

**AMENDED AND RESTATED
CONSOLIDATED SERVICE PLAN
FOR
SOUTH TIMNATH METROPOLITAN DISTRICT NOS. 1 & 2
TOWN OF TIMNATH, COLORADO**

Prepared

By

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I. INTRODUCTION

A. Purpose and Intent.

This Amended and Restated Consolidated Service Plan (the "Service Plan") is submitted pursuant to the Special District Control Act (the "Act") (Section 32-1-101, *et seq.*, of the Colorado Revised Statutes). This Service Plan amends, restates and supersedes the Consolidated Service Plan the South Timnath Metropolitan Districts Nos. 1, 2 and 3 dated December 15, 2005, which was revised and resubmitted January 12, 2006 and approved by resolution of the Town Council on January 18, 2006. This Service Plan is submitted to combine the property formerly comprising Districts Nos. 2 and 3 into one residential Financing District (as defined below), South Timnath Metropolitan District No. 2, (collectively South Timnath Metropolitan District No. 1 and South Timnath Metropolitan District No. 2 are referred to herein as the "Districts" or individually the "District"). The Districts are independent units of local government, separate and distinct from the Town of Timnath, Colorado ("Town" or "Timnath"), and, except as may otherwise be provided for by State or local law or this Service Plan, their activities are subject to review by the Town only insofar as they may deviate in a material matter from the requirements of this Service Plan or the Act. The proposed Districts are located wholly within the Town of Timnath, Colorado ("Town" or "Timnath"), and the Districts are generally located east of Interstate 25 and Larimer County Road 3, South of Larimer County Road 36, and West of County Line Road and the Timnath Reservoir Outlet Canal.

It is the intention of this Service Plan to provide the general structure for the provision of public improvements ("Public Improvements") necessary and appropriate for the development of a project within the Town of Timnath (the "Town") to be known as South Timnath (the "Project"), to provide for the on-going day-to-day operation of the Districts to the extent allowed by this Service Plan, and combine all of the property formerly comprising Districts Nos. 2 and 3 into District No. 2. The Public Improvements will be constructed for the use and benefit of all anticipated inhabitants and taxpayers of the Districts. The primary purpose of the Districts will be to finance the construction, maintenance and operation of these Public Improvements.

District No. 1 is to be the Operating District, and will coordinate the financing, construction, operations and maintenance of all Public Improvements. The Operating District will be permitted to provide public services and facilities throughout the Districts pursuant to the Service Plan. The Operating District will be responsible for managing the construction and operation of facilities and Public Improvements for the Project as well as coordinating the financing and management of the public facilities and services as approved by the Town throughout the Project.

District No. 2 is to be the Financing District which is expected to include all of the residential and/or non-residential development comprising the Project. The Financing District will be responsible for producing property tax and other revenue sufficient to pay the costs of operations and debt service expenses incurred for the Public Improvements, until such obligations are discharged, creating mutual benefits for South Timnath and the Town. It is currently planned that District No. 2 will contain all residential and non-residential development.

B. Need for the Districts.

There are currently no other governmental entities, including the Town, located in the immediate vicinity of the Districts that consider it desirable, feasible or practical to undertake the planning, design, acquisition, construction, installation, ownership, operation, maintenance, relocation, redevelopment and/or financing of the Public Improvements needed for the Project. Formation of the Districts is therefore necessary in order for the Public Improvements required for the Project to be provided in the most economic manner possible.

C. District Functions Generally.

The Districts shall be authorized to provide for the planning, design, acquisition, construction, installation, financing, ownership, operation, maintenance, relocation and redevelopment of the Public Improvements from the proceeds of Debt to be issued by the Districts, and from other legally available revenues. All Debt that is payable from a pledge of property taxes is expected to be repaid by a tax mill levy no higher than the Maximum Debt Mill Levy. Debt which is issued within these parameters will insulate property owners from excessive tax burdens to support the servicing of the Debt and will result in a timely and reasonable discharge of the Debt.

The Districts expect to own, operate and maintain certain Public Improvements not dedicated to the Town or other governmental entities. A general description of the Public Improvements expected to be retained, operated and maintained by the Districts is further described in Section V.A.1. It is expected that certain Public Improvements will be dedicated to either the Town or to other governmental entities according to the applicable procedures for the specific entity (including but not limited to standards relating to construction). The Districts are authorized to own, operate and maintain Public Improvements that are not dedicated to the Town or other governmental entities.

The Town shall have and will exercise sole and exclusive jurisdiction over land use and building, e.g., zoning, subdivision, building permit, and decisions affecting development of property within the boundaries of the Districts. Construction of all Public Improvements shall be subject to applicable ordinances, codes and regulations of the Town.

It is the intent of the Districts to consolidate and/or dissolve upon payment or defeasance of all Debt incurred or upon a court determination that adequate provision has been made for the payment of all Debt, and if any District has authorized operating functions under an intergovernmental agreement with the Town, to retain only the power necessary to impose and collect taxes or fees to pay for these costs and to perform these functions.

D. Multiple District Structure.

It is anticipated that the Districts, may separately or cooperatively undertake the financing, construction, integration, coordination and management of the infrastructure, services and facilities, both within and outside of their boundaries. Using funds provided by and through

the Districts, certain public services and facilities necessary to serve the Project will be constructed, owned and operated by the Districts or will be dedicated to other entities and/or service providers, as appropriate. The nature of the functions and services to be provided by each District shall be clarified in a Master IGA (defined below) between the Districts. The Master IGA will establish a mechanism whereby the Districts may cooperatively fund, construct, install, operate and maintain the Public Improvements. The Master IGA will be designed to help assure the orderly development of the Public Improvements and essential services in accordance with the requirements of the Service Plan for the Districts. The execution of such a Master IGA by the Districts is essential to the orderly implementation of the Service Plan. Said Master IGA may be amended by mutual agreement of the Districts without the need to amend this Service Plan.

The use of a consolidated Service Plan for the Districts will help assure proper coordination of the powers and authorities of the independent Districts, and will help avoid confusion regarding the separate, but coordinated, purposes of the Districts which could arise if separate service plans were used. Unless otherwise specifically noted herein, general provisions of this Service Plan apply to all South Timnath Metropolitan Districts. Where possible, however, specific reference is made to an individual District to help distinguish the powers and authorities of each District.

This multiple district structure is proposed because it provides several benefits to the inhabitants of the Project and the Town. Multiple districts will assure that: (1) the necessary services and improvements can be financed in the most favorable and efficient manner; (2) all the services and improvements needed for the Project will be available when needed through managed development; and (3) a reasonable mill levy and reasonable tax burden on all residential property within the Districts will be maintained through managed financing and coordinated completion of infrastructure improvements.

II. DEFINITIONS

In this Service Plan, the following terms shall have the meanings indicated below, unless the context hereof clearly requires otherwise:

Approved Development Plan: means a development plan or other process established by the Town (including, but not limited to approval of a site plan, preliminary plat, or minor development plat for any phase of the Project by the Town planning commission or by the Town Council) for identifying, among other things, Public Improvements necessary for facilitating development for property within the Districts as approved by the Town pursuant to the Town Code and as amended pursuant to the Town Code from time to time.

Board: means the board of directors of one District or the boards of directors of all Districts, in the aggregate, as is contextually appropriate.

Debt: means bonds or other obligations not subject to annual appropriation for the payment of which any District has promised to impose an *ad valorem* property tax mill

levy, to impose rates, fees, tolls, penalties or charges as permitted by applicable law, or to pay from any other legally available revenues of the District, or any combination thereof.

Developer: means Timnath Farm Investments, LLC, a Colorado limited liability company, and its affiliates, successors or assigns.

Development Fee: means the one-time development or system development fee imposed by the Districts on a single family equivalent (residential) or per square-foot (non-residential) basis at the time of lot sale to assist with the planning and development of the Public Improvements, subject to the limitations set forth in Section VI of the Service Plan. The Development Fee may be used to finance, pay Debt service, plan, acquire, and construct, operate and maintain the Public Improvements.

District: means any one of the South Timnath Metropolitan Districts Nos. 1 & 2.

District No. 1: means the South Timnath Metropolitan District No. 1.

District No. 2: means the South Timnath Metropolitan District No. 2.

District Pool: means a swimming pool or pools, together with related recreational facilities, constructed, installed, acquired, funded or financed by one or more of the Districts.

Districts: means District No. 1 and District No. 2 collectively.

Districts Boundaries: means the boundaries of the area described in the Districts Boundaries Map.

Districts Boundaries Map: means the map attached hereto as **Exhibit C**, describing the boundaries of the Districts.

Fees: means any fee, toll, rate, penalties, or charges imposed by the Districts for services, programs or facilities, operation and maintenance provided by the Districts, as authorized in Section 32-1-1001(1), C.R.S., as amended from time to time.

Financial Plan: means the Financial Plan described in Section VI and attached as **Exhibit E** which describes (i) how the Public Improvements are to be financed; (ii) how the Debt is expected to be incurred; (iii) the estimated operating revenue derived from property taxes for the first budget year; and (iv) proposed sources of revenue and projected expenses of the Districts.

Financing District: means District No. 2.

Inclusion Area Boundaries: (not applicable)

Inclusion Area Boundary Map: (not applicable)

Master IGA: means one or more agreements between the Districts that establish the mechanisms whereby the Districts will fund, construct, install, acquire, operate and maintain Public Improvements.

Maximum Debt Mill Levy: means the maximum mill levy any of the Districts is permitted to impose for payment of Debt as set forth in Section VI.C below.

Operating District: means District No. 1.

Project: means the development or property commonly referred to as South Timnath.

Public Improvements: means a part or all of the improvements authorized to be planned, designed, acquired, constructed, installed, relocated, redeveloped, operated, maintained and financed as generally described in the Special District Act, except as specifically limited in Section V below, to serve the future taxpayers and inhabitants of the Service Area as determined by the Board of one or more of the Districts.

Service Area: means the property within the Districts Boundaries which may be legally served.

Service Plan: means this service plan for the Districts approved by the Town Council.

Service Plan Amendment: means an amendment to the Service Plan approved by the Town Council in accordance with the Town's ordinances and the applicable state law.

Special District Act or the "Act": means Section 32-1-101, *et seq.*, of the Colorado Revised Statutes, as amended from time to time.

State: means the State of Colorado.

TABOR: means Article 10 Section 20 of the Colorado Constitution, as may be amended from time to time.

Taxable Property: means real or personal property within the Districts' boundaries which is subject to ad valorem taxes imposed by the Districts.

Timnath Development Authority Intergovernmental Agreement: means the intergovernmental agreement between the Districts and the Timnath Development Authority regarding the revenue and tax sharing between the Districts and Timnath Development Authority substantially in the form attached hereto as **Exhibit G**.

Total Debt Issuance Limitation: means the aggregate principal amount of Debt the Districts may issue, which amount shall be Twenty Million Dollars (\$20,000,000), unless otherwise approved by the Town.

Town: means the Town of Timnath, Colorado.

Town Code: means the Town Code of the Town.

Town Council: means the Town Council of the Town of Timnath, Colorado.

Town Intergovernmental Agreement or Town IGA: means the intergovernmental agreement between the Districts and the Town as required by Town Code substantially in the form attached hereto as **Exhibit F**.

III. BOUNDARIES

A. Boundary Descriptions and Maps.

The area of the Districts Boundaries includes approximately three hundred sixty-two (362) acres. A legal description of the District Boundaries for each District is attached hereto as **Exhibit A**. A vicinity map is attached hereto as **Exhibit B**. A map of the Districts Boundaries is attached hereto as **Exhibit C**. It is anticipated that the Districts' internal boundaries may change from time to time as they undergo inclusions and exclusions pursuant to Section 32-1-401, *et seq.*, C.R.S., and Section 32-1-501, *et seq.*, C.R.S., subject to the limitations set forth below.

B. Changes in Boundaries.

Each District shall be entitled to change its boundaries through inclusion and exclusion of property as its Board may determine is in the best interests of such District without the Town's consent and its property owners, subject to the following limitations:

1. No property may subject to the mill levy of more than one District.
2. No property may be included into the boundaries of any District unless the property is within the corporate limits of the Town.
3. All District boundary changes must be made in compliance with the Special District Act.
4. The Inclusion Area Boundaries may not be expanded without prior approval of the Town.

Any inclusion or exclusion, which does not comply with the provisions of this Article III shall be subject to administrative review by the Town Manager, who will determine whether such boundary change constitutes a material modification of the Service Plan.

IV. PROPOSED LAND USE/POPULATION PROJECTIONS/ASSESSED VALUATION

The Districts' Service Area consists of approximately 362 acres of residential and commercial land. The current assessed valuation of the Service Area is assumed to be approximately Fifty-Fifty Six Thousand Dollars (\$56,000.00) for purposes of this Service Plan and, at build out, is expected to be sufficient to reasonably discharge the Debt under the proposed

Financial Plan. The Operating District will contain neither residential nor commercial/industrial development. The Development is currently estimated to contain 758 residential units. These residential and non-residential projections are initial estimates only and actual build out and development will coincide with the final Approved Development Plans submitted to and approved by the Town. The population of the Districts at build-out is currently estimated to be approximately 2,274 persons, based on an approximation of 3.0 persons per residential unit.

Approval of this Service Plan by the Town does not imply approval of the development of a specific area within the Districts, nor does it imply approval of the number of residential units or the total site/floor area of commercial or industrial buildings identified in this Service Plan or any of the exhibits attached thereto.

V. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES

A. General Powers of the Districts.

The Districts shall have the power and authority to provide the Public Improvements and related operation and maintenance services within and without the boundaries of the Districts as such power and authority is described in the Special District Act, other applicable statutes, common law and the Constitution of the State of Colorado, and may include, but not be limited to, streets, traffic and safety controls, drainage, sanitation, water, parks and recreation, transportation, mosquito and pest control, television relay and translation, security services and covenant enforcement, subject to the limitations set forth herein. The Operating District may also use one or more enterprises and/or authorities, as provided by state statute, to support the planning, design, acquisition, construction, installation, financing, operation and maintenance of the Public Improvements.

1. Operations and Maintenance Limitation. The primary purpose of the Districts is to plan for, design, acquire, construct, install, relocate, redevelop and finance the Public Improvements. All Public Improvements will be constructed in accordance with Town Codes, regulations, and requirements and/or other applicable public entity rules, regulations and requirements. Once the construction of the Public Improvements are completed, it is the intent of the Districts or the Developer and builders on behalf of the Districts to dedicate those Public Improvements to the Town or other appropriate jurisdiction or owners association in a manner consistent with the Approved Development Plans of the Town.

a. Public Improvements to be Dedicated to the Town. The Districts shall be permitted to construct, install, acquire, finance and fund all of the Public Improvements needed in the Districts. Upon completion of the Public Improvements the Districts shall dedicate to the Town all street, traffic, safety protection, certain drainage improvements, storm water facilities, parks, regional trails and mosquito control improvements.

b. Public Improvements to be Dedicated to Others. The Districts shall convey all sanitary sewer improvements to South Fort Collins Sanitation District for ownership, operation and maintenance. The Districts shall convey to Fort Collins – Loveland Water District all potable water facilities for ownership, operation and maintenance. The

Districts may convey security and covenant enforcement improvements to a homeowners association or other governmental entity according to the applicable procedures for that specific entity if the Districts are unable or unwilling to provide those services.

c. Public Improvements that may be Owned, Operated, and Maintained by the Operating District. The Operating District may own, operate, and maintain the following:

1. Greenbelts, open spaces, common areas, and certain pocket parks as depicted on the final plat;
2. Landscaped medians, monuments, entry features, fencing, identification markers, landscape buffers, setbacks, irrigated and non irrigated turf and native grasses, subdivision identification markers, trees and other landscape features and streetscape design;
3. District Pools, clubhouse, recreation center, meeting rooms, civic centers and other related recreational facilities,
4. Ponds, lakes, water features, trails, paths and walkways not otherwise dedicated to the Town;
5. Non-potable water facilities, including detention ponds and drainage facilities servicing the Districts' open spaces;
6. Covenant enforcement and security services and any related facilities not otherwise provided by a homeowners association or other governmental entity; and

Any such operations and maintenance of the Districts shall be funded through the imposition of a mill levy or by appropriate user fees imposed by the Districts. The Districts shall be authorized, but not obligated to, operate and maintain park and recreation improvements, including the District Pools, clubhouse and recreation facilities without an intergovernmental agreement with the Town, provided that any Fee imposed by the Districts for access to such park and recreation improvements shall not result in Non-District Timnath residents paying a user fee that is greater than, or otherwise disproportionate to, similar fees and taxes paid by residents of the Districts. However, the Districts shall be entitled to impose an administrative Fee as necessary to cover additional expenses associated with Non-District Timnath residents to ensure that such costs are not the responsibility of Districts residents. All such Fees shall be based upon the Districts' determination that such Fees do not exceed reasonable annual market fees for users of such facilities. Notwithstanding the foregoing, all parks and trails shall be open to the general public and Non-District Timnath residents free of charge.

2. Construction Standards Limitation. The Districts will ensure that the Public Improvements are designed and constructed in accordance with the standards and

specifications of the Town and of other governmental entities having proper jurisdiction and of those special districts that qualify as “interested parties” under Section 32-1-204(1), C.R.S., as applicable. The Districts will obtain the Town’s approval of civil engineering plans and will obtain applicable permits for construction and installation of Public Improvements prior to performing such work.

3. District Swimming Pool Operations Limitations. The Districts, individually or collectively, may undertake the financing, construction, acquisition, installation, ownership, operation and maintenance of a District Pool. Any District Pool shall be constructed in accordance with plans submitted to and approved by the Town. The Districts may not cease or abandon the operation of, and may not change the use of the swimming pool as a District Pool, without prior consent of the Town, which consent shall not be unreasonably withheld, delayed or denied. The Districts Pool shall be operated and maintained in a manner similar to similar size and types of swimming pools operated by metropolitan districts in other communities. The Districts Pool shall be subject to Town regulatory authority as permitted by state law. The Town shall provide written notice of any default in the operation and maintenance of the District Pool. If any such default continues for more than thirty (30) days after receipt of a written notice from the Town, the Town shall have the right to enforce by specific performance the maintenance of the District Pool. Should the default continue after notice, opportunity to cure and refusal to cure the default, the Town shall have the right to operate and maintain the Districts Pool and collect and use any District Pool fees unless and until the Districts demonstrate a willingness and ability to operate the District Pool in accordance with applicable standards. Any maintenance and operations costs incurred by the Town to perform these functions, after written notice of default and failure of the Districts to cure the default, shall be reimbursed by the Districts.

4. Current Town Residential Property Owners’ Access to Park and Recreation Facilities and Improvements. All open space tracts, trails, and park improvements shall be open and available to the general public and Town citizens free of charge. It is acknowledged that the Town intends to explore the possibility of constructing a Town pool. Until such Town pool is constructed, the Districts shall allow Town residents who currently reside within property owner addresses as of November 1, 2005 as described in **Exhibit H**, and their families who may reside at the address, including any family member added through birth, marriage, adoption or a parents marriage thereafter, access to any District constructed pool at reduced rates as defined in the Intergovernmental Agreement with the Town on the same terms as if they owned homes within the Districts. A list defining the current residential property owner addresses which shall be provided this access is attached hereto as **Exhibit H**. Future residents of the addresses in **Exhibit H**, other than those defined above, who purchase or rent in these addresses after May 31, 2006, will not be entitled to this provision. Once a Town pool is constructed, the access and reduced rate as required by the Town for Town residential property owners as defined in **Exhibit H** shall be rescinded.

5. Town Access and Maintenance Easement to Greenbelts, Open Space, Ponds and Drainage Improvements. The Districts will grant a perpetual, non-exclusive access easement to the Town for non-motorized pedestrian access to the Districts greenbelts and open space improvements as defined on the final plat approved by the Town. The Districts shall

maintain greenbelts, open space, ponds and drainage improvements in accordance with the plans approved by the Town and subject to Town regulatory authority as provided by state law. The Districts shall grant an easement to the Town for purposes of routine inspections of pond and drainage improvements. The Districts shall also grant the Town emergency access for maintenance purposes to the pond and drainage improvements when necessary to preserve the health, safety and welfare of the Districts' property owners and residents, and guests. The Town shall provide written notice of any default in the maintenance of District owned, operated and maintained Public Improvements in accordance with the approved plans, which if continued for more than thirty (30) days after receipt of a written notice of default from the Town to the Districts, the Town shall have access for purposes of maintenance of these improvements by the Town. Any maintenance performed by the Town, after written notice of default and failure of the Districts to cure within thirty (30) days of receipt, shall be reimbursed by the Districts.

6. Initial Debt Limitation. On or before the effective date of approval by the Town of an Approved Development Plan, the Districts shall not: (a) issue any Debt; nor (b) impose a mill levy for the payment of Debt by direct imposition or by transfer of funds from the operating fund to the Debt service funds; nor (c) impose and collect any fees used for the purpose of repayment of Debt.

7. Total Debt Issuance Limitation. The Districts shall not issue Debt in excess of Twenty Million Dollars (\$20,000,000) without approval of the Town. The obligations of the Districts in any intergovernmental agreement (including the Master IGA) concerning the funding and/or operations of the Districts' Public Improvements and services, for which voter approval will be obtained to the extent required by law, will not count against the Total Debt Issuance Limitation, nor shall any revenue obligations payable from rates, fees, tolls and charges issued by the Districts. Increases necessary to accomplish a refunding, reissuance or restructuring of Debt shall also not count against the Total Debt Issuance Limitation.

8. Consolidation Limitation. District No. 1 shall not file a request with any Court to consolidate with another Title 32 district without the prior written consent of the Town, unless such consolidation is with District No. 2.

9. Bankruptcy Limitation. All of the limitations contained in this Service Plan, including, but not limited to, those pertaining to the Maximum Debt Mill Levy, and the Fees have been established under the authority of the Town to approve a Service Plan with conditions pursuant to Section 32-1-204.5, C.R.S. It is expressly intended that such limitations:

(a) shall not be subject to set-aside for any reason or by any court of competent jurisdiction, absent a Service Plan Amendment; and

(b) are, together with all other requirements of Colorado law, included in the "political or governmental powers" reserved to the State under the U.S. Bankruptcy Code (11 U.S.C.) Section 903, and are also included in the "regulatory or electoral approval necessary under applicable nonbankruptcy law" as required for confirmation of a Chapter 9 Bankruptcy Plan under Bankruptcy Code Section 943(b)(6).

Any Debt, issued with a pledge or which results in a pledge, that exceeds the Maximum Debt Mill Levy shall be deemed a material modification of this Service Plan pursuant to Section 32-1-207, C.R.S. and shall not be an authorized issuance of Debt unless and until such material modification has been approved by the Town as part of a Service Plan Amendment.

10. Service Plan Amendment Requirement. This Service Plan is general in nature and does not include specific detail in some instances because development plans have not been finalized. This Service Plan has been designed with sufficient flexibility to enable the Districts to provide required services and facilities under evolving circumstances without the need for numerous amendments. Modification of the general types of services and facilities making up the Public Improvements, and changes in proposed configurations, locations or dimensions of the Public Improvements shall be permitted to accommodate development needs consistent with the then-current final Approved Development Plan(s) for the Project. The Districts are independent units of local government, separate and distinct from the Town, and their activities are subject to review by the Town only insofar as they may deviate in a material manner from the requirements of this Service Plan. Any material change in the Service Plan will be submitted to the Town, and if the Town determines that such change constitutes a “material modification” of this Service Plan pursuant to Section 32-1-207, C.R.S., it shall be subject to approval by the Town in accordance with the provisions of the Act. Any material change to the final approved plat for any phase of the Project requiring non-administrative approval of the Town Board that also results in changes to the Public Improvements to a level that the Town determines to be a “material modification” to the Service Plan pursuant to Section 32-1-207, C.R.S., shall be subject to approval by the Town or Service Plan amendment in accordance with the Act. For those actions of the Districts, which violate the limitations set forth herein and which the Town deems to be a material modification to this Service Plan, the Town shall be entitled to all remedies available under State and local law to enjoin such action(s).

