the Districts are presented in detail on Schedules 1 - 3. These assumptions were provided by officials of the Developer. The assessed valuation estimates assume a net average annual inflationary increase of approximately 1% (2% biennially) above decreases in assessed valuation caused by The Gallagher Amendment although there can be no assurance that this assumption will actually occur.

The Financial Models are based upon a total of 849 residential units being completed by the end of 2028.

Officials of the Developer have provided the information contained in Schedules 1 - 3, as well as administrative and capital cost estimates as set forth on Exhibits I and II, and believe these assumptions to be reasonable and appropriate to use for financial modeling purposes at this time.

### **DISTRICTS' CASH FLOWS- EXHIBITS I AND II**

Exhibits I and II present the estimated cash flow for the Districts based upon the assumed rate of buildout presented on Schedules 1 and 2.

Each Exhibit presents the estimated revenues and expenditures for each District. The primary revenue source for each district consists of property tax revenues generated from a 40.0 mill levy. Other sources of revenue include specific ownership tax revenues, Developer operating contributions (the amount of which is dependent upon actual administrative costs incurred by the Districts), interest earnings, and System Development Fees. The System Development Fees are assumed to be \$1,800 per single family detached residence and \$1,200 per single family attached residence (at permit) for the Districts.

Administrative expenditures are estimated to equal approximately 5 mills annually (or a minimum of \$50,000 annually). It is assumed that the Districts will incur no operational or maintenance costs - these costs will be paid by other governmental entities or by various homeowners associations. In the event that the Districts do incur additional operating and maintenance expenses, these costs will reduce the bonding capacity of each district (the Districts will not be able to support the bonds as shown in these financial models).

The Limited G.O. Bonds debt service schedule is also presented on each Exhibit. Average interest rates of 7.0% and 30-year amortization have been assumed for the first bond issue for each District and average interest rates of 6% and up to 30-year amortization have been assumed for all subsequent bond issues.

### **CAPITAL EXPENDITURES - SCHEDULE 3**

Capital infrastructure expenditures (provided by Mr. Byron Glen, Drexel, Barrell & Co.) are presented on Schedule 3. Estimated infrastructure costs totaling \$21,500,000 are assumed to be funded by the Developer in the years they occur.

This draft indicates, on a combined District basis, that approximately 48.45% of the total estimated infrastructure costs could ultimately be recouped by the Developer from approximately \$10,416,000 of Limited G.O. Bond net proceeds.

**DISCLAIMER AND LIMITATIONS**

The assumptions disclosed in the Financial Model are those of the Developer and have not been independently reviewed by Stan Bernstein and Associates, Inc. Those assumptions identified are believed to be the significant factors in determining financial feasibility; however, they are likely not to be all-inclusive. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. Key assumptions – like those relating to market values of real property improvements and the buildout schedule of such property – are particularly sensitive in terms of the timing necessary to create the tax base for the Districts. A small variation in these variables, and to their timing, can have a large effect on the forecasted results. There is a high probability that the forecasted results will differ from realized future tax base factors. Additionally, other key assumptions relating to inflation, assessment ratios, interest rates, debt service coverage requirements, and administrative and operating costs may, and likely will, vary from those assumed.

Because Stan Bernstein and Associates, Inc. has not independently evaluated or reviewed the assumptions that the Financial Models are based upon, we do not vouch for the achievability of the information presented on Exhibits I and II or on Schedules 1 - 3. 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 Schedules 1 - 3. 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 Limited G.O. Bonds that could be supported by the Districts will depend on the rate of buildout and the related increases in assessed valuation, interest rates, debt service coverage requirements, and the actual amounts needed to pay for the Districts' administrative and operating expenses. Consequently, the actual amount of Limited G.O. Bonds that could be supported by the Districts could be more or less than presented on Exhibits I and II and readers of this report should clearly be aware of such possibilities.

EXHIBIT I (APPLETREE RESIDENTIAL FINANCING DISTRICT #1)  
 APPLETREE METROPOLITAN DISTRICT #1  
 CASH FLOW FORECASTS  
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2042

WORKING DRAFT  
 SUBJECT TO REVISION  
 1-Aug-06  
 The attached Narrative Summary  
 and Disclaimer are an Integral Part of this Financial Model