B. Enterprise

District No. 1 may establish one or more enterprises to manage, fund, and operate such facilities, services, and programs as may qualify for enterprise status using the procedures and criteria provided by Article X, Section 20, Colorado State Constitution, and other applicable statutory provisions. To the extent permitted by law, any enterprise created by the District will remain under the control of the Board.

C. Preliminary Engineering Survey/Capital Plan.

The Districts shall have authority to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment, operation, maintenance and financing of the Public Improvements and facilities needed to serve the Project either directly or by contract or acquisition from the Developer or other public or private entities, within and without the boundaries of the Districts, to be more specifically defined in an Approved Development Plan. It is anticipated that the Districts will acquire the completed improvements from the Developer, and/or complete the construction of such improvements, and may then transfer certain improvements to the Town, as long as such improvements are constructed and accepted in accordance with Town regulations, the Fort Collins – Loveland Water District, for ownership,

operation and maintenance of water systems in accordance with Town regulations and the Fort Collins – Loveland Water District regulations, the South Fort Collins Sanitation District, for ownership, operation and maintenance of sanitary sewer systems in accordance with South Fort Collins Sanitation District regulations, as applicable, while retaining, operating and maintaining all other public improvements not otherwise dedicated to other public agencies. If appropriate, the Districts may contract with other public and/or private entities to complete the Public Improvements and to affect such functions and activities, including without limitation funding, acquisition and reimbursement agreements with the Developer or other developers and builders.

A Capital Plan, including initial estimated costs of the Public Improvements which may be planned for, designed, acquired, constructed, installed, relocated, redeveloped, operated, maintained or financed was prepared based upon a preliminary engineering survey and estimates derived from what is anticipated to be the approved development on the property in the Service Area and is attached hereto as **Exhibit D**. It is important to note that the engineering information used to determine costs, pricing, and phasing of improvements referenced in the Service Plan is preliminary in nature and that modifications to the type, configuration, quantity, dimension, location and costs of Public Improvements may be necessary as development proceeds. Notwithstanding the cost estimate allocations set forth in **Exhibit D**, the Districts shall be permitted to reallocate costs between categories of improvements as they deem necessary in their discretion, acting in the best interests of their respective residents, property owners and taxpayers. The combined total estimated cost of Public Improvements which the Districts currently estimate will be constructed is not currently anticipated to be exceed Forty Million Dollars (\$40,000,000.00), inclusive of contingencies. The Districts may finance all or a portion of such improvements.

All of the Public Improvements will be designed in such a way as to assure that the Public Improvements standards will be compatible with those of the Town or any other entity that is intended to have ownership and/or operation and maintenance responsibility for the Public Improvements and shall be in accordance with the requirements of the final Approved Development Plan. All Public Improvements to be constructed, and their related costs, are estimates only and are subject to modification as engineering, development plans, economics, the Town's requirements, and construction scheduling may require. All cost estimates will be inflated to then-current dollars at the time of issuance of Debt and construction. All construction cost estimates are based on the assumption that construction conforms to applicable local, State or Federal requirements.

D. Facilities and/or Services to be provided by Other Entities.

The Districts propose to construct or acquire the Public Improvements necessary to serve the Districts' residents and taxpayers, but do not intend to provide ongoing water or sanitary sewer services, unless approved or directed by the Town. It is intended that Fort Collins – Loveland Water District shall provide the water service in conjunction with the Town. The South Fort Collins Sanitation District shall provide sanitary sewer service, and Timnath shall provide law enforcement services and other municipal services, as appropriate. Appropriate agreements regarding provision of service by these entities have been or will be obtained prior to obtaining service including any necessary inclusion in the respective districts of the property within the Districts, with the exception of any portion of the Districts that is already included in

another district providing the same type of service. Nothing herein shall limit or discharge the Districts' responsibilities for operation, maintenance, and repair of Public Improvements prior to their acceptance by the Town, Fort Collins – Loveland Water District, South Fort Collins Sanitation District, or their designee, or the Districts' warranty obligations.

E. Multiple District Structure.

The Districts, collectively, will undertake the financing and construction, maintenance and operation of the Public Improvements. The nature of the functions and services to be provided by each District shall be clarified in one or more Master IGA(s) by and between the Districts. The Master IGA(s) will be designed to help assure the orderly development of the Public Improvements and essential services in accordance with the requirements of this Service Plan. The Master IGA(s) may be amended by mutual agreement of the Districts without the need to amend this Service Plan.

VI. FINANCIAL PLAN

A. General Plan of Finance.

The Districts shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation, financing, ownership, operation and maintenance and/or redevelopment of the Public Improvements from their revenues and by and through the proceeds of Debt to be issued by the Districts. The Financial Plan for the Districts shall be to issue such Debt as the Districts can reasonably pay from revenues derived from the Maximum Debt Mill Levy, Fees and other legally available revenues. The total Debt that the Districts shall be permitted to issue shall not exceed the Total Debt Issuance Limitation unless otherwise approved by the Town, and 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 Financial Plan referenced above and shall be phased to serve development as it occurs. A *pro forma* Financial Plan is attached hereto as **Exhibit E** demonstrates the issuance of bonds and the anticipated repayment based on the projected development within the boundaries of the Development. The Financial Plan demonstrates that, at projected levels of development, the Districts have the ability to finance the facilities identified herein and will be capable of discharging the proposed indebtedness on a reasonable basis. The attached Financial Plan is one illustration of how the Public Improvements and other services of the Districts may be financed; however, the final terms of such financing shall be determined by the Districts, subject to the parameters established within this Service Plan. All Debt issued by the Districts may be payable from any and all legally available revenues of the Districts, including general *ad valorem* taxes and Fees to be imposed upon 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 Section 32-1-1001(1), C.R.S., as amended from time to time.

Prior to the issuance of long-term Debt, the Districts may issue bond anticipation notes or other multiple-fiscal year financial obligations secured by the revenues generated from property taxes, development fees, district fees, and any other District revenues collected by the Districts. Credit enhancement may be provided for any obligation of the Districts, if necessary.

The Districts may make multiple-fiscal year financial obligation pledges secured by property taxes, specific ownership taxes and the development fee revenue to fund the acquisition and installation of the Public Improvements for the Project. Revenue from property taxes, specific ownership taxes and development fees and from other available sources will be used to retire District bonds, other Debt or multiple-fiscal year financial obligations.

B. Maximum Voted Interest Rate and Maximum Underwriting Discount.

The interest rate on any Debt is expected to be the market rate at the time the Debt is issued. In the event of a default, the proposed maximum interest rate on any Debt is not expected to exceed fifteen percent (15%). The proposed maximum underwriting discount will be five percent (5%). Debt, when issued, will comply with all relevant requirements of this Service Plan, State law and Federal law as then applicable to the issuance of public securities.

C. Total Combined Mill Levy.

The total mill levy in any of the Districts, combined to include both general operations, maintenance and debt service, shall not exceed fifty (50) mills unless approved by the Town; provided, however, in the event that the method of calculating assessed valuation is changed after the date of this Agreement by any change in law or method of calculation or by any change in the percentage of actual value used to determine assessed valuation pursuant to Section 39-1-104.2, C.R.S., and Article X, Section 3 of the State Constitution, the mill levy limitation shall be increased or decreased to reflect such change, as reasonably determined by the Boards of Directors of the Districts so that, to the greatest extent possible, the actual property tax revenues generated by the mill levy as adjusted are neither increased nor diminished as a consequence of such adjustment.

D. Maximum Debt Mill Levy.

With respect to each District, the "Maximum Debt Mill Levy" shall be the maximum mill levy a District is permitted to impose upon the taxable property within such District for payment of Debt. The Maximum Debt Mill Levy, shall be thirty-five (35.0) mills; provided that, on or after January 1, 2006, the thirty-five (35.0) mill tax rate for debt may be increased to compensate for any decreases in the assessed valuation of the property within the District necessitated by state law pursuant to Article X, Section 3 of the Colorado Constitution commonly referred to as the Gallagher Amendment or any other legislation causing a reduction in the assessed valuation of residential properties. In the event of legislation implementing changes in the ratio of actual valuation to assessed valuation for residential real property, pursuant to Article X, Section 3(1)(b) of the Colorado Constitution, the mill levy limitation provided herein will be increased or decreased as to all taxable property in the District to reflect such changes; 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 shall be deemed to be a change in the method of calculating assessed valuation. All Debt issued by the Districts must be issued in compliance with the requirements of Section 32-1-1101, C.R.S. and all other requirements of State or Federal law.

Obligations of the Districts in the intergovernmental agreements discussed herein will not count against the Debt limitation, but will be subject to the Maximum Debt Mill Levy. Any change in the Debt limitation shall be considered a material modification of the Service Plan. The Debt limitation shall not otherwise be increased unless approved by the Town and as permitted by statute.

To the extent that a District is composed of or subsequently organized into one or more subdistricts as permitted under Section 32-1-1101, C.R.S., the term "District" as used herein shall be deemed to refer to such District and to each such subdistrict separately, so that each of the subdistricts shall be treated as a separate, independent district for purposes of the application of this definition.

E. Debt Repayment Sources.

Each of the Districts may impose a mill levy on taxable property within their boundaries as a primary source of revenue for repayment of Debt service and for operations and maintenance. The Districts may also rely upon various other revenue sources authorized by law. At the Districts' discretion, these may include the power to assess fees, rates, tolls, penalties, or charges as provided in Section 32-1-1001(1), C.R.S., as amended from time to time.

The Districts may also collect a Development Fee, provided that such Development Fee does not exceed the following limits:

1. For each single-family detached residential unit, the Development Fee shall not exceed Two Thousand Five Hundred Dollars (\$2,500.00).
2. For each single-family attached or multi-family residential unit, the Development Fee shall not exceed Two Thousand Dollars (\$2,000.00).
3. For a structure other than a single-family or multi-family residential structure, the Development Fee shall not exceed Twenty-Five Cents (\$0.25) per square foot of the structure.

The Development Fee set forth in this Service Plan may increase by up to the Consumer Price Index for Denver-Boulder, all items, all urban consumers (or its successor index for any years for which Consumer Price Index is not available) each year thereafter (as an inflation adjustment) commencing on January 1, 2007. The Development Fee shall be collected at the time of lot sale or prior to issuance of a building permit.

F. Security for Debt.

The Districts shall not pledge any revenue or property of the Town as security for the indebtedness set forth in this Service Plan. Approval of this Service Plan shall not be construed as a guarantee by the Town of payment of any of the Districts' obligations; nor shall anything in the Service Plan be construed so as to create any responsibility or liability on the part of the Town in the event of default by the Districts in the payment of any such obligation.

G. TABOR Compliance.

The Districts will comply with the provisions of TABOR. In the discretion of the Board, 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 the Districts' Boards.

H. Districts' Formation and First Year Operating Costs.

The estimated cost of acquiring land, engineering services, legal services and administrative services, together with the estimated costs of the Districts' original organization in 2006 was not anticipated to exceed One Hundred Thousand Dollars (\$100,000), which will be eligible for reimbursement from Debt proceeds.

In addition to the capital costs of the Public Improvements, the Districts will require operating funds for administration and to plan and cause the Public Improvements to be constructed and maintained. The Districts' first year's operating budget was estimated to be One Hundred Thousand Dollars (\$100,000), which is anticipated to be derived primarily from developer advances and available from property taxes and other revenues.

The Districts will impose a mill levy to be assessed on all taxable property within its boundaries as a primary source of revenue for operations and maintenance. In addition to the operations mill levy, the Districts may also rely upon various other revenue sources authorized by law and this Service Plan to offset the expense of capital construction and District No. 1's management, administrations, operations and maintenance. These will include revenues from other governmental entities and developers, as well as the power to assess fees, rates, tolls, penalties or charges as provided in Title 32, Article 1, C.R.S., as amended.

The Maximum Debt Mill Levy does not apply to the Districts' ability to increase their mill levy as necessary for provision of operation and maintenance services to the property within its boundaries. However, there are statutory and constitutional limits on a District's ability to increase its mill levy for operation and maintenance services without an election. The proponents of the Districts intend to seek the Districts' electoral approval to waive the revenue and spending limits of Article X, Section 20 of the Colorado Constitution, as well as the 5.5% limitation set forth in Section 29-1-301, C.R.S.

Prior to the Districts having sufficient revenue to cover their ongoing operations and maintenance expenses, the Developer will advance funds to the Districts. The Districts will have the authority to repay the developer for amounts advanced for operations and maintenance expenses, together with interest thereon.

VII. ANNUAL REPORT

A. General.

Upon the request of the Town, each of the Districts shall be responsible for submitting an annual report to the Town Manager's Office no later than August 1st of each year following the year in which the Order and Decree creating the District has been issued.

B. Reporting of Significant Events.

The annual report shall include information as to any of the following:

1. Boundary changes made to the District's boundaries as of December 31 of the prior year.
2. Intergovernmental Agreements with other governmental entities either entered into or proposed as of December 31 of the prior year.
3. A list of all facilities and improvements constructed by the Districts that have been dedicated to and accepted by the Town as of December 31 of the prior year.
4. The assessed valuation of the Districts for the current year.
5. Current year budget including a description of the Public Improvements to be constructed in such year.
6. Audit of the Districts' financial statements, for the year ending December 31 of the previous year, prepared in accordance with generally accepted accounting principles or audit exemption, if applicable.
7. Notice of any uncured events of default by the District, which continue beyond a ninety (90) day period, under any Debt instrument.
8. Reasonable information requested by the Town pertaining to usage of any District facilities, including the District Pool, and costs related to such usage, operation and maintenance of such facilities.

VIII. CONSOLIDATION/DISSOLUTION

The consolidation of any District with any other special district shall be subject to the approval of the Town, unless such consolidation is with another South Timnath Metropolitan District. Each District will take all action necessary to dissolve pursuant to Title 32, Article 1, Part 7, C.R.S., as amended from time to time, at such time as it does not need to remain in existence to discharge its financial obligations or perform its services.

IX. DISCLOSURE TO PURCHASERS

The Districts will use reasonable efforts to assure that all developers of the property located within the Districts provide written notice to all purchasers of property in the Districts regarding the Maximum Debt Mill Levy, as well as a general description of the Districts' authority to impose and collect rates, fees, tolls and charges.

X. INTERGOVERNMENTAL AGREEMENTS

A. Town IGA. The form of the intergovernmental agreement required relating to the limitations imposed on the Districts' activities is attached hereto as **Exhibit F**. The Districts shall approve the intergovernmental agreement substantially in the form attached as **Exhibit F** at their first Board meetings after their organizational elections. The Town Council shall approve the intergovernmental agreement in the form attached as **Exhibit F** at the public hearing approving the Service Plan.

B. Master IGA. The relationship between the Operating District and the Financing District, including the means for approving, financing, constructing, and operating the public services and improvements needed to serve the Project may be established by means of the Master IGA. The Master IGA is expected to generally provide that the Financing District will pay to and/or reimburse the Operating District over a period of years the costs of (1) the construction, acquisition, installation and financing of certain public facilities and services, and (2) the operation and maintenance of the facilities. Under the Master IGA, the Financing District are expected to covenant to levy the taxes necessary, together with other available funds, to meet the payment obligations set forth in the Master IGA. In return for the payment under the agreement, the Operating District would agree to (1) acquire, construct and equip the facilities, (2) provide for their operation and maintenance, and (3) provide service to the property within the Districts or convey facilities to other appropriate entities which will provide service.

C. Timnath Development Authority IGA. The form of the intergovernmental agreement describing the relationship between the Timnath Development Authority and the Districts in relation to property tax and revenue sharing between the Timnath Development Authority and the Districts' Public Improvement financing, operations and maintenance is attached hereto as **Exhibit G**. The Districts shall approve this "Timnath Development Authority IGA" substantially in the form attached as **Exhibit G** as soon as practical after formation of the Districts on the terms and conditions substantially described in the form attached hereto. The Town Council and/or the Timnath Development Authority Board shall approve the Timnath Development Authority IGA in substantially the form attached as **Exhibit G** at the public hearing approving the Service Plan.

D. Development Fee Agreement. The Districts and/or any enterprises may enter into a development Fee Agreements with the Developer and other landowners, developers and/or builders to install the Public Improvements to be furnished by the Districts. Under the Development Fee Agreement, the Developer and other landowners, developers and/or builders benefited by the Public Improvements will be obligated to pay a developer fee in the amounts set forth in Section VI.F. above based upon a per lot or single family equivalent unit calculation.

The Operating District may increase the Development Fee as necessary to fund the capital costs of the public improvements. If a Development Fee Agreement is entered into, the development fee will constitute an unconditional obligation of, and statutory lien against, the property benefited.

E. Other Agreements/Authority. To the extent necessary, the Operating District may enter into additional intergovernmental and private agreements to ensure the long-term provision of the public facilities and services needed for the Project and for the effective management of District affairs. Agreements may also be entered into with the Developer, other developers and/or builders, owner associations, and other service providers to discharge any facility or service responsibility of the Districts.

XI. CONCLUSION

It is submitted that this Service Plan for the Districts, as required by Section 32-1-203(2), and Section 32-1-204.5, C.R.S., establishes that:

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

2. The continued existence of the Districts is needed to ensure that the existing service in the area currently served by the Districts is inadequate for present and projected needs;

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

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

5. Adequate service is not, and will not be, available to the area through the Town or county or other existing municipal or quasi-municipal corporations, other than the Districts, including existing special districts other than the Districts, within a reasonable time and on a comparable basis.

6. The facility and service standards of the Districts are compatible with the facility and service standards of the Town within which the special districts are to be located and each public entity which is an interested party under Section 32-1-204(1), C.R.S.

7. The proposal is in substantial compliance with a comprehensive plan adopted pursuant to the Town Code.

8. The proposal is in compliance with any duly adopted Town, regional or state long-range water quality management plan for the area.

9. The continued existence pursuant to this Service Plan of the Districts is in the best interests of the area currently served by the Districts.

Therefore, it is hereby respectfully requested that the Town Council of the Town of Timnath, Colorado, which has jurisdiction to approve this Service Plan by virtue of Section 32-1-204.5, C.R.S., *et seq.*, as amended, adopt a resolution, which approves this "Amended and Restated Consolidated Service Plan for South Timnath Metropolitan District No. 1 and No. 2 as submitted.

Respectfully submitted this 19th day of July, 2007.

CORBETTA & O'LEARY, P.C.

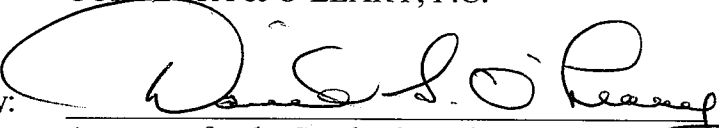

By: 
Attorneys for the South Timnath
Metropolitan Districts Nos. 1 & 2 

EXHIBIT A

Legal Descriptions for South Timnath Metropolitan Districts Nos. 1 & 2



**NORTHERN
ENGINEERING**

ADDRESS: 200 S. College Ave. Suite 100 Fort Collins, CO 80524	PHONE: 970.221.4158 FAX: 970.221.4159	WEBSITE: www.northernengineering.com
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DESCRIPTION: SOUTH TIMNATH METRO DISTRICT NO. 1

A tract of land located in Section 12, Township 6 North, Range 68 West of the 6th Principal Meridian, Town of Timnath, County of Larimer, State of Colorado being more particularly described as follows:

Considering the North line of the Northwest Quarter of said Section 12 as bearing South 88°01'30" East and with all bearings contained herein relative thereto:

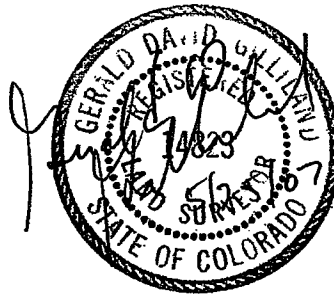
Commencing at the Northwest corner of said Section 12, said point being monumented with a 2 1/2" aluminum cap, LS No. 31169; thence, South 24°54'41" East, 3,444.04 feet to the **POINT OF BEGINNING**; thence, North 44°39'27" East, 76.98 feet; thence, North 57°40'11" East, 75.00 feet; thence, North 63°47'16" East, 80.78 feet; thence, South 26°12'44" East, 78.84 feet; thence, South 63°47'16" West, 155.64 feet; thence, North 84°00'33" West, 85.61 feet to the **POINT OF BEGINNING**.

The above describe tract of land, also being known as Tract R of TIMNATH SOUTH SUBDIVISION FIRST FILING, contains 14,533 square feet or 0.334 acres, more or less and is subject to all easements and rights-of-way now on record or existing.

May 24, 2007

.jaa, R.Ott

S:\Survey Jobs\202-00\DESCRIPTIONS\2007_Corrected_Originals\TIM-SOUTH_METRO DISTRICT 1_5-24-07.doc





**NORTHERN
ENGINEERING**

ADDRESS: 200 S. College Ave. Suite 100 Fort Collins, CO 80524	PHONE: 970.221.4158	WEBSITE: www.northernengineering.com
	FAX: 970.221.4159	

DESCRIPTION: SOUTH TIMNATH METRO DISTRICT No. 2

A tract of land located in Section 12, Township 6 North, Range 68 West of the 6th Principal Meridian, Town of Timnath, County of Larimer, State of Colorado being more particularly described as follows:

All of TIMNATH SOUTH SUBDIVISION FIRST FILING, together with TIMNATH SOUTH SUBDIVISION SECOND FILING.

EXCEPT:

Tract R, TIMNATH SOUTH SUBDIVISION FIRST FILING.
 Contains 14,533 square feet or 0.334 acres, more or less.

Also,

Tract Q, TIMNATH SOUTH SUBDIVISION FIRST FILING.
 Contains 11,769 square feet or 0.270 acres, more or less.

Also,

Tract D, TIMNATH SOUTH SUBDIVISION SECOND FILING.
 Contains 479,774 square feet or 11.014 acres, more or less.

The above described tract of land contains 15,753,507 square feet or 361.651 acres, more or less and is subject to all easements and rights-of-way now on record or existing.

July 16, 2007

R.Ott

202-001; 156-003.06

S:\Survey Jobs\202-001\DESCRIPTIONS\New_Dist 1 and Dist 2\TIM-SOUTH_METRO DISTRICT 2_7-16-07.doc

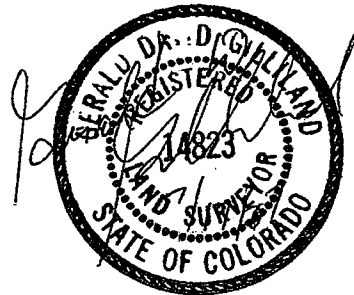


EXHIBIT B

Timnath Vicinity Map

TIMNATH SOUTH SUBDIVISION VICINITY MAP:

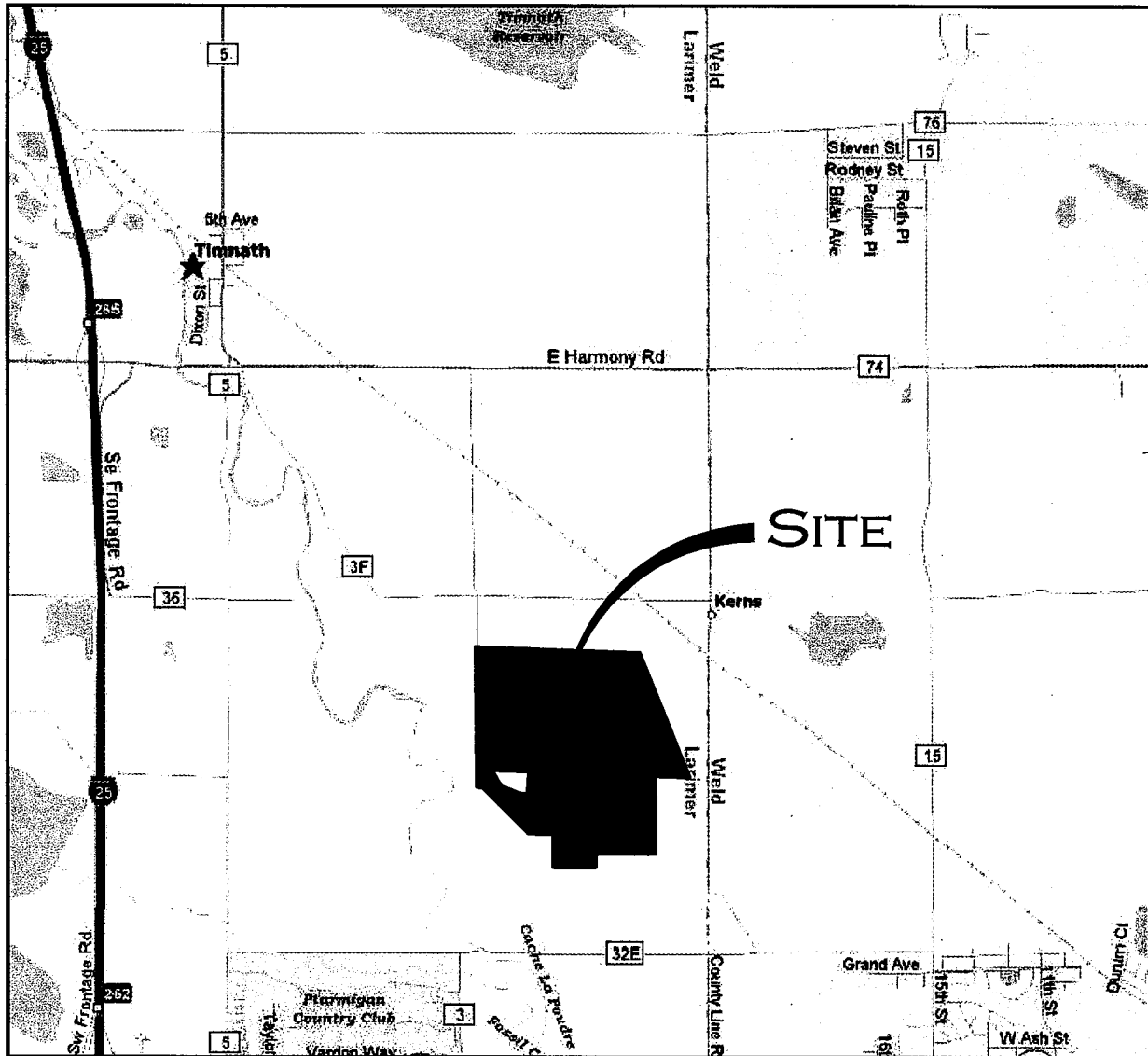
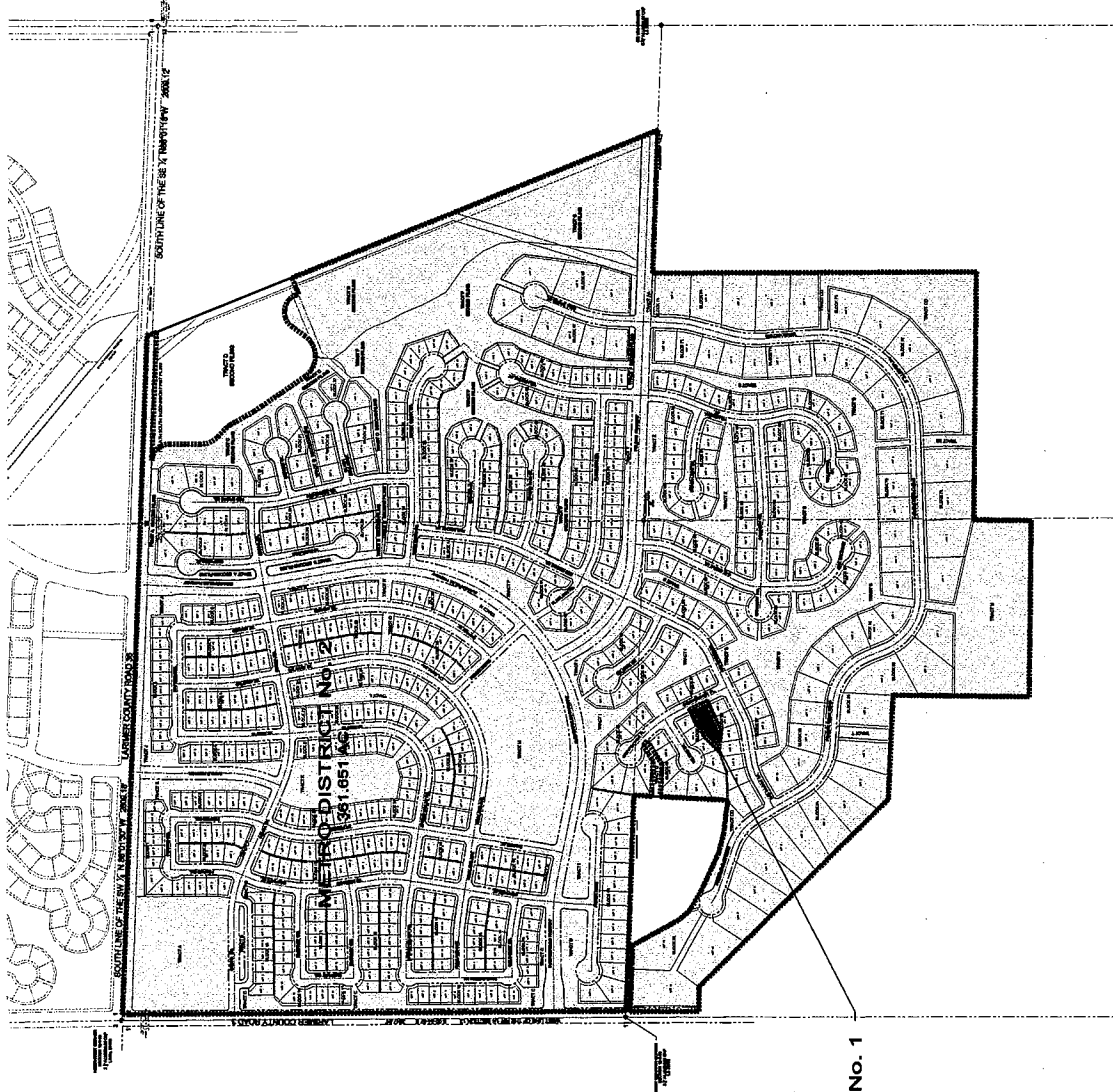


EXHIBIT C

Districts Boundaries Map

SOUTH TIMNATH DISTRICT MAP

SECTION 12, TOWNSHIP 6 NORTH, RANGE 68 WEST,
TOWN OF TIMNATH, COUNTY OF LARIMER, STATE OF COLORADO



METRO DISTRICT No. 1
(TRACT R)
0.394 AC.

LEGEND:

- District "Number"
- Section Corner
- Metro District Parcel No. 1
- Metro District Parcel No. 2

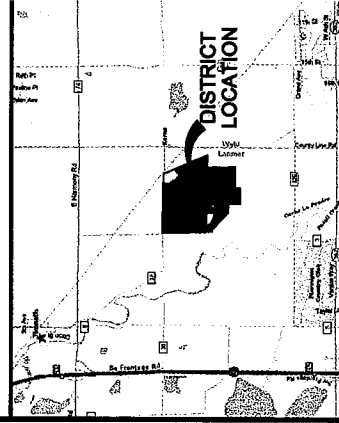
DISTRICT ACREAGE:

SOUTH TIMNATH METRO DISTRICT LAND DISTRIBUTION TABLE			
PARCEL	SF	AC	% OF TOTAL
METRO DST #1	14,533	0.334	0.09
METRO DST #2	15,753,507	361.651	99.91
SUM =	15,768,040	361.984	100.0



0 200 400 600 Feet
1" = 200' (GRAPHIC SCALE)

JULY 16, 2007



VICINITY MAP
N.T. 8.

**SOUTH
TIMNATH**
Metropolitan Districts
DISTRICT MAP



EXHIBIT D

Capital Plan

Estimate of Capital Costs

Project Name: TIMNATH SOUTH

Date: October 2005

758 Residential Lots & Clubhouse Site

SITE DEVELOPMENT COSTS

LEGAL & ACCOUNTING	\$	130,000.00
SITE OPERATIONS	\$	499,467.00
PROFFESIONAL FEES	\$	75,350.00
PERMITS / FEES	\$	13,368.00
SOILS & SURVEY	\$	544,812.00
EARTHWORK	\$	1,127,525.00
SANITARY SEWER	\$	3,519,285.00
WATER UTILITY	\$	2,030,357.00
STORM DRAINAGE	\$	2,301,071.00
CONCRETE	\$	2,566,938.00
ASPHALT PAVING	\$	4,410,201.00
STREET STABILIZATION	\$	809,436.00
EROSION CONTROL	\$	105,244.00
PUBLIC UTILITIES (<i>Elect, Gas, Tele, Conduits, Etc.</i>)	\$	2,977,857.00
FENCING	\$	1,384,680.00
RECREATIONAL TRAIL	\$	517,880.00
NON-POTABLE IRRIGATION SYSTEM & STORAGE	\$	600,000.00
POOL / CLUBHOUSE & PARKING FACILITIES	\$	2,000,000.00
OPEN SPACE LANDSCAPING	\$	2,000,000.00
PROJECT SIGNAGE, MONUMENTS, ENTRY FEATURES	\$	500,000.00
CONTINGENCIES	5% \$	1,405,674.00
Total	\$	29,519,145.00

EXHIBIT E

Financial 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: Dino DiTullio, Westward Development
David O'Leary, Esq., Corbetta & O'Leary, P.C.
Peggy Dowswell, CPA, Pinnacle Consulting Group, Inc.
Chad Walker, Pinnacle Consulting Group, Inc.

FROM: Stan Bernstein
Amy Bernstein

DATE: May 3, 2007

SUBJECT: Final Draft – Financial Model – South Timnath Metropolitan Districts #1 - #3

INTRODUCTION AND SCOPE

Stan Bernstein and Associates, Inc. has assembled Financial Models for South Timnath Metropolitan Districts #1 - #3 based upon key assumptions provided by officials of Westward Development. 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 South Timnath Metropolitan Districts #2 and #3 (Financing District #2 and #3). The Limited G.O. Bonds are assumed to be issued by Financing District #2 and #3 to reimburse related infrastructure costs funded by Westward Development (the "Developer").

The Financial Models presents, 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 AND COMMERCIAL 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 Financing District #2 and #3, incremental assessed valuation will generate property tax revenues for the Financing Districts.

For financial planning purposes it is assumed that a portion of the property tax revenues generated from the 35 mills assumed to be levied by Financing District #2 and #3 will be transferred to the Service District (Service District #1) and used to pay operating and administrative costs. The property tax revenues generated from Financing District #2 and #3 mill levies that are not transferred to Service District #1 will be available to make annual interest and principal payments on outstanding Limited G.O. Bonds.

This draft indicates that for Financing Districts #2 and #3, 34.0 mills (decreasing to 12.0 mills by 2014) will be transferred to the Service District for administrative costs. The property tax revenues not transferred to the General Fund (for Financing Districts #2 and #3, 1 mill increasing to 23 mills in 2014) will be available to make annual interest and principal payments on outstanding Limited G.O. Bonds.

This draft indicates that Financing District #2 could support approximately \$2,500,000 of Limited G.O. Bonds on 12/1/2013. Financing District #3 could support approximately \$2,900,000 of Limited G.O. Bonds on 12/1/2013, and \$3,000,000 of Limited G.O. Bonds on 12/1/2018.

It is possible that the timing of these bond issues could be accelerated by using various forms of credit enhancement. These alternative financing structures can be modeled in future drafts based upon input from the Districts' investment bankers. It is assumed that the initial bonds sold by each Financing District would be issued at average interest rates of 7.00% (subsequent bonds are assumed to be issued at average interest rates of 6.0%) and mature serially over a 30-year period. Costs of Bond Issuance have been estimated to be 4.0% of the par amount of the bonds. It is also possible that if buildout rates and assessed valuations lag expectations, and/or if administrative and operating expenditures exceed expectations, the amount of the bonds that could be supported will be less than shown on the previous page, and the timing of the issuance of these bonds will not occur as soon as indicated.

Memorandum
May 3, 2007
Page iii

It is assumed that the net proceeds of the Limited G.O. Bonds will be used to reimburse the Developer for a portion of the infrastructure costs expected to be originally funded by the Developer (as presented on Schedule 3).

The key assumptions with respect to future residential buildout, and related assessed valuation buildup, within the boundaries of Financing District #2 and #3 are presented in detail on Schedules 1 and 2. The assessed valuation forecasts assume 2% inflationary increases every other year beginning in tax collection year 2010. It is assumed that any loss in residential assessed valuation caused by Gallagher related adjustments will be offset by increases to the Financing District #2 and #3 mill levies.

The Financial Models are based upon a total of 344 residential units being completed by the end of 2012 in Financing District #2 and a total of 414 residential units being completed by the end of 2018 in Financing District #3.

Mr. Dino DiTullio (Westward Development) has provided the information contained in Schedules 1 and 2 and believes these assumptions to be reasonable and appropriate to use for financial modeling purposes at this time.

SOUTH TIMNATH METROPOLITAN DISTRICT #1 – CASH FLOW GENERAL FUND– EXHIBIT I, PAGE 1

Exhibit I presents the estimated revenues and expenditures for South Timnath Metropolitan District #1 (“Service District #1”). Key revenue sources include (i) Intergovernmental Transfers (pursuant to Intergovernmental Agreements between the Service District # 1 and the Financing Districts #2 and #3) of property taxes from Financing Districts #2 and #3 assumed to be approximately 34.0 mills, decreasing to 12.0 mills by 2014 for Districts #2 and #3; (ii) Annual Operation and Maintenance Fees of \$500 per lot increasing 2% annually beginning in 2010 (\$175 per lot for 2007); (iii) Developer Operating Advances totaling \$125,000 during years 2008 – 2009 (these developer advances could be reduced if operating, maintenance, and administrative costs are less than shown on Exhibit I), and (iv) Developer Infrastructure Advances during 2007 – 2021 totaling \$29,684,145.

Service District General Fund expenditures (which were developed by Pinnacle Consulting Group, Inc.) are presented on Exhibit I, and include administrative costs, landscape and irrigation costs, and an operating contingency. All administrative, operating, and maintenance costs have been inflated 3% annually beginning in 2013. An IGA transfer of funds from the General Fund to the Swimming Pool Fund is estimated at \$230,000 beginning in 2008 and assumes 3% annual inflation beginning in 2015.

Memorandum
May 3, 2007
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SOUTH TIMNATH METROPOLITAN DISTRICT #1 – CASH FLOW
SWIMMING POOL FUND– EXHIBIT IA, PAGE 5

Exhibit IA presents the estimated revenues and expenditures for the proposed Swimming Pool Fund. Key revenue sources include (i) an annual transfer of funds from the General Fund beginning in 2008 of \$230,000 (3% annual inflation beginning in 2015).

Swimming Pool and Clubhouse expenditures including management, labor and maintenance are estimated at \$184,612 plus as provided by Pinnacle Consulting Group, Inc. All expenditures have been inflated 3% annually beginning in 2009. It is assumed that the swimming pool will not be operational until 2008.

SOUTH TIMNATH FINANCING DISTRICT #2 - CASH FLOW – EXHIBIT II,
PAGE 9

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

The primary revenue source is a 35.00 mill levy of which 1.0 mill (increasing to 23.0 mills by 2014) are assumed to be retained by Financing District #2 for payment of the annual debt service relating to approximately \$2.5 million Limited G.O. Bonds. Approximately 34.0 mills (12 mills beginning in 2014) are assumed to be transferred to Service District #1- General Fund for operations and administration pursuant to an IGA.

The Limited G.O. Bonds debt service schedule is also presented on Exhibit II. It is assumed that Limited G.O. Bonds could be issued on December 1, 2013 in the approximate amount of \$2.5 million with average interest rates of 7.0% and up to 30-year amortization. Exhibit II indicates all Limited G.O. Bonds could be redeemed by December 31, 2043.

SOUTH TIMNATH FINANCING DISTRICT #3 - CASH FLOW – EXHIBIT III,
PAGE 15

Exhibit III presents the estimated cash flow of Financing District #3 based upon the assumed rate of buildout presented on Schedule 2.

The primary revenue source is a 35.00 mill levy of which 1.0 mills (23.0 mills beginning in 2014) are assumed to be retained by Financing District #3 for payment of the annual debt service relating to approximately \$5.9 million of Limited G.O. Bonds.

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Approximately 34.0 mills (12.0 mills beginning in 2014) are assumed to be transferred to Service District #1- General Fund for operations and administration pursuant to an IGA.

The Limited G.O. Bonds debt service schedule is also presented on Exhibit III. It is assumed that Limited G.O. Bonds could be issued on December 1, 2013 in the approximate amount of \$2.9 million with average interest rates of 7.0% and 30-year amortization. It is also assumed that Limited G.O. Bonds could be issued December 1, 2018 in the approximate amount of \$3.0 million with average interest rates of 6.0% and 30-year amortization.

DISCLAIMER AND LIMITATIONS

The assumptions disclosed in the Financial Models 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 Financing 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 infrastructure, 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 - III and 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 - III 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.

Memorandum

May 3, 2007

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The actual amount of Limited Tax General Obligation Bonds that could be supported by the Districts will depend on the rate of buildout and the related increases in assessed valuation, interest rates and debt service coverage requirements, and the actual amounts needed to pay for the Districts' administrative and operating costs. In the event that the Districts' actual operating and administrative expenses are more than anticipated on Exhibit I, the amount of General Obligation Bonds that could actually be supported by the Districts could be less than shown, and if assessed valuation levels are more than anticipated it could be possible for the Districts to issue additional Limited Tax General Obligation Bonds than shown.

EXHIBIT I (SERVICE DISTRICT #1)
 SOUTH TIMNATH METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS - GENERAL AND CAPITAL PROJECTS FUND COMBINED
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2031

WORKING DRAFT
 SUBJECT TO REVISION
 3-May-07
 SEE CONSULTANTS' DISCLAIMER

<u>KEY ASSUMPTIONS</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
ASSESSED VALUATION - STMD #1	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000
INCREMENTAL RESIDENTIAL UNITS ADDED - STMD #2 (SCH. 1)	0	35	60	60	60	60	69	0
CUMULATIVE RESIDENTIAL UNITS - STMD #2	0	35	95	155	215	275	344	344
ASSESSED VALUATION STMD #2 (SCH. 1)	0	100,000	100,000	1,066,150	2,365,941	3,644,409	5,145,558	6,573,819
ASSUMED MILL LEVY TRANSFER FROM STMD #2	0.00	34.00	34.00	34.00	34.00	34.00	34.00	34.00
INCREMENTAL RESIDENTIAL UNITS ADDED - STMD #3 (SCH. 2)	0	0	30	40	40	40	40	40
CUMULATIVE RESIDENTIAL UNITS - STMD #3	0	0	30	70	110	150	190	230
ASSESSED VALUATION STMD #3 (SCH. 2)	0.00	0	100,000	100,000	1,402,092	2,827,848	4,443,257	100,000
ASSUMED MILL LEVY TRANSFER FROM STMD #3	0.00	0.00	34.00	34.00	34.00	34.00	34.00	34.00
ASSUMED ANNUAL OPERATION AND MAINTENANCE FEES (inflated 2% in 2010)	0	175	500	500	510	520	531	541

CASH FLOW

<u>REVENUES</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
PROPERTY TAXES @ 35 MILLS	0	175	175	175	175	175	175	175
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES (net of 2% collectic	0	11	11	11	11	11	11	11
OPERATION AND MAINTENANCE FEES (PER LOT - 758 LOTS)	0	132,650	379,000	379,000	386,580	394,312	402,198	410,242
DEVELOPER OPERATING CONTRIBUTION	0	0	55,000	70,000	0	0	0	0
DEVELOPER INFRASTRUCTURE CONTRIBUTIONS	1,370,640	3,524,503	3,916,114	3,916,114	3,916,114	4,268,564	1,566,446	1,566,446
IGA PROPERTY TAX TRANSFERS FROM STMD #2	0	3,400	3,400	36,249	80,442	123,910	174,949	223,510
LTD. G.O.BOND PROCEEDS - STMD #2	0	0	0	0	0	0	0	2,400,000
IGA PROPERTY TAX TRANSFERS FROM STMD #3	0	0	3,400	3,400	47,671	96,147	151,071	3,400
LTD. G.O.BOND PROCEEDS - STMD #3	0	0	0	0	0	0	0	2,784,000
INTEREST EARNINGS @ 3% OF BEG.FUNDS	0	0	133	107	535	391	2,516	7,404
TOTAL REVENUES	1,370,640	3,660,738	4,357,233	4,405,056	4,431,528	4,883,509	2,297,365	7,395,187

EXPENDITURES (PER PINNACLE CONSULTING GROUP INC)

IGA TRANSFER OF O&M FEES TO POOL OPERATING FUND	0	0	230,000	230,000	230,000	230,000	230,000	230,000
ADMINISTRATIVE COSTS (3%/YR)	0	60,796	60,796	71,524	92,290	103,826	115,363	118,823
LANDSCAPE AND IRRIGATION (3%/YR)	0	71,000	151,181	173,171	197,910	210,279	222,648	247,387
TOTAL OPERATING EXPENDITURES	0	131,796	441,977	474,695	520,200	544,105	568,011	596,210

TOTAL INFRASTRUCTURE COSTS(SCH. 3)

	1,370,640	3,524,503	3,916,114	3,916,114	3,916,114	4,268,564	1,566,446	1,566,446
TOTAL REIMBURSEMENT TO DEVELOPER FOR INFRASTRUCTURE (SCH. 3)	0	0	0	0	0	0	0	5,184,000

TOTAL EXPENDITURES

	1,370,640	3,656,299	4,358,091	4,390,809	4,436,314	4,812,669	2,134,456	7,346,656
EXCESS REVENUES & BONDS OVER EXPENDITURES	0	4,440	(858)	14,247	(4,787)	70,840	162,909	48,530

BEGINNING FUND BALANCE - JANUARY 1

	0	0	4,440	3,581	17,828	13,042	83,882	246,791
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ENDING FUND BALANCE - DECEMBER 31

	0	4,440	3,581	17,828	13,042	83,882	246,791	295,321
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EXHIBIT I (SERVICE DISTRICT #1)
 SOUTH TIMNATH METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS - GENERAL AND CAPITAL PROJECTS FUND COMBIN
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2031

KEY ASSUMPTIONS	2014	2015	2016	2017	2018	2019	2020	2021
ASSESSED VALUATION - STMD #1	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
INCREMENTAL RESIDENTIAL UNITS ADDED - STMD #2 (SCH. 1)	0	0	0	0	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS - STMD #2	344	344	344	344	344	344	344	344
ASSESSED VALUATION STMD #2 (SCH. 1)	8,390,197	8,390,197	8,558,001	8,558,001	8,729,191	8,729,161	8,903,744	8,903,744
ASSUMED MILL LEVY TRANSFER FROM STMD #2	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
INCREMENTAL RESIDENTIAL UNITS ADDED - STMD #3 (SCH. 2)	40	40	36	35	33	0	0	0
CUMULATIVE RESIDENTIAL UNITS - STMD #3	270	310	346	381	414	414	414	414
ASSESSED VALUATION STMD #3 (SCH. 2)	7,914,914	9,606,310	11,523,659	13,352,277	15,294,681	16,922,582	18,830,310	18,830,310
ASSUMED MILL LEVY TRANSFER FROM STMD #3	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
ASSUMED ANNUAL OPERATION AND MAINTENANCE FEES (inflated 2% in 2010)	552	563	574	586	598	609	622	634