KEY ASSUMPTIONS	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
ASSESSED VALUATION (SCH. 1)	0	0	500,000	1,196,500	1,930,860	2,641,290	3,418,754	4,143,393	4,880,920	5,535,579	6,314,043	6,981,796	7,581,723
TOTAL DISTRICT MILL LEVY	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
INCREMENTAL RESIDENTIAL UNITS ADDED (SCH. 1)	0	35	35	35	35	35	35	35	35	35	35	23	0
CUMULATIVE RESIDENTIAL UNITS ADDED (SCH. 1)	0	35	70	105	140	175	210	245	280	315	350	373	373
ASSUMED SYSTEM DEVELOPMENT FEE PER SF DETACHED UNIT	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
ASSUMED SYSTEM DEVELOPMENT FEE PER SF ATTACHED UNIT	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
<b>CASH FLOW</b>													
<b>REVENUES</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
PROPERTY TAXES	0	0	20,000	47,860	77,234	105,652	138,750	165,237	195,237	221,423	252,562	279,272	303,269
SPECIFIC OWNERSHIP TAXES @ 5% OF PROPERTY TAXES	0	0	1,200	2,872	4,634	6,339	8,205	9,944	11,714	13,285	15,154	16,756	18,196
SYSTEM DEVELOPMENT FEE - SF DETACHED	0	63,000	63,000	63,000	63,000	63,000	45,000	45,000	45,000	45,000	45,000	28,800	0
SYSTEM DEVELOPMENT FEE - SF ATTACHED	0	0	0	0	0	0	12,000	12,000	12,000	12,000	12,000	8,400	0
DEVELOPER OPERATING CONTRIBUTION	0	0	35,000	5,000	0	0	0	0	0	0	0	0	0
INTEREST EARNINGS @ 3% OF BEGINNING FUNDS	0	0	0	1,890	3,948	6,024	8,919	12,754	13,287	14,673	17,428	20,862	25,267
TOTAL REVENUES	0	63,000	119,200	120,622	148,816	181,014	210,874	245,434	277,238	306,581	342,144	354,111	346,733
<b>EXPENDITURES</b>													
ADMINISTRATIVE COSTS 5 MILLS (or \$50,000)	0	0	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
COUNTY TREASURER 3.0% COLLECTION FEE	0	0	600	1,436	2,317	3,170	4,103	4,972	5,857	6,643	7,577	8,378	9,098
CONTINGENCY FOR ADMINISTRATIVE, OPERATIONS AND CAPITAL	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENDITURES	0	0	50,600	51,436	52,317	53,170	54,103	54,972	55,857	56,643	57,577	58,378	59,098
FUNDS AVAILABLE FOR DEBT SERVICE	0	63,000	68,600	69,186	96,499	127,845	156,771	190,462	221,381	249,939	284,567	295,732	287,634
<b>LTD. G.O. BONDS DEBT SERVICE</b>													
SERIES 12/1/2011 @ 7.0%													
INTEREST @ 7.0%	0	0	0	0	0	0	119,000	117,600	116,200	114,800	113,400	111,650	109,900
PRINCIPAL REDUCTION	0	0	0	0	0	0	20,000	20,000	20,000	20,000	20,000	25,000	25,000
TOTAL DEBT SERVICE	0	0	0	0	0	0	139,000	137,600	136,200	134,800	133,400	136,650	134,900
LTD. G.O. BONDS OUTSTANDING @ 12/31	0	0	0	0	0	1,700,000	1,680,000	1,660,000	1,640,000	1,620,000	1,595,000	1,570,000	1,545,000
SERIES 12/1/2016 @ 6.0%													
INTEREST @ 6.0%	0	0	0	0	0	0	0	0	0	0	0	108,000	106,500
PRINCIPAL REDUCTION	0	0	0	0	0	0	0	0	0	0	0	25,000	25,000
TOTAL DEBT SERVICE	0	0	0	0	0	0	0	0	0	0	0	133,000	131,500
LTD. G.O. BONDS OUTSTANDING @ 12/31	0	0	0	0	0	0	0	0	0	0	1,800,000	1,775,000	1,750,000
SERIES 12/1/2025 @ 6.0%													
INTEREST @ 6.0%	0	0	0	0	0	0	0	0	0	0	0	0	0
PRINCIPAL REDUCTION	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL DEBT SERVICE	0	0	0	0	0	0	0	0	0	0	0	0	0
LTD. G.O. BONDS OUTSTANDING @ 12/31	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL LIMITED G.O. BONDS DEBT SERVICE	0	0	0	0	0	0	139,000	137,600	136,200	134,800	133,400	269,650	266,400
LTD. G.O. BONDS PROCEEDS	0	0	0	0	0	1,700,000	0	0	0	0	1,800,000	0	0
COSTS OF BOND ISSUANCE @ 4%	0	0	0	0	0	(68,000)	0	0	0	0	(72,000)	0	0
TOTAL REIMBURSEMENT TO DEVELOPER FOR INFRASTRUCTURE (SCH. 3)	0	0	0	0	0	(1,632,000)	0	0	0	0	(1,728,000)	0	0
DEVELOPER INFRASTRUCTURE CONTRIBUTIONS	0	9,438,500	0	0	0	0	0	0	0	0	0	0	0
TOTAL INFRASTRUCTURE COSTS(SCH. 3)	0	(9,438,500)	0	0	0	0	0	0	0	0	0	0	0
EXCESS REVENUES & BONDS OVER EXPENDITURES	0	63,000	68,600	69,186	96,499	127,845	17,771	52,862	85,181	115,139	146,167	26,062	21,234
BEGINNING FUND BALANCE - JANUARY 1	0	0	63,000	131,600	200,786	297,285	425,130	442,901	495,763	580,944	696,083	842,249	868,332
ENDING FUND BALANCE - DECEMBER 31	0	63,000	131,600	200,786	297,285	425,130	442,901	495,763	580,944	696,083	842,249	868,332	899,566
TOTAL LTD. G.O. BONDS OUTSTANDING @ 12/31	0	0	0	0	0	1,700,000	1,680,000	1,660,000	1,640,000	1,620,000	3,395,000	3,345,000	3,295,000
% OF OUTSTANDING LTD. G.O. BONDS/ASSESSED VALUATION	0.00%	0.00%	0.00%	0.00%	0.00%	49.73%	40.55%	34.01%	29.63%	26.66%	48.63%	44.12%	42.82%





SCHEDULE 1 (APPLETREE RESIDENTIAL FINANCING DISTRICT #1)  
 APPLETREE METROPOLITAN DISTRICT #1  
 PROJECTED ASSESSED VALUATION - BUILDOUT  
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2021

WORKING DRAFT  
 SUBJECT TO REVISION  
 1-Aug-06  
 The attached Narrative Summary  
 and Disclaimer are an Integral Part of this Financial Model

BUILDOUT - RESIDENTIAL (Source: H.F. HOLDINGS, LLC)			
Description of Unit	Planned Number Units	Average Price Per Unit	Total Volume
<b>Residential</b>			
<b>Appletree</b>			
Single Family Detached	316	250,000	79,000,000
Single Family Attached	57	150,000	8,550,000
Total Residential - Increm.	373	234,718	87,550,000
Total Residential - Cumulat.	373		
Total Project Value			87,550,000

	2006	2007	2008	2009	2010	2011	2012	2013
0	35	35	35	35	35	35	25	25
0	0	0	0	0	0	0	10	10
0	35	35	35	35	35	35	35	35
0	35	70	105	140	175	210	245	

Actual Values:

Appletree

Single Family Detached	0	8,750,000	8,750,000	8,750,000	8,750,000	8,750,000	6,250,000	6,250,000
Single Family Attached	0	0	0	0	0	0	1,500,000	1,500,000
Total Actual Values - Incremental	0	8,750,000	8,750,000	8,750,000	8,750,000	8,750,000	7,750,000	7,750,000
Total Actual Values - Cumulative	0	8,750,000	17,500,000	26,250,000	35,000,000	43,750,000	51,500,000	59,250,000

Assessed Values (Residential @ 7.96%):

Appletree

Single Family Detached	0	696,500	696,500	696,500	696,500	696,500	497,500	497,500
Single Family Attached	0	0	0	0	0	0	119,400	119,400
Total Assessed Value	0	696,500	696,500	696,500	696,500	696,500	616,900	616,900
Total Assessed Valuation Vacant Land	500,000	0	0	0	0	0	0	0
Total Assessed Valuation - Incremental	500,000	696,500	696,500	696,500	696,500	696,500	616,900	616,900
Total Assessed Valuation - Cumulative	500,000	1,196,500	1,893,000	2,589,500	3,286,000	3,982,500	4,599,400	5,216,300
Total Assessed Values - Cum. 2% Biennial Net Increases	500,000	1,196,500	1,930,860	2,641,290	3,418,754	4,143,393	4,880,920	5,535,579

Year Assessed Valuation Certified To AMD #1

Year Taxes Received By AMD #1

2007	2008	2009	2010	2011	2012	2013	2014
2008	2009	2010	2011	2012	2013	2014	2015

SCHEDULE 1 (APPLETREE RESIDENTIAL FINANCING DISTRICT #1)  
 APPLETREE METROPOLITAN DISTRICT #1  
 PROJECTED ASSESSED VALUATION - BUILDOUT  
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2021

BUILDOUT - RESIDENTIAL (Source: H.F. HOLDINGS, LLC)			
Description of Unit	Planned Number Units	Average Price Per Unit	Total Volume
<b>Residential</b>			
<b>Appletree</b>			
Single Family Detached	316	250,000	79,000,000
Single Family Attached	57	150,000	8,550,000
Total Residential - Increm.	373	234,718	87,550,000
Total Residential - Cumulat.	373		
Total Project Value			87,550,000

Actual Values:

Appletree	2014	2015	2016	2017	2018	TOTAL
Single Family Detached	6,250,000	6,250,000	6,250,000	4,000,000	0	79,000,000
Single Family Attached	1,500,000	1,500,000	1,500,000	1,050,000	0	8,550,000
Total Actual Values - Incremental	7,750,000	7,750,000	7,750,000	5,050,000	0	87,550,000
Total Actual Values - Cumulative	67,000,000	74,750,000	82,500,000	87,550,000	87,550,000	87,550,000

Assessed Values (Residential @ 7.96%):

Appletree	2014	2015	2016	2017	2018	TOTAL
Single Family Detached	497,500	497,500	497,500	318,400	0	6,288,400
Single Family Attached	119,400	119,400	119,400	83,580	0	680,580
Total Assessed Value	616,900	616,900	616,900	401,980	0	6,968,980
Total Assessed Valuation Vacant Land	0	0	(200,000)	(300,000)	0	0
Total Assessed Valuation - Incremental	616,900	616,900	416,900	101,980	0	6,968,980
Total Assessed Valuation - Cumulative	5,833,200	6,450,100	6,867,000	6,968,980	6,968,980	6,968,980
Total Assessed Values - Cum. 2% Biennial Net Increases	6,314,043	6,981,796	7,581,723	7,694,317	7,848,203	7,848,203

Year Assessed Valuation Certified To AMD #1	2015	2016	2017	2018	2019
Year Taxes Received By AMD #1	2016	2017	2018	2019	2020









SCHEDULE 2 (APPLETREE RESIDENTIAL FINANCING DISTRICT #2)  
 APPLETREE METROPOLITAN DISTRICT #2  
 PROJECTED ASSESSED VALUATION - BUILDOUT  
 FOR THE YEARS ENDING DECEMBER 31, 2017 THROUGH 2029

WORKING DRAFT  
 SUBJECT TO REVISION  
 1-Aug-06  
 The attached Narrative Summary  
 and Disclaimer are an Integral Part of this Financial Model

BUILDOUT - RESIDENTIAL (Source: H.F. HOLDINGS, LLC)			
Description of Unit	Planned Number Units	Average Price Per Unit	Total Volume
<b>Residential</b>			
<b>Appletree</b>			
Single Family Detached	316	250,000	79,000,000
Single Family Detached - Golf	103	350,000	36,050,000
Single Family Attached	57	150,000	8,550,000
Total Residential - Increm.	476	259,664	123,600,000
Total Residential - Cumulat.	476		
Total Project Value			123,600,000

	2017	2018	2019	2020	2021	2022	2023	2024
8	25	25	20	20	20	22	25	
0	0	0	5	5	5	10	10	
4	10	10	10	10	10	3	0	
12	35	35	35	35	35	35	35	
12	47	62	117	152	187	222	257	

Actual Values:

Appletree	2017	2018	2019	2020	2021	2022	2023	2024
Single Family Detached	2,000,000	6,250,000	6,250,000	5,000,000	5,000,000	5,000,000	5,500,000	6,250,000
Single Family Detached - Golf	0	0	0	1,750,000	1,750,000	1,750,000	3,500,000	3,500,000
Single Family Attached	600,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	450,000	0
Total Actual Values - Incremental	2,600,000	7,750,000	7,750,000	8,250,000	8,250,000	8,250,000	9,450,000	9,750,000
Total Actual Values - Cumulative	2,600,000	10,350,000	18,100,000	26,350,000	34,600,000	42,850,000	52,300,000	62,050,000

Assessed Values (Residential @ 7.96%):

Appletree	2017	2018	2019	2020	2021	2022	2023	2024
Single Family Detached	159,200	497,500	497,500	398,000	398,000	398,000	437,800	497,500
Single Family Detached - Golf	0	0	0	139,300	139,300	139,300	278,600	278,600
Single Family Attached	47,760	119,400	119,400	119,400	119,400	119,400	35,820	0
Total Assessed Value	206,960	616,900	616,900	656,700	656,700	656,700	752,220	776,100
Total Assessed Valuation Vacant Land	500,000	0	0	0	0	0	0	0
Total Assessed Valuation - Incremental	706,960	616,900	616,900	656,700	656,700	656,700	752,220	776,100
Total Assessed Valuation - Cumulative	706,960	1,323,860	1,940,760	2,597,460	3,254,160	3,910,860	4,663,080	5,439,180
Total Assessed Values - Cum. 2% Biennial Net Increases	780,541	1,490,881	2,185,611	2,983,665	3,738,007	4,582,196	5,463,541	6,500,324

Year Assessed Valuation Certified To AMD #2	2018	2019	2020	2021	2022	2023	2024	2025
Year Taxes Received By AMD #2	2019	2020	2021	2022	2023	2024	2025	2026

SCHEDULE 2 (APPLETREE RESIDENTIAL FINANCING DISTRICT #2)  
 APPLETREE METROPOLITAN DISTRICT #2  
 PROJECTED ASSESSED VALUATION - BUILDOUT  
 FOR THE YEARS ENDING DECEMBER 31, 2017 THROUGH 2029

BUILDOUT - RESIDENTIAL (Source: H.F. HOLDINGS, LLC)			
Description of Unit	Planned Number Units	Average Price Per Unit	Total Volume
<b>Residential</b>			
<b>Appletree</b>			
Single Family Detached	316	250,000	79,000,000
Single Family Detached - Golf	103	350,000	36,050,000
Single Family Attached	57	150,000	8,550,000
Total Residential - Increm.	476	259,664	123,600,000
Total Residential - Cumulat.	476		
Total Project Value			123,600,000

Actual Values:

Appletree

Single Family Detached	6,250,000	6,250,000	14,750,000	10,500,000	0	79,000,000
Single Family Detached - Golf	3,500,000	3,500,000	14,000,000	2,800,000	0	36,050,000
Single Family Attached	0	0	0	0	0	8,550,000
Total Actual Values - Incremental	9,750,000	9,750,000	28,750,000	13,300,000	0	123,600,000
Total Actual Values - Cumulative	71,800,000	81,550,000	110,300,000	123,600,000	123,600,000	123,600,000