CASH FLOW

REVENUES	2014	2015	2016	2017	2018	2019	2020	2021
PROPERTY TAXES @ .35 MILLS	175	175	175	175	175	175	175	175
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES (net of 2% collectic	11	11	11	11	11	11	11	11
OPERATION AND MAINTENANCE FEES (PER LOT - 758 LOTS)	418,447	426,816	435,352	444,059	452,940	461,999	471,239	480,664
DEVELOPER OPERATING CONTRIBUTION	0	0	0	0	0	0	0	0
DEVELOPER INFRASTRUCTURE CONTRIBUTIONS	1,566,446	1,409,801	1,370,640	1,292,318	0	0	0	0
IGA PROPERTY TAX TRANSFERS FROM STMD #2	100,682	100,682	102,696	102,696	104,750	104,750	106,845	106,845
LTD. G.O.BOND PROCEEDS - STMD #2	0	0	0	0	0	0	0	0
IGA PROPERTY TAX TRANSFERS FROM STMD #3	94,979	115,276	138,284	160,227	183,536	203,071	225,964	225,964
LTD. G.O.BOND PROCEEDS - STMD #3	0	0	0	0	2,880,000	0	0	0
INTEREST EARNINGS @ 3% OF BEG.FUNDS	8,860	9,338	10,145	11,419	13,072	15,204	17,644	20,549
TOTAL REVENUES	2,189,599	2,062,099	2,057,302	2,010,905	3,634,484	785,210	821,877	834,207

EXPENDITURES (PER PINNACLE CONSULTING GROUP, INC)

IGA TRANSFER OF O&M FEES TO POOL OPERATING FUND
 ADMINISTRATIVE COSTS (3%/YR)
 LANDSCAPE AND IRRIGATION (3%/YR)

3% ANNUAL INCREASE BEGIN
 IN 2013

TOTAL OPERATING EXPENDITURES	607,197	625,413	644,175	663,500	683,405	703,907	725,025	746,775
TOTAL INFRASTRUCTURE COSTS(SCH. 3)	1,566,446	1,409,801	1,370,640	1,292,318	0	0	0	0
TOTAL REIMBURSEMENT TO DEVELOPER FOR INFRASTRUCTURE (SCH. 3)	0	0	0	0	2,880,000	0	0	0
TOTAL EXPENDITURES	2,173,642	2,035,214	2,014,815	1,955,818	3,563,405	703,907	725,025	746,775
EXCESS REVENUES & BONDS OVER EXPENDITURES	15,956	26,885	42,487	55,087	71,079	81,302	96,852	87,432
BEGINNING FUND BALANCE - JANUARY 1	295,321	311,278	338,163	380,650	435,737	506,815	588,118	684,970
ENDING FUND BALANCE - DECEMBER 31	311,278	338,163	380,650	435,737	506,815	588,118	684,970	772,401

**EXHIBIT I (SERVICE DISTRICT #1)
SOUTH TIMNATH METROPOLITAN DISTRICT #1
CASH FLOW FORECASTS - GENERAL AND CAPITAL PROJECTS FUND COMBIN
FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2031**

KEY ASSUMPTIONS	2022	2023	2024	2025	2026	2027	2028	2029
ASSESSED VALUATION - STMD #1	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
INCREMENTAL RESIDENTIAL UNITS ADDED - STMD #2 (SCH. 1)	0	0	0	0	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS - STMD #2	344	344	344	344	344	344	344	344
ASSESSED VALUATION STMD #2 (SCH. 1)	9,081,819	9,081,819	9,263,455	9,263,455	9,448,725	9,448,725	9,637,699	9,637,699
ASSUMED MILL LEVY TRANSFER FROM STMD #2	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
INCREMENTAL RESIDENTIAL UNITS ADDED - STMD #3 (SCH. 2)	0	0	0	0	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS - STMD #3	414	414	414	414	414	414	414	414
ASSESSED VALUATION STMD #3 (SCH. 2)	19,206,916	19,206,916	19,591,054	19,591,054	19,982,875	19,982,875	20,382,533	20,382,533
ASSUMED MILL LEVY TRANSFER FROM STMD #3	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
ASSUMED ANNUAL OPERATION AND MAINTENANCE FEES (inflated 2% in 2010)	647	660	673	686	700	714	728	743

CASH FLOW

REVENUES	2022	2023	2024	2025	2026	2027	2028	2029
PROPERTY TAXES @ 35 MILLS	175	175	175	175	175	175	175	175
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES (net of 2% collectic OPERATION AND MAINTENANCE FEES (PER LOT - 758 LOTS)	11	11	11	11	11	11	11	11
DEVELOPER OPERATING CONTRIBUTION	490,277	500,082	510,084	520,286	530,691	541,305	552,131	563,174
DEVELOPER INFRASTRUCTURE CONTRIBUTIONS	0	0	0	0	0	0	0	0
IGA PROPERTY TAX TRANSFERS FROM STMD #2	108,982	108,982	111,161	111,161	113,385	113,385	115,652	115,652
LTD. G.O.BOND PROCEEDS - STMD #2	0	0	0	0	0	0	0	0
IGA PROPERTY TAX TRANSFERS FROM STMD #3	230,483	230,483	235,093	235,093	239,795	239,795	244,590	244,590
LTD. G.O.BOND PROCEEDS - STMD #3	0	0	0	0	0	0	0	0
INTEREST EARNINGS @ 3% OF BEG.FUNDS	23,172	25,690	27,885	29,936	31,621	33,120	34,203	35,053
TOTAL REVENUES	853,099	865,422	884,408	896,662	915,677	927,790	946,763	958,655

EXPENDITURES (PER PINNACLE CONSULTING GROUP, INC)

IGA TRANSFER OF O&M FEES TO POOL OPERATING FUND	291,357	300,098	309,101	318,374	327,925	337,763	347,896	358,333
ADMINISTRATIVE COSTS (3%/YR)	155,038	159,689	164,479	169,414	174,496	179,731	185,123	190,677
LANDSCAPE AND IRRIGATION (3%/YR)	322,784	332,467	342,441	352,715	363,296	374,195	385,421	396,984
TOTAL OPERATING EXPENDITURES	769,179	792,254	816,022	840,502	865,717	891,689	918,439	945,993

TOTAL INFRASTRUCTURE COSTS(SCH. 3)

TOTAL REIMBURSEMENT TO DEVELOPER FOR INFRASTRUCTURE (SCH. 3)

TOTAL EXPENDITURES

EXCESS REVENUES & BONDS OVER EXPENDITURES

BEGINNING FUND BALANCE - JANUARY 1

ENDING FUND BALANCE - DECEMBER 31

	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
	769,179	792,254	816,022	840,502	865,717	891,689	918,439	945,993
	83,921	73,168	68,387	56,159	49,960	36,101	28,323	12,662
	772,401	856,322	929,490	997,877	1,054,037	1,103,997	1,140,098	1,168,421
	856,322	929,490	997,877	1,054,037	1,103,997	1,140,098	1,168,421	1,181,083

EXHIBIT I (SERVICE DISTRICT #1)
 SOUTH TIMNATH METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS - GENERAL AND CAPITAL PROJECTS FUND COMBIN
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2031

KEY ASSUMPTIONS

	<u>2030</u>	<u>2031</u>	<u>TOTALS</u>
ASSESSED VALUATION - STMD #1	5,000	5,000	
INCREMENTAL RESIDENTIAL UNITS ADDED - STMD #2 (SCH. 1)	0	0	344
CUMULATIVE RESIDENTIAL UNITS - STMD #2	344	344	344
ASSESSED VALUATION STMD #2 (SCH. 1)	9,830,453	9,830,493	
ASSUMED MILL LEVY TRANSFER FROM STMD #2	12.00	12.00	
INCREMENTAL RESIDENTIAL UNITS ADDED - STMD #3 (SCH. 2)	0	0	414
CUMULATIVE RESIDENTIAL UNITS - STMD #3	414	414	414
ASSESSED VALUATION STMD #3 (SCH. 2)	20,790,183	20,790,183	
ASSUMED MILL LEVY TRANSFER FROM STMD #3	12.00	12.00	
ASSUMED ANNUAL OPERATION AND MAINTENANCE FEES (inflated 2% in 2010)	758	773	

CASH FLOW

	<u>2030</u>	<u>2031</u>	<u>TOTALS</u>
REVENUES			
PROPERTY TAXES @ 35 MILLS	175	175	4,375
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES (net of 2% collectic	11	11	263
OPERATION AND MAINTENANCE FEES (PER LOT - 758 LOTS)	574,438	585,926	11,443,891
DEVELOPER OPERATING CONTRIBUTION	0	0	125,000
DEVELOPER INFRASTRUCTURE CONTRIBUTIONS	0	0	29,684,145
IGA PROPERTY TAX TRANSFERS FROM STMD #2	117,965	117,965	2,610,098
LTD. G.O.BOND PROCEEDS - STMD #2	0	0	2,400,000
IGA PROPERTY TAX TRANSFERS FROM STMD #3	249,482	249,482	4,051,275
LTD. G.O.BOND PROCEEDS - STMD #3	0	0	5,664,000
INTEREST EARNINGS @ 3% OF BEG.FUNDS	35,433	35,526	428,957
TOTAL REVENUES	<u>977,503</u>	<u>989,086</u>	<u>56,412,003</u>

EXPENDITURES (PER PINNACLE CONSULTING GROUP INC)

IGA TRANSFER OF O&M FEES TO POOL OPERATING FUND	369,082	380,155	6,765,320
ADMINISTRATIVE COSTS (3%/YR)	196,397	202,289	3,489,066
LANDSCAPE AND IRRIGATION (3%/YR)	408,893	421,160	7,239,776
TOTAL OPERATING EXPENDITURES	<u>974,372</u>	<u>1,003,604</u>	<u>17,494,161</u>

TOTAL INFRASTRUCTURE COSTS(SCH. 3)

TOTAL REIMBURSEMENT TO DEVELOPER FOR INFRASTRUCTURE (SCH. 3)

TOTAL EXPENDITURES

EXCESS REVENUES & BONDS OVER EXPENDITURES

BEGINNING FUND BALANCE - JANUARY 1

ENDING FUND BALANCE - DECEMBER 31

	0	0	29,684,145
	0	0	9,064,000
	974,372	1,003,604	55,242,306
	3,131	(14,518)	1,169,696
	1,181,083	1,184,214	0
	1,184,214	1,169,696	1,169,696

EXHIBIT IA- SWIMMING POOL OPERATING FUND (SERVICE DISTRICT #1)
 SOUTH TIMNATH METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2031

WORKING DRAFT
 SUBJECT TO REVISION
 3-May-07
 SEE CONSULTANTS' DISCLAIMER

KEY ASSUMPTIONS

CASH FLOW

	2006	2007	2008	2009	2010	2011	2012	2013
REVENUES								
IGA TRANSFER OF O&M FEES FROM GENERAL FUND	0	0	230,000	230,000	230,000	230,000	230,000	230,000
INTEREST EARNINGS @ 3% OF BEG.FUNDS	0	0	0	1,362	2,598	3,700	4,659	5,466
TOTAL REVENUES	0	0	230,000	231,362	232,598	233,700	234,659	235,466
EXPENDITURES - POOL ONLY (SOURCE: PINNACLE CONSULTING GROUP INC)								
POOL EQUIPMENT, LABOR, UTILITIES, ETC	0	0	157,891	162,628	167,507	172,532	177,708	183,039
CLUBHOUSE EQUIPMENT, LABOR, UTILITIES	0	0	26,721	27,523	28,348	29,199	30,075	30,977
TOTAL OPERATING EXPENDITURES	0	0	184,612	190,150	195,855	201,731	207,782	214,016
TOTAL EXPENDITURES	0	0	184,612	190,150	195,855	201,731	207,782	214,016
EXCESS REVENUES & BONDS OVER EXPENDITURES	0	0	45,388	41,211	36,743	31,970	26,877	21,450
BEGINNING FUND BALANCE - JANUARY 1	0	0	0	45,388	86,599	123,342	155,312	182,189
ENDING FUND BALANCE - DECEMBER 31	0	0	45,388	86,599	123,342	155,312	182,189	203,639

3% ANNUAL INCREASE
 BEGIN IN 2009

EXHIBIT IA- SWIMMING POOL OPERATING FUND (SERVICE DISTRICT #1)
 SOUTH TIMNATH METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2031

KEY ASSUMPTIONS

CASH FLOW

REVENUES

IGA TRANSFER OF O&M FEES FROM GENERAL FUND
 INTEREST EARNINGS @ 3% OF BEG.FUNDS
 TOTAL REVENUES

	2014	2015	2016	2017	2018	2019	2020	2021
	230,000	236,900	244,007	251,327	258,867	266,633	274,632	282,871
	<u>6,109</u>	<u>6,579</u>	<u>7,072</u>	<u>7,589</u>	<u>8,130</u>	<u>8,697</u>	<u>9,290</u>	<u>9,912</u>
	<u>236,109</u>	<u>243,479</u>	<u>251,079</u>	<u>258,916</u>	<u>266,997</u>	<u>275,330</u>	<u>283,922</u>	<u>292,783</u>

EXPENDITURES - POOL ONLY (SOURCE: PINNACLE CONSULTING GROUP, INC)

POOL EQUIPMENT, LABOR, UTILITIES, ETC
 CLUBHOUSE EQUIPMENT, LABOR, UTILITIES
 TOTAL OPERATING EXPENDITURES

	2014	2015	2016	2017	2018	2019	2020	2021
	188,530	194,186	200,012	206,012	212,192	218,558	225,115	231,868
	<u>31,906</u>	<u>32,863</u>	<u>33,849</u>	<u>34,865</u>	<u>35,911</u>	<u>36,988</u>	<u>38,098</u>	<u>39,241</u>
	<u>220,436</u>	<u>227,049</u>	<u>233,861</u>	<u>240,877</u>	<u>248,103</u>	<u>255,546</u>	<u>263,213</u>	<u>271,109</u>

TOTAL EXPENDITURES

	<u>220,436</u>	<u>227,049</u>	<u>233,861</u>	<u>240,877</u>	<u>248,103</u>	<u>255,546</u>	<u>263,213</u>	<u>271,109</u>
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EXCESS REVENUES & BONDS OVER EXPENDITURES

	15,673	16,430	17,218	18,039	18,894	19,784	20,710	21,674
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BEGINNING FUND BALANCE - JANUARY 1

	<u>203,639</u>	<u>219,312</u>	<u>235,741</u>	<u>252,960</u>	<u>270,999</u>	<u>289,893</u>	<u>309,677</u>	<u>330,386</u>
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ENDING FUND BALANCE - DECEMBER 31

	219,312	235,741	252,960	270,999	289,893	309,677	330,386	352,060
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EXHIBIT IA- SWIMMING POOL OPERATING FUND (SERVICE DISTRICT #1)
 SOUTH TIMNATH METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2031

KEY ASSUMPTIONS

CASH FLOW

REVENUES

IGA TRANSFER OF O&M FEES FROM GENERAL FUND
 INTEREST EARNINGS @ 3% OF BEG.FUNDS
 TOTAL REVENUES

EXPENDITURES - POOL ONLY (SOURCE: PINNACLE CONSULTING GROUP IN

POOL EQUIPMENT, LABOR, UTILITIES, ETC 3% ANNUAL INCREASE
 BEGIN IN 2009
 CLUBHOUSE EQUIPMENT, LABOR, UTILITIES
 TOTAL OPERATING EXPENDITURES

TOTAL EXPENDITURES

EXCESS REVENUES & BONDS OVER EXPENDITURES

BEGINNING FUND BALANCE - JANUARY 1

ENDING FUND BALANCE - DECEMBER 31

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
IGA TRANSFER OF O&M FEES FROM GENERAL FUND	291,357	300,098	309,101	318,374	327,925	337,763	347,896	358,333
INTEREST EARNINGS @ 3% OF BEG.FUNDS	10,562	11,242	11,954	12,698	13,476	14,289	15,139	16,028
TOTAL REVENUES	<u>301,919</u>	<u>311,340</u>	<u>321,054</u>	<u>331,072</u>	<u>341,401</u>	<u>352,052</u>	<u>363,035</u>	<u>374,360</u>
EXPENDITURES - POOL ONLY (SOURCE: PINNACLE CONSULTING GROUP IN								
POOL EQUIPMENT, LABOR, UTILITIES, ETC	238,824	245,989	253,369	260,970	268,799	276,863	285,169	293,724
CLUBHOUSE EQUIPMENT, LABOR, UTILITIES	40,418	41,630	42,879	44,166	45,491	46,855	48,261	49,709
TOTAL OPERATING EXPENDITURES	<u>279,242</u>	<u>287,619</u>	<u>296,248</u>	<u>305,136</u>	<u>314,290</u>	<u>323,718</u>	<u>333,430</u>	<u>343,433</u>
TOTAL EXPENDITURES	<u>279,242</u>	<u>287,619</u>	<u>296,248</u>	<u>305,136</u>	<u>314,290</u>	<u>323,718</u>	<u>333,430</u>	<u>343,433</u>
EXCESS REVENUES & BONDS OVER EXPENDITURES	22,677	23,720	24,806	25,936	27,111	28,334	29,605	30,927
BEGINNING FUND BALANCE - JANUARY 1	352,060	374,737	398,457	423,264	449,200	476,311	504,645	534,250
ENDING FUND BALANCE - DECEMBER 31	374,737	398,457	423,264	449,200	476,311	504,645	534,250	565,177

EXHIBIT IA- SWIMMING POOL OPERATING FUND (SERVICE DISTRICT #1)
 SOUTH TIMNATH METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2031

KEY ASSUMPTIONS

CASH FLOW

REVENUES

IGA TRANSFER OF O&M FEES FROM GENERAL FUND
 INTEREST EARNINGS @ 3% OF BEG.FUNDS
 TOTAL REVENUES

369,082	380,155	6,765,320
<u>16,955</u>	<u>17,924</u>	<u>221,431</u>
<u>386,038</u>	<u>398,079</u>	<u>6,986,751</u>

EXPENDITURES - POOL ONLY (SOURCE: PINNACLE CONSULTING GROUP IN

POOL EQUIPMENT, LABOR, UTILITIES, ETC
 CLUBHOUSE EQUIPMENT, LABOR, UTILITIES
 TOTAL OPERATING EXPENDITURES

302,535	311,612	5,435,630
<u>51,200</u>	<u>52,736</u>	<u>919,910</u>
<u>353,736</u>	<u>364,348</u>	<u>6,355,540</u>

TOTAL EXPENDITURES

<u>353,736</u>	<u>364,348</u>	<u>6,355,540</u>
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EXCESS REVENUES & BONDS OVER EXPENDITURES

32,302	33,732	631,211
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BEGINNING FUND BALANCE - JANUARY 1

<u>565,177</u>	<u>597,480</u>	<u>0</u>
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ENDING FUND BALANCE - DECEMBER 31

<u>597,480</u>	<u>631,211</u>	<u>631,211</u>
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EXHIBIT II (RESIDENTIAL FINANCING DISTRICT #2)
 SOUTH TIMMATH METROPOLITAN DISTRICT #2
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2042

WORKING DRAFT
 SUBJECT TO REVISION
 3-May-07
 SEE CONSULTANTS' DISCLAIMER

KEY ASSUMPTIONS	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
ASSESSED VALUATION (SCH. 1)	0	100,000	100,000	1,066,150	2,365,941	3,644,409	5,145,658	6,573,819	8,390,197	8,390,197	8,558,001	8,558,001
TOTAL DISTRICT MILL LEVY	0.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00
ASSUMED MILL LEVY TRANSFER TO STMD #1 FOR OPS	0.00	34.00	34.00	34.00	34.00	34.00	34.00	34.00	12.00	12.00	12.00	12.00
ASSUMED MILL LEVY TRANSFER TO STMD #1 FOR POOL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INCREMENTAL RESIDENTIAL UNITS ADDED (SCH. 1)	0	35	50	60	60	60	69	0	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS (SCH. 1)	0	35	95	155	215	275	344	344	344	344	344	344
CASH FLOW												
REVENUES												
PROPERTY TAXES	0	3,500	3,500	37,315	82,808	127,554	180,095	230,084	293,657	293,657	299,530	299,530
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	0	210	210	2,239	4,968	7,653	10,806	13,805	17,619	17,619	17,972	17,972
INTEREST EARNINGS @ 3% OF BEGINNING FUNDS	0	0	6	12	33	90	167	338	603	1,274	1,066	1,036
TOTAL REVENUES	0	3,710	3,716	39,567	87,810	135,298	191,067	244,227	311,879	312,551	318,568	318,537
EXPENDITURES												
IGA PAYMENT TO STMD #1 FOR OPS (SERVICE DISTRICT)	0	3,400	3,400	36,249	80,442	123,910	174,949	223,510	100,682	100,682	102,696	102,696
COUNTY TREASURER 3.0% COLLECTION FEE	0	105	105	1,119	2,484	3,827	5,403	6,903	8,810	8,810	8,986	8,986
ADMINISTRATIVE ALLOWANCE	0	0	0	1,500	3,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
TOTAL EXPENDITURES	0	3,505	3,505	38,869	85,926	132,737	185,352	235,412	114,492	114,492	116,682	116,682
FUNDS AVAILABLE FOR DEBT SERVICE	0	205	211	698	1,884	2,561	5,715	8,815	197,387	198,058	201,886	201,856
LTD G.O. BONDS DEBT SERVICE												
SERIES 12/1/2013 @ 7.0%	0	0	0	0	0	0	0	0	175,000	175,000	172,900	170,800
INTEREST @ 7.0%	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
TOTAL DEBT SERVICE	0	0	0	0	0	0	0	0	175,000	175,000	172,900	170,800
LTD. G.O. BONDS OUTSTANDING @ 12/31	0	0	0	0	0	0	0	2,500,000	2,500,000	2,470,000	2,440,000	2,410,000
TOTAL LIMITED G.O. BONDS DEBT SERVICE	0	0	0	0	0	0	0	0	175,000	205,000	202,900	200,800
EXCESS REVENUES OVER EXPENDITURES AND DEBT SERVICE	0	205	211	698	1,884	2,561	5,715	8,815	22,387	(6,942)	(1,014)	1,056
LTD. G.O. BONDS ISSUED												
COSTS OF BOND ISSUANCE @4%	0	0	0	0	0	0	0	2,500,000	0	0	0	0
TRANSFER OF NET BOND PROCEEDS TO STMD #1 FOR CAPITAL IMPROVEMENTS	0	0	0	0	0	0	0	100,000	0	0	0	0
BEGINNING FUND BALANCE - JANUARY 1	0	0	205	416	1,114	2,998	5,559	11,274	20,089	42,475	35,534	34,520
ENDING FUND BALANCE - DECEMBER 31	0	205	416	1,114	2,998	5,559	11,274	20,089	42,475	35,534	34,520	35,575
TOTAL LTD. G.O. BONDS OUTSTANDING @ 12/31	0	0	0	0	0	0	0	2,500,000	2,500,000	2,470,000	2,440,000	2,410,000
% OF OUTSTANDING LTD. G.O. BONDS/ASSESSED VALUATION	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	29.80%	29.80%	28.86%	28.51%	27.61%

EXHIBIT II (RESIDENTIAL FINANCING DISTRICT #2)
 SOUTH TIMNATH METROPOLITAN DISTRICT #2
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2042