Assessed Values (Residential @ 7.96%):

Appletree

Single Family Detached	497,500	497,500	1,174,100	835,800	0	6,288,400
Single Family Detached - Golf	278,600	278,600	1,114,400	222,880	0	2,869,580
Single Family Attached	0	0	0	0	0	680,580
Total Assessed Value	776,100	776,100	2,288,500	1,058,680	0	9,838,560
Total Assessed Valuation Vacant Land	0	0	0	(500,000)	0	0
Total Assessed Valuation - Incremental	776,100	776,100	2,288,500	558,680	0	9,838,560
Total Assessed Valuation - Cumulative	6,215,280	6,991,380	9,279,880	9,838,560	9,838,560	9,838,560
Total Assessed Values - Cum. 2% Biennial Net Increases	7,427,835	8,522,453	11,312,122	12,233,013	12,233,013	12,233,013

Year Assessed Valuation Certified To AMD #2

2026                      2027                      2028                      2029                      2030

Year Taxes Received By AMD #2

2027                      2028                      2029                      2030                      2031

SCHEDULE 3  
 APPLETREE METROPOLITAN DISTRICTS #1 - #2  
 CAPITAL EXPENDITURES  
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2030

WORKING DRAFT  
 SUBJECT TO REVISION  
 1-Aug-06  
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UNINFLATED

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b><u>CAPITAL EXPENDITURES (SOURCE: H.F. HOLDINGS, LLC)</u></b>											
APPLETREE METRO DISTRICTS #1 & #2											
ROADWAYS	0	4,510,725	0	0	0	0	0	0	0	0	0
JCC BRIDGE	0	592,650	0	0	0	0	0	0	0	0	0
MESA RIDGE/MARKSHEFFEL INTERSECTION	0	197,550	0	0	0	0	0	0	0	0	0
ONSITE WATER MAIN	0	987,750	0	0	0	0	0	0	0	0	0
OFFSITE 16" DIP WATER MAIN	0	395,100	0	0	0	0	0	0	0	0	0
ONSITE SANITARY SEWER MAIN	0	658,500	0	0	0	0	0	0	0	0	0
OFFSITE 15" SANITARY SEWER MAIN	0	296,325	0	0	0	0	0	0	0	0	0
DRAINAGE AND FLOOD CONTROL	0	790,200	0	0	0	0	0	0	0	0	0
MOSQUITO	0	219,500	0	0	0	0	0	0	0	0	0
RECREATION CENTER	0	460,950	0	0	0	0	0	0	0	0	0
PARK	0	131,700	0	0	0	0	0	0	0	0	0
LANDSCAPE	0	197,550	0	0	0	0	0	0	0	0	0
TOTAL APPLETREE METRO DISTRICTS #1 - #2	0	9,438,500	0	0	0	0	0	0	0	0	0
<b>TOTAL CAPITAL EXPENDITURES</b>	0	9,438,500	0	0	0	0	0	0	0	0	0
<b><u>TOTAL CAPITAL EXPENDITURES REIMBURSED FROM BONDS</u></b>											
APPLETREE METRO DISTRICTS #1 & #2	0	0	0	0	0	1,632,000	0	0	0	0	1,728,000
TOTAL CAPITAL EXPENDITURES REIMBURSED FROM BONDS	0	0	0	0	0	1,632,000	0	0	0	0	1,728,000

SCHEDULE 3  
 APPLETREE METROPOLITAN DISTRICTS #1 - #2  
 CAPITAL EXPENDITURES  
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2030

UNINFLATED

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<u>CAPITAL EXPENDITURES (SOURCE: H.F. HOLDINGS, LLC)</u>											
APPLETREE METRO DISTRICTS #1 & #2											
ROADWAYS	5,784,275	0	0	0	0	0	0	0	0	0	0
JCC BRIDGE	757,350	0	0	0	0	0	0	0	0	0	0
MESA RIDGE/MARKSHEFFEL INTERSECTION	252,450	0	0	0	0	0	0	0	0	0	0
ONSITE WATER MAIN	1,262,250	0	0	0	0	0	0	0	0	0	0
OFFSITE 16" DIP WATER MAIN	504,900	0	0	0	0	0	0	0	0	0	0
ONSITE SANITARY SEWER MAIN	841,500	0	0	0	0	0	0	0	0	0	0
OFFSITE 15" SANITARY SEWER MAIN	378,675	0	0	0	0	0	0	0	0	0	0
DRAINAGE AND FLOOD CONTROL	1,009,800	0	0	0	0	0	0	0	0	0	0
MOSQUITO	280,500	0	0	0	0	0	0	0	0	0	0
RECREATION CENTER	589,050	0	0	0	0	0	0	0	0	0	0
PARK	168,300	0	0	0	0	0	0	0	0	0	0
LANDSCAPE	<u>252,450</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL APPLETREE METRO DISTRICTS #1 - #2	<u>12,061,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL CAPITAL EXPENDITURES	<u>12,061,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>TOTAL CAPITAL EXPENDITURES REIMBURSED FROM BONDS</u>											
APPLETREE METRO DISTRICTS #1 & #2	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,344,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,688,000</u>	<u>0</u>	<u>0</u>
TOTAL CAPITAL EXPENDITURES REIMBURSED FROM BONDS	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,344,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,688,000</u>	<u>0</u>	<u>0</u>

SCHEDULE 3  
 APPLETREE METROPOLITAN DISTRICTS #1 - #2  
 CAPITAL EXPENDITURES  
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2030

UNINFLATED

	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>TOTALS</u>	
<u>CAPTIAL EXPENDITURES (SOURCE: H.F. HOLDINGS, LLC)</u>					
APPLETREE METRO DISTRICTS #1 & #2					
ROADWAYS	0	0	0	10,275,000	
JCC BRIDGE	0	0	0	1,350,000	
MESA RIDGE/MARKSHEFFEL INTERSECTION	0	0	0	450,000	
ONSITE WATER MAIN	0	0	0	2,250,000	
OFFSITE 16" DIP WATER MAIN	0	0	0	900,000	
ONSITE SANITARY SEWER MAIN	0	0	0	1,500,000	
OFFSITE 15" SANITARY SEWER MAIN	0	0	0	675,000	
DRAINAGE AND FLOOD CONTROL	0	0	0	1,800,000	
MOSQUITO	0	0	0	500,000	
RECREATION CENTER	0	0	0	1,050,000	
PARK	0	0	0	300,000	
LANDSCAPE	0	0	0	450,000	
TOTAL APPLETREE METRO DISTRICTS #1 - #2	0	0	0	21,500,000	
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,500,000</b>	
<u>TOTAL CAPITAL EXPENDITURES REIMBURSED FROM BONDS</u>					
APPLETREE METRO DISTRICTS #1 & #2	0	3,024,000	0	10,416,000	48.45%
<b>TOTAL CAPITAL EXPENDITURES REIMBURSED FROM BONDS</b>	<b>0</b>	<b>3,024,000</b>	<b>0</b>	<b>10,416,000</b>	<b>48.45%</b>