KEY ASSUMPTIONS	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
ASSESSED VALUATION (SCH. 1)	8,729,161	8,729,161	8,903,744	8,903,744	9,081,819	9,081,819	9,263,455	9,263,455	9,448,725	9,448,725	9,637,699
TOTAL DISTRICT MILL LEVY	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00
ASSUMED MILL LEVY TRANSFER TO STMD #1 FOR OPS	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
ASSUMED MILL LEVY TRANSFER TO STMD #1 FOR POOL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INCREMENTAL RESIDENTIAL UNITS ADDED (SCH. 1)	0	0	0	0	0	0	0	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS (SCH. 1)	344	344	344	344	344	344	344	344	344	344	344
CASH FLOW											
REVENUES											
PROPERTY TAXES	305,521	305,521	311,631	311,631	317,864	317,864	324,221	324,221	330,705	330,705	337,319
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	18,331	18,331	18,698	18,698	19,072	19,072	19,453	19,453	19,842	19,842	20,239
INTEREST EARNINGS @ 3% OF BEGINNING FUNDS	1,067	1,136	1,131	1,336	1,480	1,852	2,180	2,753	3,299	3,960	4,617
TOTAL REVENUES	324,919	324,988	331,460	331,664	338,416	338,788	345,854	346,427	353,847	354,508	362,176
EXPENDITURES											
IGA PAYMENT TO STMD #1 FOR OPS (SERVICE DISTRICT)	104,750	104,750	106,845	106,845	108,982	108,982	111,161	111,161	113,385	113,385	115,652
COUNTY TREASURER 3.0% COLLECTION FEE	9,166	9,166	9,349	9,349	9,536	9,536	9,727	9,727	9,921	9,921	10,120
ADMINISTRATIVE ALLOWANCE	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
TOTAL EXPENDITURES	118,916	118,916	121,194	121,194	123,518	123,518	125,888	125,888	128,306	128,306	130,772
FUNDS AVAILABLE FOR DEBT SERVICE	206,004	206,073	210,266	210,471	214,898	215,270	219,966	220,539	225,541	226,202	231,404
LTD G.O. BONDS DEBT SERVICE											
SERIES 12/1/2013 @ 7.0%	168,700	166,250	163,450	160,650	157,500	154,350	150,850	147,350	143,500	139,300	134,750
INTEREST @ 7.0%	35,000	40,000	40,000	45,000	45,000	50,000	50,000	55,000	60,000	65,000	70,000
PRINCIPAL REDUCTION	203,700	206,250	203,450	205,650	202,500	204,350	200,850	202,350	203,500	204,300	204,750
TOTAL DEBT SERVICE	2,375,000	2,335,000	2,295,000	2,250,000	2,205,000	2,155,000	2,105,000	2,050,000	1,990,000	1,925,000	1,855,000
LTD. G.O. BONDS OUTSTANDING @ 12/31	203,700	206,250	203,450	205,650	202,500	204,350	200,850	202,350	203,500	204,300	204,750
EXCESS REVENUES OVER EXPENDITURES AND DEBT SERVICE	2,304	(177)	6,816	4,821	12,398	10,920	19,116	18,189	22,041	21,902	26,654
LTD. G.O. BONDS ISSUED	0	0	0	0	0	0	0	0	0	0	0
COSTS OF BOND ISSUANCE @4%	0	0	0	0	0	0	0	0	0	0	0
TRANSFER OF NET BOND PROCEEDS TO STMD #1 FOR CAPITAL IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0
BEGINNING FUND BALANCE - JANUARY 1	35,575	37,879	37,702	44,518	49,338	61,736	72,656	91,772	109,961	132,002	153,904
ENDING FUND BALANCE - DECEMBER 31	37,879	37,702	44,518	49,338	61,736	72,656	91,772	109,961	132,002	153,904	180,557
TOTAL LTD. G.O. BONDS OUTSTANDING @ 12/31	2,375,000	2,335,000	2,295,000	2,250,000	2,205,000	2,155,000	2,105,000	2,050,000	1,990,000	1,925,000	1,855,000
% OF OUTSTANDING LTD. G.O. BONDS/ASSESSED VALUATION	27.21%	26.22%	25.78%	24.77%	24.28%	23.26%	22.72%	21.70%	21.06%	19.97%	19.25%

EXHIBIT II (RESIDENTIAL FINANCING DISTRICT #2)
 SOUTH TIMNATH METROPOLITAN DISTRICT #2
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2042

<u>KEY ASSUMPTIONS</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>	<u>2036</u>	<u>2037</u>	<u>2038</u>	<u>2039</u>
ASSESSED VALUATION (SCH. 1)	9,637,699	9,830,453	9,830,453	10,027,062	10,027,062	10,227,603	10,227,603	10,432,155	10,432,155	10,640,798	10,640,798
TOTAL DISTRICT MILL LEVY	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00
ASSUMED MILL LEVY TRANSFER TO STMD #1 FOR OPS	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
ASSUMED MILL LEVY TRANSFER TO STMD #1 FOR POOL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INCREMENTAL RESIDENTIAL UNITS ADDED (SCH. 1)	0	0	0	0	0	0	0	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS (SCH. 1)	344	344	344	344	344	344	344	344	344	344	344
<u>CASH FLOW</u>											
REVENUES	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
PROPERTY TAXES	337,319	344,066	344,066	350,947	350,947	357,966	357,966	365,125	365,125	372,428	372,428
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	20,239	20,844	20,844	21,057	21,057	21,478	21,478	21,908	21,908	22,346	22,346
INTEREST EARNINGS @ 3% OF BEGINNING FUNDS	5,417	6,237	7,229	8,269	9,510	10,677	12,084	13,604	15,248	16,893	18,861
TOTAL REVENUES	362,975	370,947	371,939	380,273	381,514	390,121	391,528	400,637	402,281	411,667	413,635
EXPENDITURES											
IGA PAYMENT TO STMD #1 FOR OPS (SERVICE DISTRICT)	115,652	117,965	117,965	120,325	120,325	122,731	122,731	125,186	125,186	127,690	127,690
COUNTY TREASURER 3.0% COLLECTION FEE	10,120	10,322	10,322	10,528	10,528	10,739	10,739	10,954	10,954	11,173	11,173
ADMINISTRATIVE ALLOWANCE	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
TOTAL EXPENDITURES	130,772	133,287	133,287	135,853	135,853	138,470	138,470	141,140	141,140	143,862	143,862
FUNDS AVAILABLE FOR DEBT SERVICE	232,203	237,660	238,652	244,420	245,661	251,651	253,058	259,497	261,141	267,804	269,772
LTD G.O. BONDS DEBT SERVICE											
SERIES 12/1/2013 @ 7.0%											
INTEREST @ 7.0%	129,850	124,600	119,000	113,050	106,750	99,750	92,400	84,700	76,300	67,200	57,750
PRINCIPAL REDUCTION	75,000	80,000	85,000	90,000	100,000	105,000	110,000	120,000	130,000	135,000	145,000
TOTAL DEBT SERVICE	204,850	204,600	204,000	203,050	206,750	204,750	202,400	204,700	206,300	202,200	202,750
LTD. G.O. BONDS OUTSTANDING @ 12/31	1,780,000	1,700,000	1,615,000	1,525,000	1,425,000	1,320,000	1,210,000	1,090,000	960,000	825,000	680,000
TOTAL LIMITED G.O. BONDS DEBT SERVICE	204,850	204,600	204,000	203,050	206,750	204,750	202,400	204,700	206,300	202,200	202,750
EXCESS REVENUES OVER EXPENDITURES AND DEBT SERVICE	27,353	33,060	34,652	41,370	38,911	46,901	50,658	54,797	54,841	65,604	67,022
LTD. G.O. BONDS ISSUED	0	0	0	0	0	0	0	0	0	0	0
COSTS OF BOND ISSUANCE @4%	0	0	0	0	0	0	0	0	0	0	0
TRANSFER OF NET BOND PROCEEDS TO STMD #1 FOR CAPITAL IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0
BEGINNING FUND BALANCE - JANUARY 1	180,557	207,911	240,971	275,622	316,992	355,902	402,803	453,461	508,258	563,099	628,703
ENDING FUND BALANCE - DECEMBER 31	207,911	240,971	275,622	316,992	355,902	402,803	453,461	508,258	563,099	628,703	695,726
TOTAL LTD. G.O. BONDS OUTSTANDING @ 12/31	1,780,000	1,700,000	1,615,000	1,525,000	1,425,000	1,320,000	1,210,000	1,090,000	960,000	825,000	680,000
% OF OUTSTANDING LTD. G.O. BONDS/ASSESSED VALUATION	18.11%	17.29%	16.11%	15.21%	13.93%	12.91%	11.60%	10.45%	9.02%	7.75%	6.27%

EXHIBIT II (RESIDENTIAL FINANCING DISTRICT #2)
 SOUTH TIMNATH METROPOLITAN DISTRICT #2
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2042

	<u>2040</u>	<u>2041</u>	<u>2042</u>	<u>TOTALS</u>
KEY ASSUMPTIONS				
ASSESSED VALUATION (SCH. 1)	10,853,614	10,853,614	11,070,687	
TOTAL DISTRICT MILL LEVY	35.00	35.00	35.00	
ASSUMED MILL LEVY TRANSFER TO STMD #1 FOR OPS	12.00	12.00	12.00	
ASSUMED MILL LEVY TRANSFER TO STMD #1 FOR POOL	0.00	0.00	0.00	
INCREMENTAL RESIDENTIAL UNITS ADDED (SCH. 1)	0	0	0	344
CUMULATIVE RESIDENTIAL UNITS (SCH. 1)	344	344	344	344
CASH FLOW				
REVENUES				
PROPERTY TAXES	379,877	379,877	387,474	10,434,044
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	22,793	22,793	23,248	626,043
INTEREST EARNINGS @ 3% OF BEGINNING FUNDS	20,872	23,101	25,272	222,710
TOTAL REVENUES	<u>423,541</u>	<u>425,770</u>	<u>435,995</u>	<u>11,282,796</u>
EXPENDITURES				
IGA PAYMENT TO STMD #1 FOR OPS (SERVICE DISTRICT)	130,243	130,243	132,848	3,995,296
COUNTY TREASURER 3.0% COLLECTION FEE	11,396	11,396	11,624	313,021
ADMINISTRATIVE ALLOWANCE	5,000	5,000	5,000	164,500
TOTAL EXPENDITURES	<u>146,640</u>	<u>146,640</u>	<u>149,472</u>	<u>4,472,817</u>
FUNDS AVAILABLE FOR DEBT SERVICE	<u>276,901</u>	<u>279,130</u>	<u>286,522</u>	<u>6,809,979</u>
LTD G.O. BONDS DEBT SERVICE				
SERIES 12/1/2013 @ 7.0%				
INTEREST @ 7.0%	47,600	36,750	24,850	3,560,900
PRINCIPAL REDUCTION	155,000	170,000	180,000	2,325,000
TOTAL DEBT SERVICE	<u>202,600</u>	<u>206,750</u>	<u>204,850</u>	<u>5,885,900</u>
LTD. G.O. BONDS OUTSTANDING @ 12/31	<u>525,000</u>	<u>355,000</u>	<u>175,000</u>	<u>175,000</u>
TOTAL LIMITED G.O. BONDS DEBT SERVICE	<u>202,600</u>	<u>206,750</u>	<u>204,850</u>	<u>5,885,900</u>
EXCESS REVENUES OVER EXPENDITURES AND DEBT SERVICE	<u>74,301</u>	<u>72,380</u>	<u>81,672</u>	<u>924,079</u>
LTD. G.O. BONDS ISSUED	0	0	0	2,500,000
COSTS OF BOND ISSUANCE @4%	0	0	0	100,000
TRANSFER OF NET BOND PROCEEDS TO STMD #1 FOR CAPITAL IMPROVEMENTS	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,400,000</u>
BEGINNING FUND BALANCE - JANUARY 1	<u>695,726</u>	<u>770,027</u>	<u>842,407</u>	<u>0</u>
ENDING FUND BALANCE - DECEMBER 31	<u>770,027</u>	<u>842,407</u>	<u>924,079</u>	<u>924,079</u>
TOTAL LTD. G.O. BONDS OUTSTANDING @ 12/31	<u>525,000</u>	<u>355,000</u>	<u>175,000</u>	<u>175,000</u>
% OF OUTSTANDING LTD. G.O. BONDS/ASSESSED VALUATION	<u>4.84%</u>	<u>3.21%</u>	<u>0.00%</u>	

SCHEDULE 1 (RESIDENTIAL FINANCING DISTRICT #2)
 SOUTH TIMNATH METROPOLITAN DISTRICT #2
 PROJECTED ASSESSED VALUATION - BUILDOUT
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2014

WORKING DRAFT
 SUBJECT TO REVISION
 3-May-07
 SEE CONSULTANTS' DISCLAIMER

Description of Unit	Planned Number of Homes	Average Per Unit Price	Total	
			Gross Unit	Volume
Residential				
Single Family	155	275,000	42,625,000	
Single Family	189	300,000	56,700,000	
Total Residential - Incr.	344	288,735	99,325,000	
Total Residential - Cumulat.	344			

	2006	2007	2008	2009	2010	2011	2012	2013	2014	TOTAL
0	0	35	60	60	0	0	0	0	0	155
0	0	0	0	0	60	60	69	0	0	189
0	0	35	60	60	60	60	69	0	0	344
0	0	35	95	155	215	275	344	344	344	344
0	9,625,000	16,500,000	16,500,000	16,500,000	0	0	0	0	0	42,625,000
0	0	0	0	0	18,000,000	18,000,000	20,700,000	0	0	56,700,000
0	9,625,000	16,500,000	16,500,000	16,500,000	18,000,000	18,000,000	20,700,000	0	0	99,325,000
0	9,625,000	26,125,000	42,625,000	60,625,000	60,625,000	78,625,000	99,325,000	99,325,000	99,325,000	99,325,000
0	766,150	1,313,400	1,313,400	1,313,400	0	0	0	0	0	3,392,950
0	0	0	0	0	1,432,800	1,432,800	1,647,720	0	0	4,513,320
0	766,150	1,313,400	1,313,400	1,313,400	1,432,800	1,432,800	1,647,720	0	0	7,906,270
0	300,000	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	0	0	0
0	1,066,150	1,253,400	1,253,400	1,253,400	1,372,800	1,372,800	1,587,720	0	0	7,906,270
0	1,066,150	2,319,550	2,319,550	3,572,950	4,945,750	6,318,550	7,906,270	7,906,270	7,906,270	7,906,270
0	1,066,150	2,365,941	2,365,941	3,644,409	5,145,558	6,573,819	8,390,197	8,390,197	8,558,001	8,558,001

Actual Values:

Single Family	
Single Family	
Total Actual Values - Incremental	
Total Actual Values - Cumulative	

Assessed Values (Residential @ 7.96%):

Single Family	
Single Family	
Total Assessed Value	
Total Assessed Valuation Vacant Land	
Total Assessed Valuation - Incremental	
Total Assessed Valuation - Cumulative	
Total Assessed Values - Cum. 2% Biennial Net Increases after 2009	

Year Assessed Valuation Certified To STMD #2

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016

Year Taxes Received By STMD #2

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016

EXHIBIT III (RESIDENTIAL FINANCING DISTRICT #3)
SOUTH TIMNATH METROPOLITAN DISTRICT #3
CASH FLOW FORECASTS
FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2042

WORKING DRAFT
SUBJECT TO REVISION
3-May-07
SEE CONSULTANTS' DISCLAIMER

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
KEY ASSUMPTIONS													
ASSESSED VALUATION (SCH. 2)	0	0	100,000	100,000	1,402,092	2,827,848	4,443,257	100,000	7,914,914	9,606,310	11,523,659	13,352,277	15,294,661
TOTAL DISTRICT MILL LEVY	0.00	0.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00
ASSUMED MILL LEVY TRANSFER TO STMD #1 FOR OPS	0.00	0.00	34.00	34.00	34.00	34.00	34.00	34.00	12.00	12.00	12.00	12.00	12.00
ASSUMED MILL LEVY TRANSFER TO STMD #1 FOR POOL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INCREMENTAL RESIDENTIAL UNITS ADDED (SCH. 2)	0	0	30	40	40	40	40	40	40	40	33	0	0
CUMULATIVE RESIDENTIAL UNITS (SCH. 2)	0	0	30	70	110	150	190	230	270	310	414	414	414
CASH FLOW													
REVENUES													
PROPERTY TAXES	0	0	3,500	3,500	49,073	98,975	155,514	3,900	277,022	336,221	403,328	487,330	535,314
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	0	0	210	210	2,944	5,938	9,331	210	16,621	20,173	24,200	28,040	32,119
INTEREST EARNINGS @ 3% OF BEGINNING FUNDS	0	0	0	6	12	99	276	558	580	218	16	1,104	3,467
TOTAL REVENUES	0	0	3,710	3,716	52,030	105,012	165,121	4,268	294,224	356,612	427,544	496,473	570,900
EXPENDITURES													
IGA PAYMENT TO STMD #1 FOR OPS (SERVICE DISTRICT)	0	0	3,400	3,400	47,671	96,147	151,071	3,400	94,979	115,276	138,284	160,227	183,536
COUNTY TREASURER 3.0% COLLECTION FEE	0	0	105	105	1,472	2,969	4,665	105	8,311	10,087	12,100	14,020	16,059
ADMINISTRATIVE ALLOWANCE	0	0	0	0	0	0	0	0	0	5,000	5,000	5,000	5,000
TOTAL EXPENDITURES	0	0	3,505	3,505	49,143	99,116	155,736	3,505	103,290	130,362	155,384	179,247	204,596
FUNDS AVAILABLE FOR DEBT SERVICE	0	0	205	211	2,887	5,896	9,385	763	190,934	226,250	272,160	317,226	366,304
LTD G.O. BONDS DEBT SERVICE													
SERIES 12/1/2015 @ 7.0%	0	0	0	0	0	0	0	0	203,000	203,000	200,900	198,450	195,650
INTEREST @ 7.0%	0	0	0	0	0	0	0	0	0	30,000	35,000	40,000	40,000
PRINCIPAL REDUCTION	0	0	0	0	0	0	0	0	203,000	233,000	235,900	238,450	235,650
TOTAL DEBT SERVICE	0	0	0	0	0	0	0	2,900,000	2,900,000	2,870,000	2,835,000	2,795,000	2,755,000
LTD. G.O. BONDS OUTSTANDING @ 12/31	0	0	0	0	0	0	0	0	0	0	0	0	0
SERIES 12/1/2020 @ 6.0%	0	0	0	0	0	0	0	0	203,000	233,000	235,900	238,450	235,650
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	3,000,000
TOTAL LIMITED G.O. BONDS DEBT SERVICE	0	0	0	0	0	0	0	0	203,000	233,000	235,900	238,450	235,650
EXCESS REVENUES OVER EXPENDITURES AND DEBT SERVICE	0	0	205	211	2,887	5,896	9,385	763	(12,066)	(6,750)	36,260	78,776	130,654
LTD. G.O. BONDS ISSUED	0	0	0	0	0	0	0	2,900,000	0	0	0	0	3,000,000
COSTS OF BOND ISSUANCE @ 4%	0	0	0	0	0	0	0	116,000	0	0	0	0	120,000
TRANSFER OF NET BOND PROCEEDS TO STMD #1 FOR CAPITAL IMPROVEMENTS	0	0	0	0	0	0	0	2,784,000	0	0	0	0	2,880,000
BEGINNING FUND BALANCE - JANUARY 1	0	0	0	205	416	3,303	9,199	18,584	19,346	7,280	530	36,790	115,566
ENDING FUND BALANCE - DECEMBER 31	0	0	205	416	3,303	9,199	18,584	19,346	7,280	530	36,790	115,566	246,220
TOTAL LTD. G.O. BONDS OUTSTANDING @ 12/31	0	0	0	0	0	0	0	2,900,000	2,900,000	2,870,000	2,835,000	2,795,000	5,755,000
% OF OUTSTANDING LTD. G.O. BONDS/ASSESSED VALUATION	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	36.64%	30.19%	24.91%	21.23%	18.27%	34.01%

EXHIBIT III (RESIDENTIAL FINANCING DISTRICT #3)
 SOUTH TIMMATH METROPOLITAN DISTRICT #3
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2042

KEY ASSUMPTIONS	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
ASSESSED VALUATION (SCH. 2)	16,922,582	18,830,310	18,830,310	19,206,916	19,206,916	19,691,054	19,691,054	19,982,875	19,982,875	20,382,533	20,382,533	20,790,183	20,790,183
TOTAL DISTRICT MILL LEVY	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00
ASSUMED MILL LEVY TRANSFER TO STMD #1 FOR OPS	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
ASSUMED MILL LEVY TRANSFER TO STMD #1 FOR POOL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INCREMENTAL RESIDENTIAL UNITS ADDED (SCH. 2)	0	0	0	0	0	0	0	0	0	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS (SCH. 2)	414	414	414	414	414	414	414	414	414	414	414	414	414
CASH FLOW													
REVENUES													
PROPERTY TAXES	592,290	659,061	659,061	672,242	672,242	685,687	685,687	699,401	699,401	713,389	713,389	727,656	727,656
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	35,537	39,544	39,544	40,335	40,335	41,141	41,141	41,964	41,964	42,803	42,803	43,659	43,659
INTEREST EARNINGS @ 3% OF BEGINNING FUNDS	7,387	6,082	6,123	6,181	6,390	6,501	7,109	7,652	8,578	9,479	10,660	12,012	13,694
TOTAL REVENUES	635,214	704,687	704,727	718,758	718,966	733,329	733,937	749,016	749,943	765,671	766,852	783,328	785,010
EXPENDITURES													
IGA PAYMENT TO STMD #1 FOR OPS (SERVICE DISTRICT)	203,071	225,964	225,964	230,483	230,483	235,093	235,093	239,795	239,795	244,590	244,590	249,482	249,482
COUNTY TREASURER 3.0% COLLECTION FEE	17,769	19,772	19,772	20,167	20,167	20,571	20,571	20,982	20,982	21,402	21,402	21,830	21,830
ADMINISTRATIVE ALLOWANCE	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
TOTAL EXPENDITURES	225,840	250,736	250,736	255,650	255,650	260,663	260,663	265,777	265,777	270,992	270,992	276,312	276,312
FUNDS AVAILABLE FOR DEBT SERVICE	409,375	453,951	453,992	463,107	463,316	472,666	473,274	483,240	484,166	494,679	495,860	507,016	508,698
LTD G.O. BONDS DEBT SERVICE													
SERIES 12/1/2015 @ 7.0%	189,850	189,700	186,550	183,050	179,200	175,000	170,800	166,250	161,350	156,100	150,500	144,550	138,250
INTEREST @ 7.0%	45,000	45,000	50,000	55,000	60,000	60,000	65,000	70,000	75,000	80,000	85,000	90,000	100,000
PRINCIPAL REDUCTION	237,850	234,700	236,550	238,050	239,200	235,800	235,800	236,250	236,350	236,100	235,500	234,550	236,250
TOTAL DEBT SERVICE	2,710,000	2,665,000	2,615,000	2,560,000	2,500,000	2,440,000	2,375,000	2,305,000	2,230,000	2,150,000	2,065,000	1,975,000	1,875,000
LTD. G.O. BONDS OUTSTANDING @ 12/31	180,000	177,900	175,500	173,100	170,400	167,400	164,400	161,100	157,800	154,200	150,300	146,400	142,200
SERIES 12/1/2020 @ 6.0%	35,000	40,000	40,000	45,000	50,000	50,000	55,000	55,000	60,000	65,000	65,000	70,000	75,000
INTEREST @ 6.0%	215,000	217,900	215,500	218,100	220,400	217,400	219,400	216,100	217,800	219,200	215,300	216,400	217,200
PRINCIPAL REDUCTION	2,965,000	2,925,000	2,885,000	2,840,000	2,790,000	2,740,000	2,685,000	2,630,000	2,570,000	2,505,000	2,440,000	2,370,000	2,295,000
TOTAL DEBT SERVICE	(43,475)	1,351	1,942	6,957	3,716	20,266	18,074	30,890	30,016	39,379	45,060	56,066	53,248
LTD. G.O. BONDS OUTSTANDING @ 12/31	0	0	0	0	0	0	0	0	0	0	0	0	0
INTEREST @ 4%	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 LIMITED G.O. BONDS DEBT SERVICE	246,220	202,745	204,096	206,038	212,996	216,712	236,978	255,052	285,842	315,959	355,337	400,397	456,463
EXCESS REVENUES OVER EXPENDITURES AND DEBT SERVICE	202,745	204,096	206,038	212,996	216,712	236,978	255,052	285,942	315,959	355,337	400,397	456,463	509,711
LTD. G.O. BONDS ISSUED	5,675,000	5,590,000	5,500,000	5,400,000	5,290,000	5,180,000	5,060,000	4,935,000	4,800,000	4,655,000	4,505,000	4,345,000	4,170,000
COSTS OF BOND ISSUANCE @ 4%	30,14%	29,69%	28,64%	28,11%	27,00%	26,44%	25,32%	24,70%	23,55%	22,84%	21,67%	20,90%	19,66%
TRANSFER OF NET BOND PROCEEDS TO STMD #1 FOR CAPITAL IMPROVEMENTS													
BEGINNING FUND BALANCE - JANUARY 1													
ENDING FUND BALANCE - DECEMBER 31													
TOTAL LTD. G.O. BONDS OUTSTANDING @ 12/31													
% OF OUTSTANDING LTD. G.O. BONDS/ASSESSED VALUATION													