EXHIBIT E  
Form of District IGA

INTERGOVERNMENTAL AGREEMENT  
Between  
APPLETREE METROPOLITAN DISTRICT NO. 1  
And  
APPLETREE METROPOLITAN DISTRICT NO. 2

THIS INTERGOVERNMENTAL AGREEMENT is made and entered into as of this \_\_\_ day of \_\_\_\_\_, 200\_\_, by and between APPLETREE METROPOLITAN DISTRICT NO. 1 ("District 1") and APPLETREE METROPOLITAN DISTRICT NO. 2 ("District 2"), both quasi-municipal corporations and political subdivisions of the State of Colorado (collectively, the "Districts").

RECITALS

WHEREAS, the Districts were organized as a means of furnishing certain capital facilities and services in connection with the development of property commonly referred to as "Appletree 220" (the "Project"); and

WHEREAS, the Districts are authorized to provide financing and to exercise powers as more fully set forth in the Districts' Service Plan dated August, 2006, and approved by the City on August 22, 2006 (the "Service Plan"); and

WHEREAS, the Service Plan make references to the execution of an intergovernmental agreement between the Districts; and

WHEREAS, the Districts have determined it to be in the best interests of their respective taxpayers, residents and property owners to enter into this Intergovernmental Agreement (the "Agreement") to promote the coordinated development of the Project;

NOW, THEREFORE, in consideration of the covenants and mutual agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Districts agree as follows:

COVENANTS AND AGREEMENTS

1. Performance of Service Plan. The Districts shall perform their respective obligations and responsibilities as set forth in the Service Plan. Neither District shall take any action contrary to such decisions or orders of the City, nor will any District take or attempt to take any action, either directly or by omission, in violation of, or that would frustrate or render ineffective any such decision or order except based solely upon economic or physical feasibility considerations or for other utility-based reasonable cause.

2. Issuance of Bonds. The Districts shall participate in the issuance of bonds as provided in the Service Plan. Currently, it is anticipated that both District 1 and District 2 shall issue bonds to finance the undertakings described in the Service Plan, and shall construct such improvements as described therein. District 1 shall obligate itself to levy taxes and generate other revenues, subject to the limitations of the Service Plan, for the purpose of paying the principal of and interest on the bonds of District 1. District 2 shall obligate itself to levy taxes and generate other revenues; subject to the limitations of the Service Plan, for the purpose of paying the principal of and interest on the bonds of District 2.

3. Regional Improvements. The Districts shall cooperate to fund the regional public improvements identified in the Service Plan, including but not limited to the Mesa Ridge / Marksheffel Road intersection, other regional street improvements, the Jimmy Camp Creek Bridge, and the recreation center.

4. Cooperation Regarding Management of the Districts. The Districts shall cooperate in the selection of a "Manager" for the Districts, which Manager shall, following engagement by the respective Boards of Directors of the Districts, undertake certain management functions on behalf of the Districts, including but not limited to coordinating Board meetings and maintaining the records of the Districts. The Manager shall: (a) serve as the "official custodian" and repository for the records of the Districts; (b) coordinate meetings of the Boards of Directors of the Districts; (c) provide election administration; (d) prepare budgets for the Districts in coordination with an accounting firm; (e) provide liaison and coordination with other governments; (f) coordinate legal, accounting, engineering and other professional services for the Districts.

5. Service Plan Approval Conditions. The Districts will comply with the terms of the Service Plan and the terms of all other intergovernmental agreements entered into by the Districts.

6. Precedence. Recognizing that full development of the Project may take up to twenty (20) years, the City approved the Service Plan with sufficient flexibility to accommodate and enable the Districts to respond to changed conditions over time, while still relying upon the provisions of this Agreement to enable it to exercise appropriate control and supervision of the Districts as provided by State law. Accordingly, any conflict or inconsistency between the Service Plan and this Agreement shall be resolved in favor of the Service Plan.

7. Entire Agreement of the Districts. This written Agreement constitutes the entire agreement between the Districts and supersedes all prior written or oral agreements, negotiations, or representations and understandings of the Districts with respect to the subject matter contained herein.

8. Amendment. This Agreement may be amended, modified, changed, or terminated in whole or in part only by written agreement duly authorized and executed by the Districts hereto, without necessarily requiring amendment to the Service

Plan. The need for formal amendment to the Service Plan shall be determined according to the Service Plan or State law then in effect.

9. Enforcement. This Agreement may be enforced in law or in equity for specific performance, injunctive, or other appropriate relief, including damages, as may be available according to the laws and statutes of the State of Colorado. By executing this Agreement each District commits itself to perform pursuant to these terms contained herein, and a breach hereof which results in recoverable damages shall not cause the termination of any obligations created by this Agreement unless such termination is declared by the District not in breach hereof.

10. Venue. Venue for the trial of any action arising out of any dispute hereunder shall be in the District Court for and in El Paso County, Colorado.

11. Effect of Invalidity. If any portion of this Agreement is held invalid or unenforceable for any reason by a court of competent jurisdiction, such portion shall be deemed severable and its invalidity or unenforceability shall not affect the validity or enforceability of any other portion or provision hereof.

12. 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, or to their business or operations.

IN WITNESS WHEREOF, the Districts have caused this Agreement to be duly executed as of the day first above written.

APPLETREE METROPOLITAN  
DISTRICT NO. 1

By: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_

APPLETREE METROPOLITAN  
DISTRICT NO. 2

By: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_

EXHIBIT F  
Form of Reimbursement Agreement

**FINANCING AND REIMBURSEMENT AGREEMENT**

THIS FINANCING AND REIMBURSEMENT AGREEMENT (the "Agreement") is made and entered into effective the \_\_\_\_ day of January, 2007, by and between APPLETREE METROPOLITAN DISTRICT NO. 1 ("District 1"), APPLETREE METROPOLITAN DISTRICT NO. 2 ("District 2"), both quasi-municipal corporations and political subdivisions of the State of Colorado (collectively, the "Districts"), and APPLETREE 220, LLC, a Colorado limited liability company (the "Company").

**RECITALS**

WHEREAS, the Districts' service plan, as approved by the City of Fountain, anticipates that the Districts will provide, inter alia, a part or all of the improvements authorized to be planned, designed, acquired, constructed, installed, operated, maintained, relocated, redeveloped or financed as generally described in the Special District Act (the "Public Improvements") to serve the current and future taxpayers and inhabitants of a master planned community consisting of approximately 220 acres located within the City of Fountain, Colorado (the "Project"); and

WHEREAS, the Company is the developer of the Project and desires that the Districts provide certain of the Public Improvements for the benefit of the landowners and residents of the Districts, including the Company; and

WHEREAS, the respective Boards of Directors of the Districts desire to provide the Public Improvements in return for a commitment from the Company to temporarily finance the same; and

WHEREAS, the Districts are authorized to cooperate or contract with each other to furnish any service or facility lawfully authorized to each pursuant to C.R.S. § 29-1-203 and may enter into contracts pursuant to C.R.S. § 32-1-1001(1)(d); and

WHEREAS, the Districts acknowledge that the Public Improvements to be designed and constructed by the Districts consist of an integrated Project-wide system, and benefit all property owners and residents within the Districts; and

WHEREAS, the Company desires to advance the funds needed to provide the Public Improvements and operational and maintenance expenses related thereto, provided the Company has the opportunity to be reimbursed for such advances pursuant to the terms hereof; and

WHEREAS, the Districts could not construct the Public Improvements or cause the same to be adequately operated or maintained on the necessary time schedule without

an agreement with the Company to advance the funds required by the Districts upon the terms and conditions herein set forth.

## COVENANTS

NOW, THEREFORE, for and in consideration of the premises and of the mutual representations, warranties, covenants, agreements, and undertakings set forth herein, the parties agree as follows:

### ARTICLE I: ADVANCES AND REIMBURSEMENTS

1.01 Advances. The parties hereby specifically agree that any advances made by Company to District 1 or District 2 shall be made payable to District 1 or District 2, as applicable, which entities are coordinating the planning, design, acquisition, construction, installation, operation, maintenance, relocation, redevelopment and financing of the Public Improvements to serve the Project. Except to the extent that the Districts have other funds available for capital construction purposes (including but not limited to unrestricted proceeds of the Districts' bond issuances or other debt of the Districts incurred for the purpose of paying capital costs, capital reserves, grants from other governmental entities, revenues from fees and charges of the Districts, and any other funds not dedicated to or needed for the payment of operation and maintenance expenses of the Districts as the same are set forth in the current budgets duly authorized and adopted by the Districts in accordance with law), and subject to the limitations set forth in this Section 1.01 and the rights of substitution set forth in Section 1.04 below, Company shall advance to District 1 or District 2, as applicable, all costs to be incurred by the Districts for engineering fees, legal fees, design fees, capital construction costs, operation and maintenance costs, and other costs ("Eligible Costs") which are to be incurred in the planning, design, acquisition, construction, installation, operation, maintenance, relocation, redevelopment or financing of the Public Improvements necessary for the Project, as authorized by the Districts' service plan approved by the City of Fountain (the "Covered Improvements").

All Eligible Costs, or contracts requiring the payment of Eligible Costs chargeable to the Districts must be reviewed and approved by the Company before Company shall advance such Eligible Costs, in order that the Company may determine (1) whether the costs in question are in fact Eligible Costs as defined herein, (2) whether the Districts have no other funds available for the purpose of paying the Eligible Costs, and (3) whether Eligible Costs are to be incurred for Covered Improvements. Upon the determination by the Company that the costs which are the subject of any advance request by District 1 or District 2 are subject to advance as required herein, Company agrees that it will cause sufficient funds to pay the same to be transferred to District 1 or District 2, as applicable, in accordance with this Section 1.01. Advances to District 1 or District 2 hereunder shall be made by Company either by direct wire transfer to a bank account to be designated by District 1 or District 2, or by executing and delivering a draft payable by Company to District 1 or District 2, as applicable.

In consideration of such payments, the Districts shall continue to contract for Covered Improvements and agree to reimburse the Company for advances of Eligible Costs on the terms and conditions identified herein. All advances made to either District 1 or District 2 by the Company shall be duly recorded on Schedule A hereof.

1.02 Liability. The obligation of the Districts to make the reimbursements contemplated in Section 1.01 hereof is and shall become irrevocably binding upon the Districts upon the advance to or on behalf of the Districts by Company of funds as contemplated hereby, and shall bear simple interest at the rate of six percent (6%) per annum, calculated from January 1 of the year immediately following the year in which the advance(s) of funds is made, except that in no case shall the interest that accrues over the life of this Agreement exceed an aggregate average net effective interest rate of eight percent (8%) per annum. (The obligation to make the reimbursement and pay interest thereon are hereinafter referred to as the "Reimbursement Obligation").

1.03 Pledge of Revenues.

A. It is anticipated that the funds to pay the Reimbursement Obligation will, to the extent permitted by Colorado law, be provided through the issuance of limited tax general obligation bonds by the Districts in amounts sufficient to enable the Districts to pay to the Company the Reimbursement Obligation; provided, however, that except as set forth below the Districts shall retain discretion and authority to provide for and raise said funds in any manner lawfully available to the Districts including, but not limited to: (i) the issuance of bonds (whether general obligation bonds or revenue bonds), debentures, notes, certificates, anticipation notes, and such other general or special obligations of the Districts (including lines of credit) as the Districts shall in each District's respective discretion determine to issue or incur ("Bonds"); (ii) the utilization of the Districts' power to raise funds with respect to the property and facilities located within or without its boundaries, as, for example, through the imposition of fees, charges, and general ad valorem taxes; and/or (iii) the creation and maintenance of reserve and contingency funds. Nothing contained herein shall be deemed or construed to be a surrender or delegation of the Districts' 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 on or before the due date; provided that the Reimbursement Obligation shall be payable in lawful money of the United States of America upon the date thirty (30) days following the date on which any District receives the proceeds of any issuance by any District of Bonds in an amount sufficient to repay in whole or in part the Reimbursement Obligation. If the proceeds from one issue of Bonds is not sufficient to repay the Reimbursement Obligation in full, the Districts shall use the proceeds from any and all subsequent issuances of Bonds to repay the Reimbursement Obligation until paid in full. The proceeds of any such Bonds are, to the extent necessary to pay the Reimbursement Obligation, hereby irrevocably pledged, appropriated and allocated to said payment.

B. The Districts will exercise good faith, reasonable efforts to issue Bonds in an amount or amounts sufficient to ensure that the Reimbursement Obligation is

satisfied as soon as is possible. The Districts' commitment to issue Bonds in an amount or amounts adequate to fully satisfy the Reimbursement Obligation is an important element of this Agreement. Notwithstanding the foregoing, however, the decision to issue Bonds is and shall remain a matter within the sound legislative discretion of the Board of Directors of each of District 1 and District 2, and the Districts shall not be precluded from satisfying the Reimbursement Obligation by one of the alternative means set forth in Section 1.03 A., above.