EXHIBIT III (RESIDENTIAL FINANCING DISTRICT #3)
 SOUTH TIMNATH METROPOLITAN DISTRICT #3
 CASH FLOW FORECASTS
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2042

KEY ASSUMPTIONS	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	TOTALS
ASSESSED VALUATION (SCH. 2)	21,205,987	21,205,987	21,630,107	21,630,107	22,062,709	22,062,709	22,503,963	22,503,963	22,954,042	22,954,042	23,413,123	
TOTAL DISTRICT MILL LEVY	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	
ASSUMED MILL LEVY TRANSFER TO STMD #1 FOR OPS	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	
ASSUMED MILL LEVY TRANSFER TO STMD #1 FOR POOL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
INCREMENTAL RESIDENTIAL UNITS ADDED (SCH. 2)	0	0	0	0	0	0	0	0	0	0	0	343
CUMULATIVE RESIDENTIAL UNITS (SCH. 2)	414	414	414	414	414	414	414	414	414	414	414	414

CASH FLOW

REVENUES	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	TOTALS
PROPERTY TAXES	742,210	742,210	757,054	757,054	772,195	772,195	787,639	787,639	803,391	803,391	819,459	19,784,873
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	44,533	44,533	45,423	45,423	46,332	46,332	47,268	47,268	48,203	48,203	49,168	1,187,092
INTEREST EARNINGS @ 3% OF BEGINNING FUNDS	15,291	17,282	19,396	21,814	24,269	27,103	29,896	33,155	36,604	40,455	44,433	423,883
TOTAL REVENUES	802,033	804,024	821,873	824,291	842,795	845,630	864,793	868,052	888,199	892,050	913,060	21,395,849

EXPENDITURES

IGA PAYMENT TO STMD #1 FOR OPS (SERVICE DISTRICT)	254,472	254,472	259,561	259,561	264,753	264,753	270,048	270,048	275,449	275,449	280,957	6,980,796
COUNTY TREASURER 3.0% COLLECTION FEE	22,266	22,266	22,712	22,712	23,166	23,166	23,629	23,629	24,102	24,102	24,584	593,546
ADMINISTRATIVE ALLOWANCE	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	140,000
TOTAL EXPENDITURES	281,738	281,738	287,273	287,273	292,918	292,918	298,677	298,677	304,550	304,550	310,541	7,714,342
FUNDS AVAILABLE FOR DEBT SERVICE	520,295	522,286	534,600	537,018	549,877	552,711	566,117	569,375	583,649	587,499	602,518	13,681,507

LTD G.O. BONDS DEBT SERVICE

SERIES 12/1/2015 @ 7.0%												
INTEREST @ 7.0%	131,250	123,900	116,200	107,800	98,700	88,900	78,400	67,200	55,300	42,700	29,050	4,134,550
PRINCIPAL REDUCTION	105,000	110,000	120,000	130,000	140,000	150,000	160,000	170,000	180,000	195,000	210,000	2,900,000
TOTAL DEBT SERVICE	236,250	233,900	236,200	237,800	238,700	238,900	238,400	237,200	235,300	237,700	244,050	7,034,550
LTD. G.O. BONDS OUTSTANDING @ 12/31	1,770,000	1,660,000	1,540,000	1,410,000	1,270,000	1,120,000	980,000	790,000	610,000	415,000	0	0
SERIES 12/1/2020 @ 6.0%												
INTEREST @ 6.0%	137,700	132,900	127,800	122,400	116,700	110,700	104,100	97,200	90,000	82,200	74,100	3,316,500
PRINCIPAL REDUCTION	80,000	85,000	90,000	95,000	100,000	110,000	115,000	120,000	130,000	135,000	140,000	3,000,000
TOTAL DEBT SERVICE	217,700	217,900	217,800	217,400	216,700	220,700	219,100	217,200	220,000	217,200	214,100	6,316,500
LTD. G.O. BONDS OUTSTANDING @ 12/31	2,215,000	2,130,000	2,040,000	1,945,000	1,845,000	1,735,000	1,620,000	1,500,000	1,370,000	1,235,000	0	0
TOTAL LIMITED G.O. BONDS DEBT SERVICE	453,950	451,800	454,000	455,200	455,400	459,600	457,500	454,400	455,300	454,900	448,150	13,351,050

EXCESS REVENUES OVER EXPENDITURES AND DEBT SERVICE

LTD. G.O. BONDS ISSUED	0	0	0	0	0	0	0	0	0	0	0	5,900,000
COSTS OF BOND ISSUANCE @4%	0	0	0	0	0	0	0	0	0	0	0	236,000
TRANSFER OF NET BOND PROCEEDS TO STMD #1 FOR CAPITAL IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	5,664,000
BEGINNING FUND BALANCE - JANUARY 1	509,711	576,056	646,542	727,142	808,960	903,437	996,549	1,105,165	1,220,141	1,348,490	1,481,089	0
ENDING FUND BALANCE - DECEMBER 31	576,056	646,542	727,142	808,960	903,437	996,549	1,105,165	1,220,141	1,348,490	1,481,089	330,457	330,457
TOTAL LTD. G.O. BONDS OUTSTANDING @ 12/31	3,985,000	3,790,000	3,580,000	3,355,000	3,115,000	2,855,000	2,580,000	2,290,000	1,980,000	1,650,000	0	0
% OF OUTSTANDING LTD. G.O. BONDS/ASSESSED VALUATION	18.79%	17.52%	16.55%	15.21%	14.12%	12.69%	11.46%	9.98%	8.63%	7.05%	7.05%	7.05%

SCHEDULE 2 (RESIDENTIAL FINANCING DISTRICT #3)
 SOUTH TIMMATH METROPOLITAN DISTRICT #3
 PROJECTED ASSESSED VALUATION - BUILDOUT
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2018

WORKING DRAFT
 SUBJECT TO REVISION
 3-May-07
 SEE CONSULTANTS' DISCLAIMER

BUILDOUT - RESIDENTIAL (Source: Westward Development)			
Description of Unit	Planned Number of Homes	Average Per Unit Price	Total Gross Unit Volume
Residential			
Single Family	70	450,000	31,500,000
Single Family	40	480,000	19,200,000
Single Family	160	510,000	81,600,000
Single Family	144	540,000	77,760,000
Total Residential - Increm.	414	507,391	210,060,000
Total Residential - Cumuliat.	414		

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actual Values:												
Single Family	0	0	13,500,000	18,000,000	0	0	0	0	0	0	0	0
Single Family	0	0	0	0	19,200,000	0	0	0	0	0	0	0
Single Family	0	0	0	0	0	20,400,000	20,400,000	20,400,000	20,400,000	20,400,000	20,400,000	0
Single Family	0	0	0	0	0	0	0	0	0	0	0	21,600,000
Total Actual Values - Incremental	0	0	13,500,000	18,000,000	19,200,000	20,400,000	20,400,000	20,400,000	20,400,000	20,400,000	20,400,000	21,600,000
Total Actual Values - Cumulative	0	0	13,500,000	31,500,000	50,700,000	71,100,000	91,500,000	111,900,000	132,300,000	153,900,000		
Assessed Values (Residential @ 7.96%):												
Single Family	0	0	1,074,600	1,432,800	0	0	0	0	0	0	0	0
Single Family	0	0	0	0	1,528,320	0	0	0	0	0	0	0
Single Family	0	0	0	0	0	1,623,840	1,623,840	1,623,840	1,623,840	1,623,840	1,623,840	0
Single Family	0	0	0	0	0	0	0	0	0	0	0	1,719,360
Total Assessed Value	0	0	1,074,600	1,432,800	1,528,320	1,623,840	1,623,840	1,623,840	1,623,840	1,623,840	1,623,840	1,719,360
Total Assessed Valuation Vacant Land	0	0	300,000	(35,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)
Total Assessed Valuation - Incremental	0	0	1,374,600	1,397,800	1,498,320	1,593,840	1,593,840	1,593,840	1,593,840	1,593,840	1,593,840	1,689,360
Total Assessed Valuation - Cumulative	0	0	1,374,600	2,772,400	4,270,720	5,864,560	7,458,400	9,052,240	10,646,080	12,335,440	14,029,800	15,719,160
Total Assessed Values - Cum. 2% Biennial Net Increases after 2009	0	0	1,402,092	2,827,848	4,443,257	6,101,488	7,914,914	9,606,310	11,523,659	13,352,277		
Year Assessed Valuation Certified To STMD #3	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Year Taxes Received By STMD #3	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		

**SCHEDULE 2 (RESIDENTIAL FINANCING DISTRICT #3)
SOUTH TIMMATH METROPOLITAN DISTRICT #3
PROJECTED ASSESSED VALUATION - BUILDOUT
FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2018**

BUILDOUT - RESIDENTIAL (Source: Westward Development)				
<u>Description of Unit</u>	<u>Planned Number of Homes</u>	<u>Average Per Unit Price</u>	<u>Total Gross Unit Volume</u>	
Residential				
Single Family	70	450,000	31,500,000	
Single Family	40	480,000	19,200,000	
Single Family	160	510,000	81,600,000	
Single Family	144	540,000	77,760,000	
Total Residential - Increm.	414	<u>507,391</u>	<u>210,060,000</u>	
Total Residential - Cumulat.	414			

<u>Description of Unit</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>TOTAL</u>
Actual Values:				
Single Family	0	0	0	31,500,000
Single Family	0	0	0	19,200,000
Single Family	0	0	0	81,600,000
Single Family	19,440,000	18,900,000	17,820,000	77,760,000
Total Actual Values - Incremental	19,440,000	18,900,000	17,820,000	210,060,000
Total Actual Values - Cumulative	<u>173,340,000</u>	<u>192,240,000</u>	<u>210,060,000</u>	<u>210,060,000</u>

<u>Description of Unit</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Assessed Values (Residential @ 7.96%):					
Single Family	0	0	0	0	2,507,400
Single Family	0	0	0	0	1,528,320
Single Family	0	0	0	0	6,495,360
Single Family	1,547,424	1,504,440	1,418,472	1,418,472	6,189,696
Total Assessed Value	1,547,424	1,504,440	1,418,472	1,418,472	16,720,776
Total Assessed Valuation Vacant Land	<u>(30,000)</u>	<u>(30,000)</u>	<u>(25,000)</u>	<u>0</u>	<u>0</u>
Total Assessed Valuation - Incremental	1,517,424	1,474,440	1,393,472	1,393,472	16,720,776
Total Assessed Valuation - Cumulative	13,852,864	15,327,304	16,720,776	16,720,776	16,720,776
Total Assessed Values - Cum. 2% Biennial Net Increases after 2009	<u>15,294,681</u>	<u>16,922,582</u>	<u>18,830,310</u>	<u>18,830,310</u>	<u>18,830,310</u>

<u>Year Assessed Valuation Certified To STMD #3</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Year Assessed Valuation Certified To STMD #3				
Year Taxes Received By STMD #3	2017	2018	2019	2020

SCHEDULE 3
SOUTH TOWN METROPOLITAN DISTRICTS #1 - #3
CAPITAL EXPENDITURES
FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2021
UNINFLATED 2006\$

WORKING DRAFT
SUBJECT TO REVISION
3-May-07
SEE CONSULTANTS' DISCLAIMER

	TOTALS	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
CAPITAL EXPENDITURES: (Source: Pinnacle Consulting Group, Inc.)															
INDIRECT CONSTRUCTION COSTS															
PERMITS AND FEES	13,368	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ENGINEERING AND DESIGN	1,119,629	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LEGAL AND ACCOUNTING	130,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SUBTOTAL INDIRECT CONSTRUCTION COSTS	<u>1,262,997</u>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FORMATION AND ORGANIZATION															
LEGAL	80,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ENGINEERING	25,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FINANCIAL	25,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MANAGEMENT/ADMINISTRATIVE	35,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SUBTOTAL FORMATION AND ORGANIZATION	<u>165,000</u>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DIRECT CONSTRUCTION COSTS															
REMOVALS	105,244	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EARTHWORK	1,127,525	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SANITARY SEWER	3,519,285	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DOMESTIC WATER	2,030,357	0	0	0	0	0	0	0	0	0	0	0	0	0	0
STORM SEWER	2,301,071	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CONCRETE	2,586,938	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ASPHALT PAVING	5,219,637	0	0	0	0	0	0	0	0	0	0	0	0	0	0
IRRIGATION SYSTEM	600,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LANDSCAPING	4,402,560	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DRY UTILITIES	2,977,857	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MISCELLANEOUS	1,405,674	0	0	0	0	0	0	0	0	0	0	0	0	0	0
POOL/CLUBHOUSE	2,000,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OFFSITE IMPROVEMENTS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SUBTOTAL DIRECT CONSTRUCTION COSTS	<u>28,256,148</u>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL CAPITAL EXPENDITURES BY YEAR	<u>29,684,145</u>	<u>1,370,640</u>	<u>3,524,503</u>	<u>3,916,114</u>	<u>3,916,114</u>	<u>3,916,114</u>	<u>4,268,564</u>	<u>1,566,446</u>	<u>1,566,446</u>	<u>1,566,446</u>	<u>1,409,801</u>	<u>1,370,640</u>	<u>1,292,318</u>	<u>0</u>	<u>0</u>
CAPITAL EXPENDITURE FUNDING SOURCES:															
DEVELOPER CAPITAL LOANS	29,684,145	1,370,640	3,524,503	3,916,114	3,916,114	3,916,114	4,268,564	1,566,446	1,566,446	1,566,446	1,409,801	1,370,640	1,292,318	0	0
REPAYMENT OF DEVELOPER CAPITAL LOANS	(29,684,145)	0	0	0	0	0	0	0	(5,184,000)	0	0	0	0	(2,880,000)	0
NET G.O. BOND PROCEEDS TRANSFERRED FROM DIST. 2	2,400,000	0	0	0	0	0	0	0	2,400,000	0	0	0	0	0	0
NET G.O. BOND PROCEEDS TRANSFERRED FROM DIST. 3	5,664,000	0	0	0	0	0	0	0	2,784,000	0	0	0	0	2,880,000	0
DEVELOPER PERMANENT CONTRIBUTION	21,620,145	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL CAPITAL EXPENDITURE FUNDING SOURCES	<u>29,684,145</u>	<u>1,370,640</u>	<u>3,524,503</u>	<u>3,916,114</u>	<u>3,916,114</u>	<u>3,916,114</u>	<u>4,268,564</u>	<u>1,566,446</u>	<u>1,566,446</u>	<u>1,566,446</u>	<u>1,409,801</u>	<u>1,370,640</u>	<u>1,292,318</u>	<u>0</u>	<u>0</u>
EXCESS FUNDING SOURCES OVER CAPITAL EXPENDITURES															
FUND BALANCE - JANUARY 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FUND BALANCE - DECEMBER 31	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CUMULATIVE DEVELOPER CAPITAL LOANS OUTSTANDING (w/o interest)															

SCHEDULE 3
 SOUTH TIMNATH METROPOLITAN DISTRICTS #1 - #3
 CAPITAL EXPENDITURES
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2021
 UNINFLATED 2006\$

CAPITAL EXPENDITURES: (Source: Pinnacle Consulting Group, Inc.)

	2020	2021	2022	2023	2024	2025	2026	2027 TOTALS
INDIRECT CONSTRUCTION COSTS								
PERMITS AND FEES	0	0	0	0	0	0	0	13,368
ENGINEERING AND DESIGN	0	0	0	0	0	0	0	1,119,629
LEGAL AND ACCOUNTING	0	0	0	0	0	0	0	130,000
SUBTOTAL INDIRECT CONSTRUCTION COSTS	0	0	0	0	0	0	0	1,262,997
FORMATION AND ORGANIZATION								
LEGAL	0	0	0	0	0	0	0	80,000
ENGINEERING	0	0	0	0	0	0	0	25,000
FINANCIAL	0	0	0	0	0	0	0	25,000
MANAGEMENT/ADMINISTRATIVE	0	0	0	0	0	0	0	35,000
SUBTOTAL FORMATION AND ORGANIZATION	0	0	0	0	0	0	0	165,000
DIRECT CONSTRUCTION COSTS								
REMOVALS	0	0	0	0	0	0	0	105,244
EARTHWORK	0	0	0	0	0	0	0	1,127,525
SANITARY SEWER	0	0	0	0	0	0	0	3,519,285
DOMESTIC WATER	0	0	0	0	0	0	0	2,030,357
STORM SEWER	0	0	0	0	0	0	0	2,301,071
CONCRETE	0	0	0	0	0	0	0	2,566,938
ASPHALT PAVING	0	0	0	0	0	0	0	5,219,637
IRRIGATION SYSTEM	0	0	0	0	0	0	0	600,000
LANDSCAPING	0	0	0	0	0	0	0	4,402,560
DRY UTILITIES	0	0	0	0	0	0	0	2,977,857
MISCELLANEOUS	0	0	0	0	0	0	0	1,405,674
POOL/CLUBHOUSE	0	0	0	0	0	0	0	2,000,000
OFFSITE IMPROVEMENTS	0	0	0	0	0	0	0	0
SUBTOTAL DIRECT CONSTRUCTION COSTS	0	0	0	0	0	0	0	28,256,148
TOTAL CAPITAL EXPENDITURES BY YEAR	0	0	0	0	0	0	0	29,684,145
CAPITAL EXPENDITURE FUNDING SOURCES:								
DEVELOPER CAPITAL LOANS	0	0	0	0	0	0	0	29,684,145
REPAYMENT OF DEVELOPER CAPITAL LOANS	0	0	0	0	0	0	0	(21,620,145)
NET G.O. BOND PROCEEDS TRANSFERRED FROM DIST. 2	0	0	0	0	0	0	0	2,400,000
NET G.O. BOND PROCEEDS TRANSFERRED FROM DIST. 3	0	0	0	0	0	0	0	5,664,000
DEVELOPER PERMANENT CONTRIBUTION	0	0	0	0	0	0	0	21,620,145
TOTAL CAPITAL EXPENDITURE FUNDING SOURCES	0	0	0	0	0	0	0	29,684,145
EXCESS FUNDING SOURCES OVER CAPITAL EXPENDITURES	0	0	0	0	0	0	0	0
FUND BALANCE - JANUARY 1	0	0	0	0	0	0	0	0
FUND BALANCE - DECEMBER 31	0	0	0	0	0	0	0	0

CUMULATIVE DEVELOPER CAPITAL LOANS OUTSTANDING (w/o inte

EXHIBIT F

Form of Intergovernmental Agreement
between the Districts and Town of Timnath

**INTERGOVERNMENTAL AGREEMENT BETWEEN
THE TOWN OF TIMNATH, COLORADO
AND
SOUTH TIMNATH METROPOLITAN DISTRICTS NOS. 1 & 2**

THIS AGREEMENT is made and entered into to be effective as of the ___ day of _____, 2007, by and between the **TOWN OF TIMNATH**, a municipal corporation and political subdivision of the State of Colorado (“Town”), and **SOUTH TIMNATH METROPOLITAN DISTRICT NO. 1** and **SOUTH TIMNATH METROPOLITAN DISTRICT NO. 2**, quasi-municipal corporations and political subdivisions of the State of Colorado (individually “District”, collectively the “Districts”). The Town and the Districts are collectively referred to as the Parties.

RECITALS

WHEREAS, the Districts were organized to provide certain capital facilities and services in connection with the development of property annexed to the Town under an annexation agreement (the “South Timnath Annexation Agreement”); and

WHEREAS, pursuant to the provisions of the "Special District Control Act", Part 2 of Article 1, Title 32, C.R.S., the representatives of the South Timnath Metropolitan Districts No. 1, No. 2, and No. 3 (collectively the "Districts") submitted to the Town Council a Consolidated Service Plan dated December 15, 2005, which was revised and resubmitted January 12, 2006 (“Service Plan”) which outlined the terms and conditions under which the Districts will be authorized to exist; and

WHEREAS, the Town Council, had, by separate resolution considered and approved the Service Plan of the Districts by Resolution on January 18, 2006; and

WHEREAS, the Districts submitted an Amended and Restated Consolidated Service Plan for South Timnath Metropolitan Districts Nos. 1 & 2 (“Amended and Restated Service Plan”) dated July 19, 2007 which resulted in the combining of the property formerly comprising District No. 2 and No. 3 into one residential district, and adopted language changes to update the Service Plan to the current Town approved format and content but did not change the service area, outer boundaries, substantive provisions or effect any material changes to the Districts or to the Service Plan; and

WHEREAS, the Town Council, has, by separate resolution considered and approved the Amended and Restated Service Plan of the Districts by Resolution on August 1, 2007; and

WHEREAS, the Districts are authorized to provide financing and to exercise powers as are more fully set forth in the Amended and Restated Service Plan; and

WHEREAS, the Amended and Restated Service Plan makes reference to the execution of an intergovernmental agreement between the Town and the Districts; and

WHEREAS, the Town and 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 (“Agreement”) to promote the coordinated development of the South Timnath Annexation property.

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 Parties hereto agree as follows:

COVENANTS AND AGREEMENTS

1. Definition of Terms. Terms not defined herein shall have the same meanings as given to such terms in the Amended and Restated Service Plan.

2. Ownership, Operations and Maintenance of Facilities. The Districts shall dedicate the Public Improvements to the Town or other appropriate jurisdiction or owners association in a manner consistent with the final Approved Development Plan and other rules and regulations of the Town and applicable provisions of the Town Code. The Districts shall undertake ownership, operation and maintenance of those public facilities, and shall furnish related services, or shall dedicate and convey to the Town, the Fort Collins - Loveland Water District, or the South Fort Collins Sanitation District those facilities shown for such dedication and conveyance as set forth the schedule of disposition of facilities attached hereto as **Exhibit A** and incorporated herein by reference. Except for those public improvements required to be dedicated to the Town, Fort Collins – Loveland Water District, or South Fort Collins Sanitation District, or their designees in accordance with the Approved Development Plan or this Agreement, the Districts shall be authorized to operate and maintain any part or all of the Public Improvements provided for in the Amended and Restated Service Plan.

The Districts shall be authorized to impose a Fee for access to the District Pool for those Non-District Town residential property owners as defined in **Exhibit H** to the Amended and Restated Service Plan at a rate of 50% of the then current fee charged to in-District residents. The Districts shall be entitled to impose an administrative fee as necessary to cover additional expenses associated with Non-District Town residents to ensure that such costs are not the responsibility of District residents. All such Fees shall be based upon the Districts' determination that such Fees do not exceed reasonable annual market fee for users of such facilities. Notwithstanding the foregoing, all parks and trails shall be open to the general public and Non-District Town residents free of charge.