C. This Agreement shall not constitute "debt" or a "multiple-fiscal year direct or indirect district debt or other financial obligation whatsoever" within the meaning of the Colorado constitution or any other Colorado law, and shall not constitute the Districts' pledge of funds from any specific source to make the reimbursements except as contemplated herein. The parties acknowledge and agree that the obligation to reimburse the Company shall arise, if at all, only as described in Section 1.03 A., above, at which time the obligation shall to that extent be fully funded and reserved unto the payment of the reimbursements contemplated hereby. All reimbursements made to the Company by District 1 or District 2 shall be duly recorded on Schedule B hereof. Prior to any such reimbursements being made, District 1 or District 2, as applicable, shall receive a report from an independent engineer or accounting firm confirming that the amount of the reimbursement(s) to be paid to Company is reasonable.

1.04 Termination. This Agreement shall remain in effect until terminated by mutual written consent of the parties hereto, and shall not be transferred or assigned, in whole or in part, to any person or entity without the prior written consent of the parties to this Agreement, except that it is anticipated by the parties hereto that this Agreement may be assigned by Company without the Districts' consent to an affiliated entity who owns or may own all or a part of the property within the Districts. The Company shall have the right to substitute a new party into this Agreement to perform all of Company's obligations upon consent of the Districts. Consent to such assignment shall not be unreasonably withheld by the Districts, nor shall it be withheld unless the Districts determine in good faith that the proposed assignee does not have the financial capability to perform the Company's obligations stated herein. In the event the Districts wrongfully withhold such consent, the Company shall have the right to terminate this Agreement upon written notice to the Districts, and on the terms identified in Section 1.05 hereof.

1.05 Effect of Termination. In the event this Agreement is terminated pursuant to Section 1.04 hereof, the responsibility of Company to continue to make advances to the Districts for the completion of construction contracts approved and entered into by the Districts after the date hereof, with the Company's specific written consent in its sole discretion, shall continue until such time as such contracts have been substantially completed and the applicable governmental entity has accepted the Public Improvements. The Districts shall be obligated to reimburse all advances made prior to or after termination, as provided herein, notwithstanding such termination. In no event shall Company be obligated to make payments or advances to the Districts for work or services performed or provided subsequent to the date of said termination except to the extent specifically set forth in this Section 1.05.

## ARTICLE II: MISCELLANEOUS

2.01 Enforcement. Company and the Districts acknowledge and agree that this Agreement may be enforced in law or in equity by decree of specific performance, damages, or other legal and equitable relief as may be available to either party subject to the provisions of the laws of the State of Colorado; provided that punitive damages are not recoverable. The parties specifically acknowledge that the timely performance of the obligations set forth in this Agreement is essential and that a failure to perform the obligations in breach of this Agreement may cause the other parties irreparable harm for which damages or other remedies available at law will not be adequate, and which may be adequately redressed only by specific performance or other appropriate equitable relief. The parties agree that in any action to enforce any provision of this Agreement the prevailing party or parties shall be entitled to recover from the other party or parties all costs and expenses incurred by the prevailing party or parties in connection therewith, including reasonable attorneys' fees.

2.02 Amendment. This Agreement is subject to amendment only by the written consent of the parties and such amendment shall be effective as of the date the amendment is executed by the parties or such other date as the parties shall designate.

2.03 Severability. This Agreement is intended to be performed in accordance with and only to the extent permitted by all applicable laws, ordinances, rules, and regulations of the jurisdiction in which the Agreement is performed. If any provisions of this Agreement or application thereof to any person or circumstance shall for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by law.

2.04 Construction of Language. The language used in this Agreement and all parts thereof shall be construed as a whole according to its fair meaning, and not strictly for nor against any party, and all parties have equally participated in the preparation of this Agreement.

2.05 Non-Waiver. No waiver of any conditions, remedy or provision of this Agreement shall be deemed to have been made unless expressly made in writing and signed by the party against whom such a waiver is charged; and

A. the failure of any party to insist in any one or more cases upon the performance of any of the provisions, covenants, or conditions of this Agreement or to exercise any option herein contained, shall not be construed as a waiver thereof or as a relinquishment for the future of any such provisions, covenants, conditions or options;

B. the acceptance or performance of anything required by this Agreement to be performed with knowledge of the breach or failure of a covenant, condition or provision hereof shall not be deemed a waiver of such breach or failure; and



C. no waiver by any party of a breach by the other party shall be construed as a waiver with respect to any other or subsequent breach.

2.06 Governing Law. The terms and provisions of this Agreement shall be governed by, and shall be construed in accordance with, the laws of the State of Colorado.

2.07 Assignment. Except as provided in Section 1.04 hereof, this Agreement is personal to the Company and the Districts, and no party shall have any right, power, or authority to assign this Agreement, or any portion hereof, or to delegate any duties or obligations arising hereunder, either voluntarily, involuntarily, or by operation of law, without the prior written approval of the other parties.

2.08 Captions and Headings. The headings throughout this Agreement are for convenience and reference only, and shall in no way be deemed to define, limit, or add to the meaning of any provision of this Agreement.

2.09 Integration. This Agreement embodies the entire agreement and understanding between the parties and supersedes all prior agreements and understandings, if any, between the parties relating to the subject matter thereof.

2.10 Notices. All notices, requests, demands, consents and other communications hereunder shall be transmitted in writing and shall be deemed to have been duly given when hand delivered or sent by certified United States mail, postage prepaid, with return receipt requested, addressed to the parties as follows:

Districts: Appletree Metropolitan District Nos. 1 and 2  
c/o Grimshaw & Haring, P.C.  
1700 Lincoln, Suite 3800  
Denver, Colorado 80203-4538  
Attn: Norman F. Kron or Marcus A. McAskin  
(Fax: 303-839-3838)

Company: Appletree 220, LLC  
15 North Nevada  
Colorado Springs, CO 80903  
(Fax: 719-471-4812)

Any party may change the address at which it receives written notice by so notifying the other parties in writing in the manner provided herein.

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective as of the date first written above.