3. Construction Standards. The Districts will ensure that the Public Improvements are designed and constructed in accordance with the standards and specifications of the Town and of other governmental entities having proper jurisdiction and of those special districts that qualify as “interested parties” under Section 32-1-204(1), C.R.S., as applicable. The Districts will obtain the Town’s approval of civil

engineering plans and will obtain applicable permits for construction and installation of Public Improvements prior to performing such work.

4. District Swimming Pool Use and Operations Limitations. The Districts may undertake the financing, construction, installation, acquisition, ownership, operation and maintenance of a swimming pool. Any District swimming pool shall be constructed in accordance with plans submitted to and approved by the Town. If applicable, the Districts may not cease or abandon the operation of, and may not change the use of the swimming pool as a District Pool, without prior consent of the Town, which consent shall not be unreasonably withheld, delayed or denied. The District Pool shall be operated and maintained in a manner similar to similar size and types of swimming pools operated by metropolitan districts in other communities. Such District Pool shall be subject to Town regulatory authority as permitted by state law. The Town shall provide written notice of any default in the operation and maintenance of the District Pool. If any such default continues for more than thirty (30) days after receipt of a written notice from the Town, the Town shall have the right to enforce by specific performance the maintenance of the District Pool. Should the District's default continue after notice, opportunity to cure and refusal to cure the default, the Town shall have the right to operate and maintain the District Pool and collect and use the District Pool fees unless and until the Districts demonstrate a willingness and ability to operate the District Pool in accordance with applicable standards. Any maintenance and operations costs incurred by the Town to perform these functions, after written notice of default and failure of the Districts to cure the within thirty (30) days of receipt, shall be reimbursed by the Districts.

5. Current Town Residential Property Owners' Access to Park and Recreation Facilities and Improvements. All open space tracts, trails, and park improvements shall be open and available to the general public and Town citizens free of charge. It is acknowledged that the Town intends to explore the possibility of constructing a Town pool. Until such Town pool is constructed, the Districts shall allow Town residents who reside within property owner addresses as of November 1, 2005 as described in **Exhibit H**, and their families who may reside at the address, including any family member added through birth, marriage, adoption or a parents marriage thereafter, access to any District Pool at Fee rate equivalent to 50% of the then current fee charged to in-District residents. A list defining the current residential property owner addresses which shall be provided this access is attached hereto as **Exhibit H**. Future residents of the addresses in **Exhibit H**, other than those defined above, who purchase or rent in these addresses after May 31, 2006, will not be entitled to this provision. Once a Town pool is constructed, the access and reduced rate as required by the Town for Town residential property owners as defined in **Exhibit H** shall be rescinded.

6. Town Access and Maintenance Easement to Greenbelts, Open Space, Ponds and Drainage Improvements. The Districts will grant a perpetual, non-exclusive access easement to the Town for non-motorized pedestrian access to the Districts greenbelts and open space improvements as defined on the final plat approved by the Town. The Districts shall maintain greenbelts, open space, ponds and drainage improvements in accordance with the plans approved by the Town and subject to Town regulatory authority as provided by state law. The Districts shall grant an easement to the

Town for purposes of routine inspections of pond and drainage improvements. The Districts shall also grant the Town emergency access for maintenance purposes to the pond and drainage improvements when necessary to preserve the health, safety and welfare of the Districts' property owners and residents, and guests. The Town shall provide written notice of any default in the maintenance of District owned, operated and maintained Public Improvements in accordance with the approved plans, which if continued for more than thirty (30) days after receipt of a written notice of default from the Town to the Districts, the Town shall have access for purposes of maintenance of these improvements by the Town. Any maintenance performed by the Town, after written notice of default and failure of the Districts to cure within thirty (30) days of receipt, shall be reimbursed by the Districts.

7. Changes in Boundaries or Service Area. The Districts shall be entitled to change their internal boundaries through inclusions and exclusions of property between the Districts and Inclusion Area (if applicable) as their Boards may determine is in the best interests of each District and its property owners subject to the following limitations:

a. No property may be subject to the mill levy of more than one District.

b. No property may be included into the boundaries of the District unless the property is within the corporate limits of the Town.

c. All District boundary changes must be made in compliance with the Special District Act.

d. The boundaries of the Inclusion Area may not be expanded without prior approval of the Town.

e. The inclusion of property outside of the Districts boundaries or the Inclusion Area, shall be subject to the prior approval of the Town.

Any inclusion or exclusion which does not comply with the provisions of this Section 7 shall require review and approved by the Town Manager. No inclusion or exclusion of property conforming with this Section 7 shall constitute a material modification of the Amended and Restated Service Plan.

8. Total Debt Issuance. Unless otherwise approved by the Town Board of Trustees, which approval will not be unreasonably withheld, delayed or conditioned, the Districts shall not issue Debt in excess of Twenty Million Dollars (\$20,000,000).

9. Consolidation. The Districts shall not file a request with any Court to consolidate with another Title 32 district without the prior written consent of the Town, unless such consolidation is with another South Timnath Metropolitan District.

10. Bankruptcy. All of the limitations contained in the Amended and Restated Service Plan, including, but not limited to, those pertaining to the Maximum Debt Mill Levy have been established under the authority of the Town to approve a Service Plan

with conditions pursuant to Section 32-1-204.5, C.R.S. It is expressly intended that such limitations:

a. Shall not be subject to set-aside for any reason or by any court of competent jurisdiction, absent a Service Plan Amendment; and

b. Are, together with all other requirements of Colorado law, included in the “political or governmental powers” reserved to the State under the U.S. Bankruptcy Code (11 U.S.C.) Section 903, and are also included in the “regulatory or electoral approval necessary under applicable nonbankruptcy law” as required for confirmation of a Chapter 9 Bankruptcy Plan under Bankruptcy Code Section 943(b)(6).

Any Debt, issued with a pledge or which results in a pledge, that exceeds the Maximum Debt Mill Levy shall be deemed a material modification of this Amended and Restated Service Plan pursuant to Section 32-1-207, C.R.S. and shall not be an authorized issuance of Debt unless and until such material modification has been approved by the Town as part of a Service Plan Amendment.

11. Dissolution. Upon an independent determination of the Town Board of Trustees that the purposes for which the District was created have been accomplished, the District agrees to file petitions in the appropriate District Court for dissolution, pursuant to the applicable State statutes. In no event shall a dissolution occur until the District has provided for the payment or discharge of all of their outstanding indebtedness and other financial obligations as required pursuant to State statutes and until such time as the District does not need to remain in existence to perform operations and maintenance services or has provided for those services through another public entity having jurisdiction.

12. Disclosure to Purchasers. The District will use reasonable efforts to assure that all developers of the property located within the District provide written notice to all purchasers of property in the District regarding the Maximum Debt Mill Levy, as well as a general description of the District’s authority to impose and collect rates, Fees, tolls and charges. The form of notice shall be filed with the Town prior to the initial issuance of the Debt of the District imposing the mill levy which is the subject of the Maximum Debt Mill Levy.

13. Service Plan Amendment Requirement. Actions of the Districts which violate the limitations set forth in the Amended and Restated Service Plan shall be deemed to be material modifications to the Amended and Restated Service Plan and the Town shall be entitled to all remedies available under State and local law to enjoin such actions of the Districts.

14. Multiple District Structure. It is anticipated that the Districts, collectively, will undertake the financing and construction of the Public Improvements. The nature of the functions and services to be provided by each District shall be clarified in an intergovernmental agreement between and among the Districts. Such intergovernmental agreement will be designed to help assure the orderly development of the Public

Improvements and essential services in accordance with the requirements of the Amended and Restated Service Plan. Implementation of such intergovernmental agreement is essential to the orderly implementation of the Amended and Restated Service Plan. Accordingly, any determination of any Board to set aside said intergovernmental agreement without the consent of all of the Districts shall be a material modification of the Amended and Restated Service Plan. Said intergovernmental agreement may be amended by mutual agreement of the Districts without the need to amend the Amended and Restated Service Plan.

15. Annual Report. Upon request by the Town, the Districts shall be responsible for submitting an annual report to the Manager of the Office of Development Assistance of the Town Manager's Office no later than August 1st of each year following the year in which the Order and Decree creating the District has been issued, in accordance with applicable Town policies and pursuant to the Town Code and containing the information set forth in Section VIII of the Amended and Restated Service Plan.

16. Maximum Debt Mill Levy. The "Maximum Debt Mill Levy" shall be the maximum mill levy the District is permitted to impose upon the taxable property within the District for payment of Debt. With respect to each District, the "Maximum Debt Mill Levy" shall be the maximum mill levy a District is permitted to impose upon the taxable property within such District for payment of Debt. The Maximum Debt Mill Levy, shall be thirty-five (35.0) mills; provided that, on or after January 1, 2006, the thirty-five (35.0) mill tax rate for debt may be increased to compensate for any decreases in the assessed valuation of the property within the District necessitated by state law pursuant to Article X, Section 3 of the Colorado Constitution commonly referred to as the Gallagher Amendment or any other legislation causing a reduction in the assessed valuation of residential properties. In the event of legislation implementing changes in the ratio of actual valuation to assessed valuation for residential real property, pursuant to Article X, Section 3(1)(b) of the Colorado Constitution, the mill levy limitation provided herein will be increased or decreased as to all taxable property in the District to reflect such changes; 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 shall be deemed to be a change in the method of calculating assessed valuation. All Debt issued by the Districts must be issued in compliance with the requirements of Section 32-1-1101, C.R.S. and all other requirements of State or Federal law.

Obligations of the Districts in the IGAs discussed herein will not count against the Debt limitation, but will be subject to the Maximum Debt Mill Levy set forth herein. Any change in the Debt limitation shall be considered a material modification of the Amended and Restated Service Plan. The Debt limitation shall not otherwise be increased unless approved by the Town and as permitted by statute.

To the extent that the District is composed of or subsequently organized into one or more subdistricts as permitted under Section 32-1-1101, C.R.S., the term "District" as used herein shall be deemed to refer to the District and to each such

subdistrict separately, so that each of the subdistricts shall be treated as a separate, independent district for purposes of the application of this definition.

17. Total Combined Mill Levy. The total mill levy in any of the Districts, combined to include both general operations, maintenance and debt service, shall not exceed fifty (50) mills unless approved by the Town; provided, however, in the event that the method of calculating assessed valuation is changed after the date of this Agreement by any change in law or method of calculation or by any change in the percentage of actual value used to determine assessed valuation pursuant to Section 39-1-104.2, C.R.S., and Article X, Section 3 of the State Constitution, the mill levy limitation shall be increased or decreased to reflect such change, as reasonably determined by the Boards of Directors of the Districts so that, to the greatest extent possible, the actual property tax revenues generated by the mill levy as adjusted are neither increased nor diminished as a consequence of such adjustment.

18. Notices. All notices, demands, requests or other communications to be sent by one party to the other hereunder or required by law shall be in writing and shall be deemed to have been validly given or served by delivery of same in person to the address or by courier delivery, via United Parcel Service or other nationally recognized overnight air courier service, or by depositing same in the United States mail, postage prepaid, addressed as follows:

To the Districts: South Timnath Metropolitan District Nos. 1 & 2
c/o Pinnacle Consulting Group, Inc.
5110 Granite Street, Suite C
Loveland, Colorado 80538
Phone: 970-669-3611
Fax: 970-669-3612

with copy to: Corbetta & O'Leary, P.C.
Attn: David Sean O'Leary
821 17th Street, Suite 600-B
Denver, Colorado 80202
Phone: (303) 294-9100
Fax: (303) 294-9112

To the Town: Town of Timnath
4100 Main Street
P.O. Box 37
Timnath, Colorado 80547
Phone: (970) 224-3211
Fax: (970) 224-3217

with copy to: Murray Dahl Kuechenmeister & Renaud, LLP
Attn: Malcolm M. Murray
2401 15th Street, Suite 200
Denver, Colorado 80202
Phone: (303) 493-6670

Fax: (303) 477-0965

All notices, demands, requests or other communications shall be effective upon such personal delivery or one (1) business day after being deposited with United Parcel Service or other nationally recognized overnight air courier service or three (3) business days after deposit in the United States mail. By giving the other party hereto at least ten (10) days written notice thereof in accordance with the provisions hereof, each of the Parties shall have the right from time to time to change its address.

19. Precedence. Recognizing that full development of the South Timnath property may take up to thirty (30) years, the Town approved the Amended and Restated 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 Amended and Restated Service Plan and this Agreement shall be resolved in favor of the provisions of this Agreement.

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

21. Amendment. This Agreement may be amended, modified, changed, or terminated in whole or in part only by a written agreement duly authorized and executed by the Parties hereto and without amendment to the Amended and Restated Service Plan. The need for formal amendment to the Amended and Restated Service Plan shall be determined according to state law then in effect.

22. Assignment. No Party hereto shall assign any of its rights nor delegate any of its duties hereunder to any person or entity without having first obtained the prior written consent of all other Parties, which consent will not be unreasonably withheld. Any purported assignment or delegation in violation of the provisions hereof shall be void and ineffectual.

23. Default/Remedies. In the event of a breach or default of this Agreement by any Party, the non-defaulting Parties shall be entitled to exercise all remedies available at law or in equity, specifically including suits for specific performance and/or monetary damages. In the event of any proceeding to enforce the terms, covenants or conditions hereof, the prevailing Party/Parties in such proceeding shall be entitled to obtain as part of its judgment or award its reasonable attorneys' fees.

24. Governing Law and Venue. This Agreement shall be governed and construed under the laws of the State of Colorado.

25. Inurement. Each of the terms, covenants and conditions hereof shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns.

26. Integration. This Agreement constitutes the entire agreement between the Parties with respect to the matters addressed herein. All prior discussions and negotiations regarding the subject matter hereof are merged herein.

27. Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any person other than the Districts and the Town any right, remedy, or claim under or by reason of this Agreement or any covenants, terms, conditions, or provisions thereof, and all the covenants, terms, conditions, and provisions in this Agreement by and on behalf of the Districts and the Town shall be for the sole and exclusive benefit of the Districts and the Town. Except as otherwise stated herein, this Agreement is not intended to, and shall not limit in any ways the powers and responsibilities of the Town, the Districts, or any other entity not a party hereto.

28. Severability. If any covenant, term, condition, or provision under this Agreement shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such covenant, term, condition, or provision shall not affect any other provision contained herein, the intention being that such provisions are severable.

29. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original and all of which shall constitute one and the same document.

30. Paragraph Headings. Paragraph headings are inserted for convenience of reference only.

31. Defined Terms. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Amended and Restated Service Plan.

[THE REMAINDER OF THIS PAGE IS LEFT BLANK INTENTIONALLY]

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

SOUTH TIMNATH
METROPOLITAN DISTRICT NO. 1

By: _____
President

Attest:

Secretary

SOUTH TIMNATH
METROPOLITAN DISTRICT NO. 2

By: _____
President

Attest:

Secretary

TOWN OF TIMNATH, COLORADO

By: _____
_____, Mayor

Attest:

By: _____

Its: _____

APPROVED AS TO FORM:

Town Attorney

EXHIBIT A
SCHEDULE OF FACILITIES DISPOSITION

1. Streets and Roadways.

Upon acceptance, conveyed to the Town for ownership, operation and maintenance.

2. Traffic and Safety Protection.

Unless otherwise agreed to between Town and Districts, upon acceptance, conveyed to the Town for ownership, operation and maintenance.

3. Drainage/Stormwater Facilities.

Owned, operated and maintained by Districts unless accepted and conveyed to the Town or South Fort Collins Sanitation District for ownership, operation and maintenance.

4. Sanitation.

Upon acceptance, conveyed to South Fort Collins Sanitation District for ownership, operation and maintenance.

5. Water.

- a. Potable water facilities:** Upon acceptance, conveyed to Fort Collins - Loveland Water District for ownership, operation and maintenance.
- b. Non-potable water facilities:** Non-potable water facilities servicing the open space area(s) will be owned, operated and maintained by Districts.

6. Parks and Recreation.

Recreational facilities, including the District Pools, Recreation Center, as well as certain greenbelts, open spaces, landscaping and streetscaping features will be owned, operated and maintained by Districts or Town in accordance with the Approved Development Plan or otherwise agreed to by the Parties. Parks and trails shall be owned, operated and maintained by the Town.

7. Transportation.

(If applicable) Owned, operated and maintained by Districts unless accepted and conveyed to the Town for ownership, operation and maintenance.

8. Mosquito Control

Owned, operated and maintained by Districts unless accepted and conveyed to the Town.

9. Security Services and Covenant Enforcement

Owned, operated and maintained by Districts or upon acceptance, conveyed to a property owners association or other governmental entity.

EXHIBIT G

Form of Intergovernmental Agreement between
the Districts and Timnath Development Authority

INTERGOVERNMENTAL AGREEMENT
REGARDING DISTRICT PROPERTY TAXES

THIS INTERGOVERNMENTAL AGREEMENT REGARDING DISTRICT PROPERTY TAXES (SOUTH TIMNATH) (this "Agreement") is made and entered into to be effective as of the ____ day of _____, 200____, by and between the TIMNATH DEVELOPMENT AUTHORITY, a body corporate and politic of the State of Colorado (the "Authority" or the "TDA"), and the SOUTH TIMNATH METROPOLITAN DISTRICTS NOS. 1 & 2, quasi-municipal corporations and political subdivisions of the State of Colorado (each a "District" and, collectively, the "Districts"). The Authority and the Districts are each referred to herein as a "Party" or collectively as the "Parties".

RECITALS

WHEREAS, the Districts were organized to provide certain public improvements and services to serve the Service Area (as shown on Exhibit A hereto) in connection with the development of property annexed to the Town; and

WHEREAS, pursuant to the provisions of the "Special District Control Act", Part 2 of Article 1, Title 32, C.R.S., the representatives of the South Timnath Metropolitan Districts No. 1, No. 2, and No. 3 (collectively the "Districts") submitted to the Town Council a Consolidated Service Plan dated December 15, 2005, which was revised and resubmitted January 12, 2006 ("Service Plan") which outlined the terms and conditions under which the Districts will be authorized to exist; and

WHEREAS, the Town Council, had, by separate resolution considered and approved the Service Plan of the Districts by Resolution on January 18, 2006; and

WHEREAS, the Districts submitted an Amended and Restated Consolidated Service Plan for South Timnath Metropolitan Districts Nos. 1 & 2 ("Amended and Restated Service Plan") dated July 19, 2007 which resulted in the combining of the property formerly comprising District No. 2 and No. 3 into one residential district, and adopted language changes to update the Service Plan to the current Town approved format and content but did not change the service area, outer boundaries, substantive provisions or effect any material changes to the Districts or to the Service Plan; and

WHEREAS, the Town Council, has, by separate resolution considered and approved the Amended and Restated Service Plan of the Districts by Resolution on August 1, 2007; and

WHEREAS, the Districts are authorized to provide financing and to exercise powers as are more fully set forth in the Amended and Restated Service Plan; and

WHEREAS, pursuant to Resolution No. AJ-2004, adopted by the Town on November 10, 2004, the TDA was formed as a urban renewal authority, a body corporate

and politic of the State of Colorado, to serve the Plan Area, having the powers of an urban renewal authority under the Urban Renewal Act (as defined herein); and

WHEREAS, development of the public improvements in the Service Area would be of substantial benefit to the Town and result in a net increase in the Town's revenues; and

WHEREAS, development of the Service Area is necessary and appropriate to facilitate proper growth and development of the Town in accordance with sound planning standards and community objectives and in accordance with the applicable general development plan approved by the Town and it is in the best interests of the Town for the Service Area to be developed; and

WHEREAS, considerable public infrastructure will be required to provide potable and non-potable water; to dispose of wastewater; to detain, retain and transport stormwater; to landscape public rights of way, public easements, and publicly dedicated or owned real properties; to provide curb, gutter, sidewalks, streets, trails and other access ways; to provide public parks, recreation facilities and open spaces; and to provide other public improvements necessary and/or reasonably required for development of the Service Area, and neither the Town nor the TDA is able to fund the total costs of all such public improvements necessary or reasonably required for development of the Service Area within a reasonable period of time; and

WHEREAS, pursuant to the Amended and Restated Service Plan, the Districts are permitted to impose a total mill levy (combined to include both general operations, maintenance and debt service) (the "**District Mill Levy**") not in excess of fifty (50) mills unless approved by the Town; provided, however, in the event that the method of calculating assessed valuation is changed after the date of this Agreement by any change in law or method of calculation or by any change in the percentage of actual value used to determine assessed valuation pursuant to Section 39-1-104.2, C.R.S., and Article X, Section 3 of the State Constitution, the mill levy limitation shall be increased or decreased (the "**Gallagher Adjustment**") to reflect such change, as reasonably determined by the Boards of Directors of the Districts so that, to the greatest extent possible, the actual property tax revenues generated by the mill levy as adjusted are neither increased nor diminished as a consequence of such adjustment; and further provided that, with respect to each District, the maximum mill levy a District is permitted to impose upon the taxable property within such District for payment of District Debt shall be thirty-five (35.0) mills, subject to the Gallagher Adjustment;

WHEREAS, in order to fund or refund certain of the Eligible Improvements, and in consideration for the pledge and assignment of the District Tax Increment to the Districts to fund Eligible Improvements, it is contemplated that one or more of the Districts will incur District Debt (as defined herein) payable from District capital fees and revenues resulting from the District Mill Levy ("**District Mill Levy Revenues**"); and

WHEREAS, as a result of the adoption of the Urban Renewal Plan, the parties hereto understand that, by operation of the Urban Renewal Law, the TDA is granted certain rights in revenues constituting "**Tax Increment Revenues**" (as defined herein), and intend to ensure that, in the event that any District Mill Levy Revenues constitute Tax Increment Revenues, such revenues continue to be made available to the Districts for the purpose of funding or refunding the provision of Eligible Improvements.

NOW THEREFORE, for and in consideration of the mutual promises and covenants herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby confessed and acknowledged, the Parties agree as follows:

SECTION 1. DEFINITIONS

1.01 "**Base Valuation**" means, with respect to the Plan Area, the total assessed valuation of all taxable property last certified by the assessor prior to the effective date of the approval of the Urban Renewal Plan, as may be subsequently adjusted due to a general reassessment of taxable property in the Plan Area or if additional area is added to the original Plan Area.

1.02 "**County**" shall mean Larimer County, Colorado.

1.03 "**District Debt**" shall mean and refer to all bonds (including refunding bonds), notes, interim certificates or receipts, temporary bonds, certificates of indebtedness, debentures, promissory notes, contracts, agreements, leases, or other documents or instruments evidencing loans, advances, indebtedness, whether funded, refunded, assumed or otherwise, and all other obligations incurred by any District to finance or refinance, in whole or in part, the construction, installation, repair, replacement, improvement, maintenance and operation of any Eligible Improvements.

1.04 "**Designated District**" shall mean the District (or Districts) designated to receive all or any portion of the District Tax Increment pursuant to Section 2.02 hereof, as indicated in a certificate executed by a duly authorized officer of each of the Districts.

1.05 "**Developer**" shall mean and refer to Timnath Farm Investments, LLC.

1.06 "**District Tax Increment**" means the portion of Tax Increment Revenues attributable to any District Mill Levy imposed by the Districts on property located within the Plan Area.

1.07 "**Effective Date**" shall mean and refer to the date this Agreement is signed by all Parties.

1.08 “**Eligible Costs**” shall mean and refer to (i) expenditures made by any District, and expenditures made by the Developer, the Town or any other entity acting at the request of or on behalf of a District, and reimbursed by any District, to finance or refinance, in whole or in part, the construction, installation, repair, replacement, improvement, maintenance and operation of any Eligible Improvements; and (iii) principal, interest, premiums, reserves, trustee and rebate fees and all other amounts due or which may become due on or in connection with any District Debt.

1.09 “**Eligible Improvements**” shall mean and refer to any and all improvements that could be acquired, constructed, installed, owned, maintained, repaired, replaced, improved, funded, financed, and/or operated by the Districts for the benefit of the Service Area, to the maximum extent permitted by the Special District Act and the Amended and Restated Service Plan, as presently existing or as amended from time to time; but only to the extent that such improvements could also be installed, constructed, or reconstructed by the TDA to the maximum extent permitted by the Urban Renewal Law as it presently exists or as it may be amended from time to time; regardless of whether such improvements are in fact acquired, constructed, installed, owned, maintained, repaired, replaced, improved, and/or operated by a District or the TDA; subject to any limitations of the Urban Renewal Plan.

1.10 “**Increment Valuation**” means, with respect to the Plan Area, the amount of assessed valuation, if any, which exceeds the Base Valuation.

1.11 “**Plan Area**” shall mean and refer to the area indicated in the Urban Renewal Plan, as shown on Exhibit B hereto.

1.12 “**Service Area**” shall mean and refer to the area included within the boundaries of the Districts as shown on the map attached as Exhibit A hereto, subject to addition of future inclusions and deletion of future exclusions.

1.13 “**Special District Act**” shall mean Title 32, Article 1, Colorado Revised Statutes, as amended from time to time.

1.14 “**Tax Increment Revenues**” means the amount of ad valorem property taxes collected on the Increment Valuation of all taxable property located in the Plan Area.

1.15 “**TDA**” shall mean and refer to the urban renewal authority for the Growth Management Area for the Town of Timnath, also referred to as the Timnath Urban Renewal Authority, or the Timnath Development Authority, a body corporate and politic of the State of Colorado, formed by Resolution No. AJ-2004, on November 10, 2004.

1.16 “**Urban Renewal Law**” shall mean and refer to the Colorado Urban Renewal Law, Colorado Revised Statutes, Title 31, Article 25, Part I, as amended from time to time.

1.17 “**Urban Renewal Plan**” shall mean and refer to the Urban Renewal Plan prepared for the Town, recommended by the Planning Commission on November 10, 2004, and approved and adopted by the Town's Board of Trustees December 15, 2004 by Resolution No. AS-2004.

SECTION 2. DISTRICT TAX INCREMENT

2.01 TDA Direction to County, Deposit and Pledge of District Tax Increment. There shall be created and held by the TDA a special fund referred to herein as the “**South Timnath Special Fund.**” All of the District Tax Increment shall be allocated to, and when collected paid into, the South Timnath Special Fund. All of the District Tax Increment, and all interest earned thereon, is hereby irrevocably pledged and assigned to the Districts for the purpose of funding and refunding Eligible Costs. The TDA agrees that, at such time as one or more of the Districts proposes to issue District Debt to fund Eligible Improvements, the TDA shall execute such additional documentation as may be necessary to further evidence such pledge and facilitate the issuance of such District Debt. Until terminated as provided in Section 2.03, the District Tax Increment collected from the TDA may not be allocated by the TDA for any use or purpose except as permitted by this Agreement.

2.02 Disbursement of District Tax Increment. All District Tax Increment collected and the balance in the South Timnath Special Fund, including all interest thereon, shall be paid to or at the direction of the Designated District on dates established by the Designated District, but no more frequently than monthly, subject to the receipt by the TDA of the following at least 5 business days prior to the requested disbursement: (i) if to be applied to District Debt, a certificate of the District (provided at the time of issuance of such District Debt) indicating the Eligible Improvements to which net proceeds of such District Debt are to be applied and stating that all of such proceeds and the requested District Tax Increment will be applied to Eligible Costs, and providing specific instructions as to the time and place of payment; and (ii) if to be applied to Eligible Costs not constituting District Debt, a certificate of the District indicating the Eligible Costs to be funded with such District Tax Increment (which Eligible Costs need not have been incurred by a District if based upon budgeted operation and maintenance expenses of the District for the current year or, in the case of the funding of capital costs, the amount of any proposed contract) and stating that such District Tax Increment will be applied only to such Eligible Costs. The Districts shall make the final determination as to costs that constitute Eligible Costs; provided that such determination is in accordance with the definition set forth herein.

2.03 Termination of Tax Increment Financing. Allocation of the District Tax Increment to the South Timnath Special Fund shall terminate twenty-five (25) years after the TDA Commencement Date.

2.04 Pledge of District Tax Increment. All of the District Tax Increment, and all interest earned thereon, due hereunder, is hereby irrevocably pledged and assigned by the TDA to the Districts for the purpose of funding and refunding Eligible Costs.

2.05 No Annual Appropriation. The obligations of the TDA hereunder constitute valid and binding obligations of the TDA and are expressly not subject to annual appropriation by the TDA.

SECTION 3. COVENANTS, ACKNOWLEDGEMENTS & AUTHORIZATIONS

3.01 Districts' Provision of Eligible Improvements. In exchange for the TDA's pledge and payment of the District Tax Increment in accordance with the foregoing provisions, the Districts hereby agree to provide the Eligible Improvements, or a portion thereof, to the extent the same may be funded by the District Tax Increment. The TDA hereby authorizes and delegates to the Districts, to the extent of available funds and to the extent the District has the legal authority to do so, to (i) design, install, maintain, repair, replace, construct, reconstruct, expand, operate and maintain Eligible Improvements in the Plan Area, including, without limitation, water, street, park, recreation, landscaping, sanitary sewer and drainage improvements and (ii) to incur indebtedness as necessary to pay the Eligible Costs.

3.02 TDA Debt. The TDA shall not be obligated by this Agreement to issue bonds, incur debt, pledge its credit, or otherwise incur financial risk under the Urban Renewal Plan except that the TDA shall irrevocably pledge, assign and pay the District Tax Increment, to the extent received by the TDA, in accordance with the provisions hereof.

3.03 District Debt. The TDA expressly acknowledges that District Debt will be incurred by the Districts in reliance upon the agreements set forth in Article 2.

3.04 Amendment of Plan. The Urban Renewal Plan shall not be amended or modified in any way if:

(a) such amendment or modification would reduce the District Tax Increment to be allocated to the South Timnath Special Fund as originally approved, or reduce, delete, or exclude any real property from the TDA as originally established; or

(b) such amendment or modification would impair in any way any of the obligations of the TDA set forth in Section 2 hereof or District Debt.

3.05 Acknowledgement of Other Revenues. The parties hereto acknowledge that: (i) the Town may impose certain fees on property owners in connection with the annexation of their property to the Town, certain property tax levies on properties within the boundaries of the Town, and certain sales taxes on sales transactions occurring within the Town (collectively, the "**Town Impositions**"); (ii) the Districts may impose certain

fees, rates and charges (collectively, “**District Impositions**”) as are permitted by the Special District Act and the Amended and Restated Service Plan for the purpose of funding Public Improvements (provided that such fees, rates and charges are not imposed on properties then-owned by the Town); and (iii) owners of property within the Districts, in particular commercial property, may choose to impose such private contractual fees on users of such property, including public improvement fees imposed on sales transactions, as are legally permitted by law (“**Private Fees**”). Nothing in this Agreement is intended to or shall prohibit or restrict in any way, or alter the parties entitled to receipt of, and no provision of this Agreement is contingent upon the existence or non-existence of, such Town Impositions, District Impositions or Private Fees.

SECTION 4. REPRESENTATIONS AND WARRANTIES

4.01 By the Districts. Each District represents and warrants as follows:

(a) The District is a quasi-municipal corporation and political subdivision of the state of Colorado duly organized and validly existing under the Special District Act;

(b) The District has the power to enter into and has taken all actions required to authorize this Agreement and to carry out its obligations hereunder;

(c) There is no litigation, proceeding or investigation pending contesting the power and authority of the District or its officials to enter into or consummate the transactions contemplated by this Agreement and the District is unaware of any such litigation, proceeding or investigation that has been threatened;

(d) The execution and delivery of this Agreement and the documents required hereunder and the consummation of the transactions contemplated by this Agreement will not:

(i) conflict with or contravene any Regulation applicable to the District;

(ii) result in the breach of any of the terms or provisions of, or constituted default under, any agreement or other instrument to which the District is a party or by which it may be bound or affected; or

(iii) permit any party to terminate any such agreement or instruments or to accelerate the maturity of any indebtedness or other obligation of the District; and

(e) This Agreement constitutes a valid and binding obligation of the District, enforceable according to its terms, except to the extent limited by bankruptcy, insolvency and other laws of general application affecting creditors' rights and by equitable principles, whether considered at law or in equity. The District will defend the validity of this Agreement in the event of any litigation arising hereunder that names the District

as a party or which challenges the authority of the District to enter into or perform its obligations hereunder.

4.02 By the TDA. The TDA represents and warrants as follows:

(a) The TDA is a body corporate and politic and has the power to enter into, and has taken all actions to date required to authorize, this Agreement and to carry out its obligations hereunder;

(b) The TDA does not know of any litigation, proceeding, initiative, referendum, investigation or threat of any of the same contesting the powers of the TDA or its officials with respect to this Agreement that has not been disclosed in writing to the Developer and the Districts;

(c) The execution and delivery of this Agreement and the documents required hereunder and the consummation of the transactions contemplated by this Agreement will not:

(i) conflict with or contravene any Regulation of, or applicable to, the TDA;

(ii) result in the breach of any of the terms or provisions of, or constitute a default under, any agreement or other instrument to which the TDA is a party or by which it may be bound or affected; or

(iii) permit any party to terminate any such agreement or instruments or accelerate the maturity of any indebtedness or other obligation of the TDA; and

(d) This Agreement constitutes a valid and binding obligation of the TDA, enforceable according to its terms, except to the extent limited by bankruptcy, insolvency and other laws of general application affecting creditors' rights and by equitable principles, whether considered at law or in equity. The TDA will defend the validity of this Agreement in the event of any litigation arising hereunder that names the TDA as a party or which challenges the authority of the TDA to enter into or perform its obligations hereunder.

SECTION 5. MISCELLANEOUS

5.01 Amendment. This Agreement shall be amended only by an instrument signed by all of the Parties. It may not be amended or modified by course of conduct or by an oral understanding or agreement among any of the Parties.

5.02 Applicable Law. This Agreement shall be governed by, and its terms construed in accordance with, the laws of the state of Colorado.

5.03 Assignment. The Districts shall have the right to assign or transfer all or any of their interests, rights and obligations under this Agreement to any trustee for District Debt and/or to a Designated District without consent of the TDA. No other assignment or assumption of this Agreement shall be permitted without the written consent of the parties hereto.

5.04 Execution and Counterparts. This Agreement may be executed in any number of counterpart copies. Facsimile signatures shall be accepted the same as originals.

5.05 Notice. Any notice required or desired to be given by one or more of the Parties to any other Party or Parties shall be in writing and may be personally delivered; mailed, certified mail, return receipt requested; sent by telephone facsimile with a hard copy sent by regular mail; sent by a nationally recognized receipted overnight delivery service, including, by example and not limitation, United Parcel Service, Federal Express, or Airborne Express for earliest delivery the next business day; or sent by electronic mail with a hard copy sent by regular mail. Any such notice shall be deemed given when personally delivered; if mailed, three (3) delivery days after deposit in the United States mail, postage prepaid; if sent by telephone facsimile or electronic mail, on the day sent if sent on a business day during regular business hours (9 a.m. to 5 p.m.) of the recipient, otherwise on the next business day; or if sent by overnight delivery service, one (1) business day after deposit in the custody of the delivery service. The addresses, telephone numbers, and electronic mail addresses for the mailing, transmitting, or delivering of notices shall be as follows:

If to TDA: Timnath Development Authority
ATTN: Executive Director
4100 Main Street
P.O. Box 37
Timnath, Colorado 80547
Phone: (970) 224-3211
Fax: (970) 224-3217

With a copy to: Murray Dahl Kuechenmeister & Renaud, LLP
Attn: Malcolm M. Murray
2401 15th Street, Suite 200
Denver, Colorado 80202
Phone: (303) 493-6670
Fax: (303) 477-0965

If to Developer: Timnath Farm Investments, LLC
ATTN: Dino A. DiTullio, Manager
7785 Highland Meadows Parkway, Suite 202
Windsor, CO 80550
Phone: (970) 207-0102
Fax: (970) 207-0104

If to Districts: South Timnath Metropolitan Districts Nos. 1 & 2
c/o Pinnacle Consulting Group, Inc.
5110 Granite Street, Suite C
Loveland, Colorado 80538
Phone: 970-669-3611
Fax: 970-669-3612

With a copy to: Corbetta & O'Leary, P.C.
Attn: David Sean O'Leary, Esq.
821 17th Street, Suite 600-B
Denver, Colorado 80202
Phone: 303-294-9100
Fax: 303-294-9112

Notice of a change of address of a Party shall be given in the same manner as all other notices as hereinabove provided.

5.06 Contracting by Electronic Means. The Parties do not agree to contract by electronic means except for facsimile signatures on this Agreement and notices given by electronic means pursuant to Section 5.05.

5.07 Further Assurances. The Parties shall execute such documents or instruments and take such action as may be necessary or reasonably required to carry out the terms and provisions of this Agreement.

5.08 Default/Remedies. The Parties recognize that because the extent of damage caused by any breach of the provisions of this Agreement may be extremely difficult or impossible to determine, an action for specific performance may be necessary to provide an adequate remedy for such breach. Accordingly, in the event of a material breach or default by any Party in the performance of its obligations under this Agreement, and in the event such default is not cured within thirty (30) days after notice of default is given to the defaulting party, any nondefaulting Party shall have the right to an action for specific performance, injunctive relief, and/or damages.

5.09 Entire Agreement. This Agreement constitutes the entire agreement among the Parties with respect to the subject matter hereof and supersedes any prior agreements, understandings, discussions, representations or warranties made by any Party.

5.10 Good Faith. Except for any matters expressly stated to be in the sole discretion of a Party, the Parties shall act in good faith and shall not act unreasonably, arbitrarily or capriciously in the performance of their obligations under this Agreement. Any consent required to be given pursuant to the terms of this Agreement, unless stated to be in the sole discretion of one Party, shall not be unreasonably withheld, conditioned, delayed, or denied.

5.11 Incorporation of Exhibits. All exhibits attached to this Agreement are incorporated into and made a part of this Agreement as if fully set forth herein.

5.12 Third Party Beneficiaries. No rights created in favor of any Party shall be construed as benefiting any Person that is not a party to this Agreement, except the Bond Trustee. The trustee for any District Debt is an intended third party beneficiary of all of the terms and provisions of this Agreement and shall be entitled to enforce such terms and provisions the same as if it was a Party to the Agreement.

5.13 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable, in whole or in part, such provision shall be fully severable and this Agreement shall be construed and enforced, and shall not be affected by, the illegal, invalid or unenforceable provision or by the severance of such provision from this Agreement.

5.14 Titles of and References to Sections. The titles of sections of this Agreement are inserted for convenience of reference only and shall not be considered in construing or interpreting any section of this Agreement. References to section numbers are to sections or subsections of this Agreement.

5.15 No Partnership. Nothing contained in this Agreement shall be construed to create a partnership, joint venture or other joint enterprise between and among any of the Parties.

5.16 Waiver of Breach. No waiver of any one or more of the terms of this Agreement shall constitute a waiver of any other terms and no failure to enforce any of the terms or provisions of this Agreement shall be construed as a waiver of such terms or provisions.

5.17 Binding Effect. This Agreement shall be binding upon, and inure to the benefit of, the Parties and their respective successors and assigns.

5.18 Term. This Agreement shall remain in full force and effect for a period of twenty-five (25) years from and after the Effective Date.

5.19 Construction. The terms and provisions of this Agreement have been negotiated among the Parties and shall not be construed in favor of or against the Party primarily responsible for the drafting of this Agreement. To the extent that any of the terms or provisions of this Agreement may conflict with any current or future Regulations, the terms and provisions of this Agreement shall govern and shall be deemed to have superseded such Regulations. Regulations shall be applicable only as expressly provided in this Agreement to the extent such Regulations are not in conflict with any of the terms or provisions of this Agreement.

5.20 Delegation of Authority. Nothing contained in this Agreement is intended to, or shall be construed to, constitute or require an unlawful delegation of authority by the TDA or an unlawful restraint on the legislative discretion of future TDA Boards.

5.21 Nonliability of Officials and Employees. No member of the TDA Board or any District Board, or any official, employee, agent or consultant of any Party to this Agreement shall be personally liable for the performance of any of the terms or provisions of this Agreement or in the event of a breach or default by any Party.

5.22 Conflict of Interest. No Party shall allow or knowingly permit any of the following Persons to have any interest, direct or indirect, in this Agreement:

- (a) A member of the governing body of the TDA;
- (b) An employee of the Town or an employee of the TDA who exercises responsibility concerning the Urban Renewal Project; or
- (c) An individual or firm retained by the TDA that has performed consulting or other professional services in connection with the Urban Renewal Project.

No party shall willingly permit any of the above-described Persons to participate in any decision relating to this Agreement that affects his or her financial interest or the financial interest of any Person with whom or in which he or she is directly or indirectly interested. The parties hereto acknowledge that ownership of, or an interest in, a residential home in the Districts by any of the above-described persons will not constitute a prohibited interest in this Agreement for the purpose of this Section 5.22.

IN WITNESS WHEREOF, the Parties have executed this Agreement or counterpart copies thereof as of the Effective Date.

TIMNATH DEVELOPMENT AUTHORITY

By: _____
Its: _____
Dated: _____

ATTEST:

By: _____

SOUTH TIMNATH METROPOLITAN
DISTRICT NO. 1

By: _____
Its: _____
Dated: _____

ATTEST:

By: _____

SOUTH TIMNATH METROPOLITAN
DISTRICT NO. 2

By: _____
Its: _____
Dated: _____

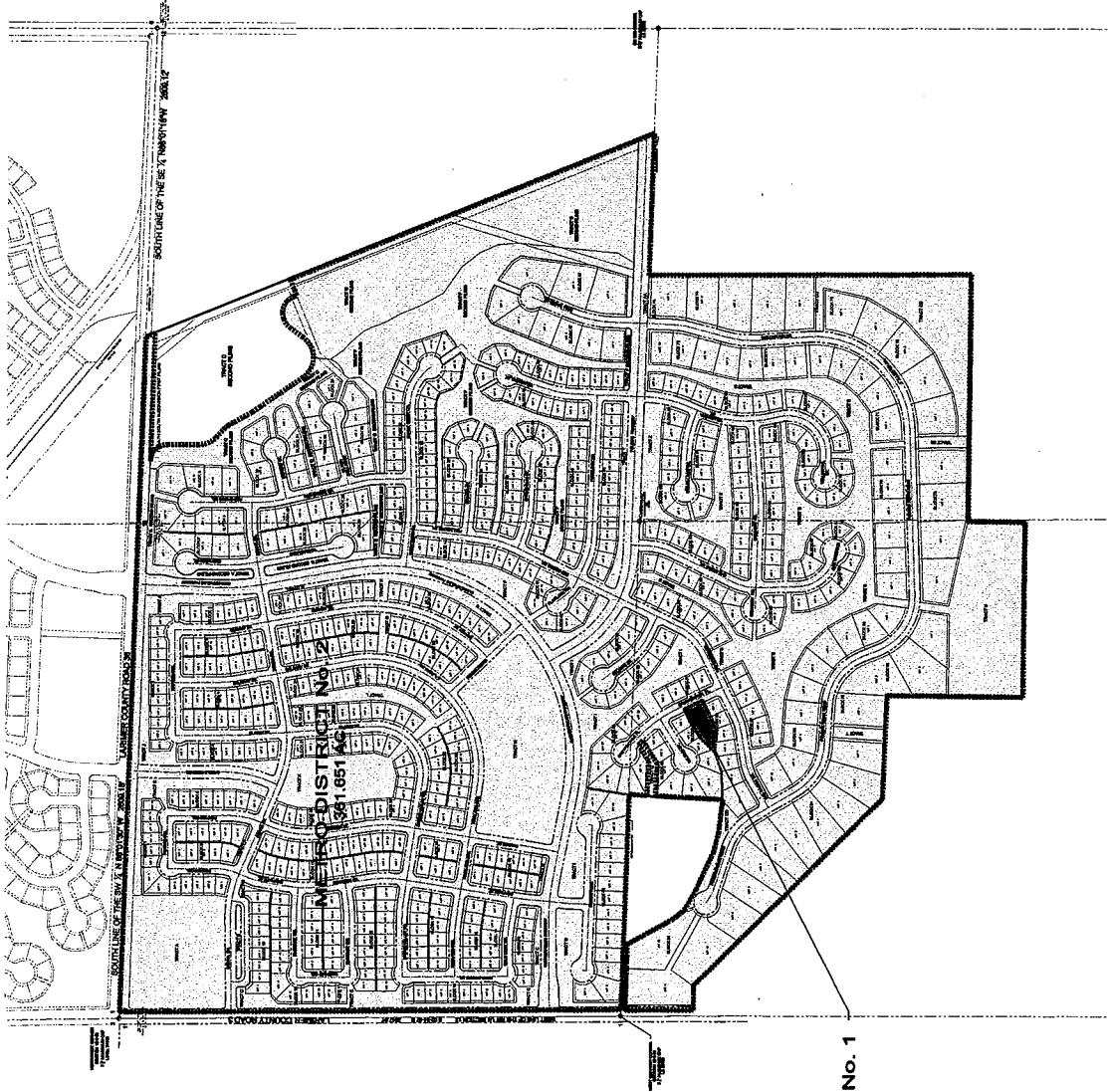
ATTEST:

By: _____

**EXHIBIT A
DISTRICTS BOUNDARIES
(SERVICE AREA)**

SOUTH TIMNATH DISTRICT MAP

SECTION 12, TOWNSHIP 6 NORTH, RANGE 68 WEST,
TOWN OF TIMNATH, COUNTY OF LARIMER, STATE OF COLORADO



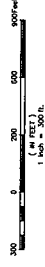
METRO DISTRICT No. 1
(TRACT R)
0.334 AC.

LEGEND:

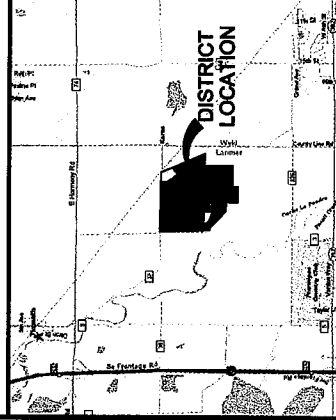
- District "Number"
- Section Corner
- Metro District Parcel No.1
- Metro District Parcel No.2

DISTRICT ACREAGE:

SOUTH TIMNATH METRO DISTRICT LAND DISTRIBUTION TABLE			
PARCEL	SF	AC	% OF TOTAL
METRO DIST #1	14,533	0.334	0.09
METRO DIST #2	15,753,507	361.651	99.91
SUM =	15,768,040	361.984	100.0



JULY 16, 2007



VICINITY MAP
N.T.C.

**SOUTH
TIMNATH**
Metropolitan Districts
DISTRICT MAP



**EXHIBIT B
PLAN AREA**

Exhibit H
South Timnath Metropolitan Districts
Town of Timnath Address List as of November 1, 2005

<u>Main Street</u>		<u>Dixon Street</u>	<u>Kern Street</u>
3721	4124	4208	4000
3733	4201	4208½	4001
3805	4120	4217	4004
3817	4217	4220	4006
3927	4229	4221	4009
4000	4233	4225	4016
4004	4237	4228	4017
4005	4241	4233	4020
4008	4301	4234	4025
4012	4309	4241	4033
4016	4317	4248	4101
4104	4321	4249	4105
4105	4325	4304	4113
4109	4329	4305	4121
4110	4333	4308	
4113	4401	4316	
4116	4405	4319	
4117	4409	4320	
		4324	
		4324	
		4332	

<u>Sugar Trail</u>	<u>3rd Avenue</u>	<u>4th Avenue</u>	<u>5th Avenue</u>
5101	5000	5124	5001
5103	5050	5200	5008
5105	5151	5250	5009
			5016
			5017
			5024
			5025
			5032
			5033
			5115
			5121