APPLETREE METROPOLITAN  
DISTRICT NO. 1

ATTEST:

By: \_\_\_\_\_  
Secretary

By: \_\_\_\_\_  
President

APPLETREE METROPOLITAN  
DISTRICT NO. 2

ATTEST:

By: \_\_\_\_\_  
Secretary

By: \_\_\_\_\_  
President

APPLETREE 220, LLC, a Colorado limited  
liability company

By: \_\_\_\_\_

Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT G  
Form of Notice to Property Owners

**FORM OF NOTICE TO PROPERTY OWNERS**  
Regarding Existence of Appletree Metropolitan District Nos. 1 and 2

As of the date of the recording of this Form of Notice to Property Owners, the real property identified in Exhibit A<sup>1</sup> was undeveloped and situate within the boundaries of the Appletree Metropolitan District Nos. 1 or 2 (the "Districts"). The Districts are quasi-municipal corporations and political subdivisions of the State of Colorado. The City of Fountain has approved the Service Plan for Appletree Metropolitan District Nos. 1 and 2 (the "Service Plan").

The Service Plan states that future residents within the Districts are to be notified of the existence of the District, and receive a general description of the Districts' powers. The table below provides a summary relevant to the powers of the Districts.

The Districts were created to assist with the planning, design, acquisition, construction, installation, operation, maintenance, relocation, and financing of certain public improvements serving a master planned community located within the City of Fountain, Colorado (the "Project"). From time to time, the Districts may provide certain public improvements of benefit to the Project, including but not limited to: (1) water, sanitary sewer, and/or storm sewer related improvements; (2) parks or recreational related improvements, facilities or programs; (3) traffic safety controls and devices; or (4) street improvements including curbs, gutters, culverts and other drainage facilities, sidewalks, bridges, parking facilities, paving, street lighting, grading, street median landscaping, as more fully set forth and described in the Service Plan.

Name of District(s):	Appletree Metropolitan District Nos. 1 and 2.
Contact Information for District:	Grimshaw & Harring, P.C. 1700 Lincoln Street, Suite 3800 Denver, CO 80203 Attn: Marcus McAskin Phone: (303) 839-3800
Type of District(s):	Metropolitan Districts organized pursuant to CRS § 32-1-101 <i>et seq.</i> The Districts will provide limited operating and maintenance of certain public improvements within the Project.

<sup>1</sup> Note: the legal descriptions pertaining to the Districts will be attached as Exhibit A prior to recording this notice in the real property records of El Paso County, Colorado.

Identify public improvements proposed to be financed by Bonds:	Road and street improvements including but not limited to Marksheffel Road, Mesa Ridge Parkway, and Jimmy Camp Creek Bridge. On and off-site utilities, including water and wastewater improvements. Recreational facilities and park improvements, including entry parks, pocket parks, and community recreation center. Landscaping within public right-of-way. Drainage and flood control improvements.
Mill Levy Cap: <i>(Note: The Districts may or may not be certifying a mill levy at the time of your purchase. Please verify by contacting the Districts)</i>	Total Mill Levy Cap = forty five (45) mills.  The total mill levy cap referenced above is the maximum mill levy that either of the Districts may impose for debt service and operations and maintenance functions combined. If there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitations set forth above may be increased or decreased to reflect such changes, so that to the extent possible, the actual tax revenue generated by the mill levy, as adjusted for changes occurring after January 1, 2007, are neither diminished nor enhanced as a result of such changes.
Initial Debt Limit of the District(s) per Service Plan:	\$10,850,000 (combined for both Districts). Allocated as follows: \$4,500,000 – District 1. \$6,350,000 – District 2.
Voter Authorized Debt per Election:	\$15,000,000 (combined for both Districts). Allocated as follows: \$6,000,000 – District 1. \$9,000,000 – District 2.

Sample Mill Levy Calculation for a Residential Property

**Assumptions:**

Actual Market Value (as determined by County Assessor) is \$250,000  
Mill levy is 35 mills

**Calculation:**

$\$250,000 \times .0796 = \$19,900$  (Assessed Valuation)  
 $\$19,900 \times .035 \text{ mills} = \$696$  per year in taxes payable to the District

EXHIBIT H  
Fountain Resolution of Approval

A RESOLUTION OF THE FOUNTAIN CITY COUNCIL APPROVING THE  
CONSOLIDATED SERVICE PLAN FOR THE  
APPLETREE METROPOLITAN DISTRICT NOS. 1 AND 2, AND PROVIDING  
OTHER DETAILS IN CONNECTION THEREWITH

WHEREAS, the City of Fountain, County of El Paso, State of Colorado (the "City"), is a political subdivision of the State, a body corporate and politic, and home-rule city pursuant to Article XX of the State Constitution; and

WHEREAS, pursuant to the provisions of the Special District Act, as amended, no special district shall be organized if its boundaries are wholly contained within the boundaries of a municipality, except upon adoption of a resolution of approval by the governing body of the municipality; and

WHEREAS, pursuant to Section 32-1-204.5, C.R.S., as amended, the Consolidated Service Plan for the Appletree Metropolitan District Nos. 1 and 2 (the "Service Plan") has been submitted to the City Council; and

WHEREAS, notice of the public hearing regarding the organization of the proposed Appletree Metropolitan District Nos. 1 and 2 (the "Districts") was duly published in the Daily Transcript on \_\_\_\_\_, 2006; and

WHEREAS, a copy of said Service Plan is attached hereto as Exhibit "A" and is hereby incorporated by reference; and

WHEREAS, the current proposed boundaries of the Districts are wholly contained within the boundaries of the City; and

WHEREAS, pursuant to the provisions of Title 32, Article 1, C.R.S., as amended, the City Council held a public hearing on the Service Plan on \_\_\_\_\_, 2006; and

WHEREAS, the City Council has considered the Service Plan, and all other testimony and evidence presented at the hearing.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FOUNTAIN, COLORADO:

1. That the hearing before the City Council was open to the public; that all interested parties were heard or had the opportunity to be heard; and that all relevant testimony and evidence submitted to the City Council was considered.

2. That evidence satisfactory to the City Council for finding each of the following was presented at the hearing:

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

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

c. the Districts are capable of providing economical and sufficient service to the area within its proposed boundaries;

d. the area to be included within the Districts have, or will have, the financial ability to discharge the proposed indebtedness on a reasonable basis;

3. That the City Council hereby determines that the requirements of Sections 32-1-202(2), C.R.S., relating to the filing of the Service Plan for the District, and the requirements of Section 32-1-204.5 and 203(2), C.R.S., relating to the approval by the City Council have been fulfilled in a timely manner.

4. That the City Council does hereby approve the Service Plan for the Districts as submitted.

5. That a certified copy of this Resolution shall be filed in the records of the City and the El Paso County Clerk and Recorder, and submitted to the petitioners under the Service Plan for the purpose of filing in the District Court of El Paso County.

6. That this Resolution shall go into effect as of the date and time of its approval by the City Council.

Adopted this \_\_\_\_ day of \_\_\_\_\_, 2006.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney