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**MASTER INTERGOVERNMENTAL
DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT**

MASTER INTERGOVERNMENTAL DISTRICT FACILITIES CONSTRUCTION
AND SERVICE AGREEMENT entered into and dated as of January 8, 2008, by and between
Fossil Ridge Metropolitan District No. 1, Fossil Ridge Metropolitan District No. 2 and Fossil
Ridge Metropolitan District No. 3.

(Cover Sheet Only)

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**MASTER INTERGOVERNMENTAL
DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT**

This **MASTER INTERGOVERNMENTAL DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT** (the "Agreement") is made and entered into and dated as of _____, 2008 by and between **FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1** ("the Service District") and **FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2 and FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3** (collectively, "the Financing District"), individually and/or collectively referred to as the "District" or the "Districts," as the context indicates. The Districts are quasi-municipal corporations and political subdivisions of the State of Colorado.

RECITALS

WHEREAS, the Service Plan (defined below) for the Districts was approved by the City Council of the City of Lakewood and the District Court in and for Jefferson County approved the formation of the Districts as multiple districts whose purposes are to provide essential public improvements and services as contemplated herein; and

WHEREAS, the purposes for which the Districts were formed are specifically set forth in the Service Plan, which was prepared for the Districts pursuant to Sections 32-1-201, et seq., C.R.S., and with respect to which all required governmental approvals have been obtained; and

WHEREAS, subject to approval by the City of Lakewood, Colorado (the "City"), the Service Plan may be amended from time to time as permitted herein, and any and all such amendments shall become part of the Service Plan as such term is used herein; and

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

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

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

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

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

WHEREAS, the Districts agree that the Facilities are needed by the Districts and that the Facilities will benefit the residents and property owners in the Districts in terms of cost, quality, level of service, and management and operation of such Facilities; and •

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

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

WHEREAS, said costs may include, but are not limited to, payments made to the Service District from District General Obligation Debt, Revenue Debt, Capital Fees, or other legally available Fees; and

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

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

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

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

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

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

COVENANTS

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

ARTICLE I

GENERAL PROVISIONS

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

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

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

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

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

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

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

1.3 Purpose and Scope of Agreement. The Districts state that the statements set forth in this Section 1.3 are essential to the proper interpretation of this Agreement and are intended to clarify the general intent of specific provisions contained herein, but are not intended to constitute an all-inclusive statement of the Districts' intentions; reference must also be made to the Service Plan for purposes of construing both this Agreement and the Districts' intent. The Districts agree that any one District shall be entitled to any remedy, order, judgment or action

which is, or may be, necessary to make the intentions of the Districts operative, as the same are expressed herein. Therefore, in light of the foregoing statements of limitation, the Districts' general intentions are as follows:

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

b. The Service District will have little assessed valuation within its boundaries from which "General Obligation Debt" (as defined below) could be paid, and consequently contemplates that the Financing District will issue obligations that are appropriately secured or credit-enhanced by third parties. The Service Plan: 1) provides that the Service District obligations issued to pay for costs associated with the Facilities and Services are intended to be repaid with payments from the Financing District and may be refunded or repaid from the proceeds of General Obligation Debt issued by the Financing District, when adequate assessed valuation exists within its boundaries; and 2) contemplates that virtually all of the assessed valuation of the property to be developed within the Districts' service areas will be located within the boundaries of the Financing District, and that the Financing District will issue "General Obligation Debt" or revenue "Bonds" in the manner contemplated in the Service Plan in order to pay its obligations created by this Agreement. Bond proceeds will be used to construct the Facilities for the Financing District in a manner consistent with the Service Plan. The Financing District will issue "General Obligation Debt" to capture the value of increases in the tax base within the Financing District that are caused, to a significant degree, by the availability of Services and Facilities from the Service District. The transfer of "Bond" proceeds from the Financing District to the Service District is intended to result in an equitable allocation of the costs of the Facilities to all of the properties that are benefited thereby.

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

d. The Financing District acknowledges that the Service District may, from time to time and as necessary, negotiate for, and obtain, certain security or credit enhancement for the Districts' "Bonds" from third parties who, as of the date hereof, own property within the Districts, and that if such security or credit enhancement is provided, substantial damage will result to said third parties in the event this Agreement is breached by any one District in any

material manner. Consequently, the Districts agree that neither the Service District nor the Financing District shall be entitled to unilaterally terminate this Agreement and that this Agreement is intended to be strictly enforced to the maximum extent permitted by law. The Districts further agree that this Agreement can only be terminated by following the express provisions of Article VIII, below. Nothing in this paragraph shall be construed as granting any rights to third parties.

e. The purpose of this Agreement is to set forth the rights and obligations of the Financing District to fully fund, and of the Service District to construct, own, transfer, operate and/or maintain the Facilities, which are of benefit to the Districts. This Agreement shall, in all circumstances, be interpreted in accordance with the Service Plan and the intentions expressed therein regarding the role of each District. The Districts acknowledge that performance of this Agreement for the full term hereof is key to full implementation of the Service Plan. Therefore, any attempted material departure, unilateral termination, or material modification to this Agreement by any one District, by judicial action or otherwise, shall constitute a "material modification" of the Service Plan for which the aggrieved District shall be entitled to seek appropriate legal or equitable remedies, such as negative injunctive relief, in accordance with Section 32-1-207(3)(a), C.R.S., in addition to all other remedies set forth herein. Notwithstanding the foregoing, the agreements and acknowledgements of the Districts contained herein are expressed solely for the benefit of the Districts to aid in their efforts to enforce this Agreement, and shall not constitute or be admissible as admissions by any Party in efforts which may be taken by any third person to enjoin the activities by any District under Colorado law.

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

g. It is not the Service District's intent to offer or provide service by this Agreement to members of the general public outside of the Financing District's service area; rather, it is the Service District's sole intent to offer and provide only those services contemplated in, and in accordance with, the Service Plan. [Should this be "Services" here and in the next few sections?]

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

i. It is not the Districts' intent to dedicate any of their property to a public use outside of their boundaries, to make any offer to provide service to the public outside of their

service area, or to make any representation that either District is capable of providing service to the public at large through this Agreement; the Districts hereby expressly disavow any such claim to the contrary. The Service District does not intend to offer to furnish service to the public or any individual resident or property owner outside of its service area, or the service area of the Financing District, through this Agreement, nor shall it be construed as offering any such service under this Agreement; provided, however, that nothing contained herein shall prevent the Service District from providing such service to property owners outside of its service area through a separate contract or agreement.

j. This Agreement shall be construed as a private intergovernmental agreement between the Districts. The Districts expressly agree that no third person or entity other than the Financing District shall receive actual service, or the rights thereto, from the Service District, except as may otherwise be provided pursuant to separate agreements. It is further expressly declared by the Districts that no third person or entity shall be construed as a third party beneficiary of this Agreement, unless otherwise expressly stated herein.

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

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

ARTICLE II

DEFINITIONS

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

a) "Accounts" shall mean and refer to Construction Account and Service Account collectively.

b) "Agreement" shall mean this Agreement and any amendment hereto made in accordance herewith.

c) "Annual Payment Option" shall mean the option which may be elected by the Financing District pursuant to Section 3.2 hereof to make payments for Capital Costs as specifically permitted herein.

d) "Authorized Capital Costs" shall mean capital costs not to exceed the amounts set forth in the Service Plan.

e) "Authorized Service Costs" shall mean service costs not to exceed the amounts set forth in the Service Plan.

f) "Board" or "Boards" shall mean the lawfully organized Boards of Directors of the Districts.

g) "Bonds" shall be defined in specific sections of this Agreement and may have different meanings depending upon the specific context in which the term is used, including General Obligation Debt and Revenue Debt. [Discuss]

h) "Budget Elements" shall mean the specific elements of the Service District's budget documents setting forth the anticipated Capital Costs of the Facilities proposed to be constructed during the Budget Year, and shall also mean the specific elements of Service to be provided by the Service District during the Budget Year.

i) "Budget Year" shall mean the year (immediately following the Planning Year) during which Capital Costs and Service Costs are to be incurred.

j) "Capital Costs" shall mean those costs which are to be incurred by the Service District for the purpose of planning, designing, constructing and acquiring a portion or all of the Facilities including, but not limited to:

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

2. All labor costs incurred in the actual construction or acquisition of the Facilities;

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

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

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

6. All legal, financing, and accounting costs incurred in connection with the financing, construction or acquisition of the Facilities, including the costs of issuance of Bonds and interest thereon;

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

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

9. Any funds retained or payments accrued and owing by the Service District for construction completed but not yet paid during that Budget Year.

k) "Charges" shall mean all rates, fees, tolls, charges or penalties imposed by the Districts with the exception of Development Fees, ad valorem property taxes, or User Fees.

l) "City" shall mean the City of Lakewood, Colorado, unless otherwise specified.

m) "Commencement Date" shall mean the first business day of that month in which operation of any portion of the Facilities begins.

n) "Construction" shall include, but not be limited to, design engineering, construction, expansion, acquisition, maintenance, repair, and replacement of the Facilities, and all appurtenances thereto necessary or convenient to the completion, use, and operation of the Facilities.

o) "Construction Account" shall mean the account created by the Service District on its financial records for the purpose of holding funds to be expended for the Construction of the Facilities and for other purposes contemplated in this Agreement.

p) "Construction Schedule" shall mean the schedule showing the anticipated Facilities planned for Construction during the Budget Year.

q) "Contract Service Area" shall mean the legal boundaries of the Financing District and Service District, as adjusted from time to time as permitted under the Service Plan.

r) "Development Fees" shall mean the fees imposed and collected by the Service District or Financing District, including pre-paid fees, for the right of residents and

property owners in the Financing District to connect to or gain access to the Facilities provided pursuant to this Agreement.

s) "Districts" shall mean the Service District and the Financing District collectively, including any duly authorized representative, officer, director, employee, agent, engineer or attorney of any District, if applicable.

t) "District Capital Fees" shall mean fees to be imposed by the Districts and payable by the Developer in an amount to be determined by the Districts, as further defined and specified in the Service Plan.

u) "Emergency Repair" shall mean any repair or replacement of the Facilities which in the opinion of the Service District, require immediate action in order to avoid damage to the Facilities, unscheduled interruption of service, or danger to District's residents or property owners.

v) "Estimated Capital Costs" shall mean the estimated costs for constructing or acquiring Facilities for the Budget Year, derived in accordance with Section IV and as set forth in the Service Plan, subject to such modification as is contemplated by the Service Plan.

w) "Estimated Service Costs" shall mean the estimated costs for operation and maintenance of the Facilities, and administration of the Districts for the Budget Year derived in accordance with Section 5.7 hereof, including but not limited to projected repairs and replacement of equipment and supplies, general upkeep of properties, and reasonable contingencies for unexpected repairs and replacements.

x) "Event of Default" shall mean one of the events or the existence of one of the conditions set forth in Article VIII hereof.

y) "Facilities" shall mean the facilities and improvements generally described in the Service Plan.

z) "Final Budget" shall generally mean the final budget established by the Service District pursuant to the provisions of Article IV regarding Construction of the Facilities and pursuant to the provisions of Article V regarding Service. The term shall derive its specific meaning from the context in which it is used.

aa) "Financing District" shall mean Fossil Ridge Metropolitan District No. 2 and Fossil Ridge Metropolitan District No. 3.

bb) "General Obligation Debt" shall mean General Obligation Debt or other financial obligations issued by any District, which are not subject to annual appropriation, the payment of which any District has promised to impose, collect and pledge an ad valorem property tax mill levy, as further defined in the Service Plan.

cc) "Major Repairs or Replacement" shall mean any single repair or replacement of any portion of the Facilities which requires an estimated total expenditure in excess of Seventy-Five Thousand Dollars (\$75,000).

dd) "Maximum Annual Payment" shall mean an amount equal to (i) the highest amount that the Service District may require (pursuant to the budget process and debt authorization limits set forth in the Service Plan) the Financing District to pay in any one year for the combination of Capital Costs and Service Costs under this Agreement, (not to exceed the revenue that can be produced from the Maximum Mill Levy), together with other funds of the Financing District legally available therefore, or (ii) assuming that the Financing District's obligation will be paid all or in part through a remittance of Bond proceeds to the Service District, an amount equal to fifty percent (50%) of the valuation for assessment of the taxable property in the Financing District (i.e. annual debt obligation), whichever is greater.

ee) "Maximum Mill Levy" shall mean the highest mill levy that the Service District may require the Financing District to impose for payment of the combination of Capital Costs and Service Costs under this agreement not to exceed the highest mill levy permitted under the Service Plan.

ff) "Operations and Maintenance," and/or "Operations" or "Maintenance" shall mean, whether such terms are used together or separately, the provision by the Service District of such services as are necessary to assure the orderly and proper function of all the Facilities in order to provide Service as contemplated herein, and shall also include all general, administrative, accounting, legal, and other similar services required by the Service District to maintain the proper organization and existence of the Service District and the Financing District, as well as the proper functioning of all the Facilities, the issuance of Bonds, and all other costs set forth by the Service District and portions of its budget in any year which are not specifically designated as Capital Costs or Debt Service Costs.

gg) "Operations Fee" shall mean that amount assessed annually on each lot for costs associated with the Districts' authorized operations and maintenance of the Public Improvements, per Section V.G. of the Service Plan, as amended.

hh) "Parks and Recreation" shall mean the "Park and Recreation" facilities described in the Service Plan.

ii) "Party" or the "Parties" shall mean a District or the Districts, as applicable.

jj) "Person" shall mean any individual, corporation, joint venture, estate, trust, partnership, association, or other legal entity, including governmental entities, other than the Districts.

kk) "Planning Year" shall mean the year immediately preceding the corresponding Budget Year.

11) "Plans" shall mean the plans, documents, drawings, and other specifications prepared by or for the Service District for the Construction, installation, acquisition of, or connection to any Facilities, including any addendum thereto, and any change order, revision, and/or modification thereof.

mm) "Preliminary Budget Documents" shall mean those documents prepared by the Service District for submission to the Financing District during the Planning Year which may include a schedule for deposits into the Construction Fund Account and Service Account and may include a proposed Construction Schedule for the Budget Year.

nn) "Revenue Debt" shall mean Bonds or other financial obligations not subject to annual appropriation, the payment of which any District has promised to pay from legally available revenues of the District other than property taxes of the District, as further described and defined in the Service Plan.

oo) "Sanitation" shall mean the "Sanitary Sewer" improvements described in the Service Plan.

pp) "Service" shall mean the provision by the Service District of operations, maintenance and administrative services to the Financing District, and the provision by the Service District of water, sewer and such other services for which the Service District shall be entitled to a User Fee.

qq) "Service Costs" shall mean all operation, maintenance, and administrative costs incurred by the Service District in the performance of the duties and services required by this Agreement.

rr) "Service District" shall mean Fossil Ridge Metropolitan District No. 1.

ss) "Service Fund" shall be that account owned and established by the Service District into which the Financing District shall deposit the full amount of the Estimated Service Costs and Service Costs for the Facilities and Services.

tt) "Service Plan" shall mean the Second Amended and Restated Service Plan for Fossil Ridge Metropolitan District No. 1, Fossil Ridge Metropolitan District No. 2 and Fossil Ridge Metropolitan District No. 3, as approved by the City Council of the City of Lakewood on August 27, 2007, as the same may be amended from time to time subject to appropriate approval by the City. Any reference herein to Service Plan shall include any and all authorized amendments to the Service Plan.

uu) "Streets" shall mean the "Street" improvements described in the Service Plan.

vv) "Term" shall mean the Term of this Agreement which shall be forty (40) years from its date of execution unless obligations of Financing District are satisfied earlier.

ww) "Traffic and Safety Controls" shall mean the "Traffic and Safety Controls" described in the Service Plan as modified as contemplated in the Service Plan

xx) "Transportation Systems" shall mean the "Transportation" facilities described in the Service Plan.

yy) "Users" shall mean the residents, property owners, or Persons served by or receiving Service from the Service District.

zz) "User Fees" shall mean the periodic fees, if any, imposed and collected by the Service District from residents and property owners in the Financing District for the monthly or other periodic Service provided by the Service District, including but not limited to amounts associated with water and sewer services and access to recreational facilities.

aaa) "Water Distribution System" shall mean the "Water" facilities described in the Service Plan.

ARTICLE III

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

3.1 No Additional Electoral Approval Required. Elector approval has been granted for issuance of debt, fiscal year spending, revenue collections and other constitutional matters for purposes of this Agreement, as well as for the construction of the Facilities, and the provision of operation, maintenance and administrative services pursuant to the terms hereof. These matters were approved at elections held for the Districts in November 2006, in accordance with law and pursuant to due notice. The performance of the terms of this Agreement requires no further electoral approval. To the extent that further voter authorization is required to give effect to any provision of this Agreement, the Financing District agrees to use its best efforts to obtain voter approval for such additional authorization and, if necessary, cooperate in obtaining approval of an amendment to the Service Plan at the request of the Service District. If any claim is filed in a court of competent jurisdiction by a person with standing to do so, seeking to have this Agreement or any of its obligations declared void or unenforceable, or in any manner otherwise affecting this Agreement which could have a material adverse effect on any Bonds issued by the Districts, or any District, or on the ability of the Service District to conduct the activities contemplated herein, the Financing District shall take all necessary action and use its best efforts to immediately provide funds to the Service District to enable it to perform all executory obligations hereunder. The Districts shall also vigorously oppose such claims and the Financing District shall cooperate in taking all such other curative action requested by the Service District.

3.2 Payments for Capital and Service Costs. The Districts acknowledge and agree that the maximum amount of Authorized Capital Costs and Authorized Service Costs, which could become due under this Agreement are not permitted to materially exceed the projections set forth in the Service Plan. In the event the Service District determines that inflation,

contingencies or other unforeseen matters require an increase in the maximum amount of Authorized Capital Costs or Authorized Service Costs necessary for the Districts, and additional authorization is necessary to implement the terms of this Agreement to meet such requirements, the Financing District agrees to use best efforts to obtain additional authorization, and if necessary, to obtain City approval of an amendment to the Service Plan. If, despite its best efforts to do so, the Financing District is not able to obtain such additional authorization and/or any necessary amendment to the Service Plan, the Service District may, in its sole discretion, make downward adjustments and reallocations between Authorized Capital Costs and Authorized Service Costs as necessary, but in no event in excess of the aggregate amount of authorization at that time. In the event of downward adjustments and reallocations are made to Authorized Capital Costs and Authorized Service Costs by the Service District, the Service District shall notify the Financing District of the revised amounts within thirty (30) days thereafter. Authorized Capital Costs and Authorized Service Costs due under this Agreement shall be paid by the Financing District upon the execution of this Agreement in payments to the Construction Account and Service Account, respectively, unless each of the following options are exercised:

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

b. Annual Payment Option for Service Costs. At its option, the Financing District may pay the maximum amount of Authorized Service Costs due hereunder in annual payments to the Service Account, in amounts determined in accordance with Article V hereof, payable without interest except in cases of an Event of Default. The Financing District will have the option each year in conjunction with preparation of budgets in accordance with Section 5.7.c hereof to either pay in full the then remaining balance of the maximum amount of Service Costs, in an amount determined by the Service District, but not to exceed the Authorized Service Costs

which could become due under this Agreement, or to elect the Annual Payment Option described above and pay Estimated Service Costs as derived in accordance with Section 5.7.c. hereof for the next succeeding year. Election by the Financing District of the Annual Payment Option shall be made by delivery of a notice to the Service District at the time budget review and approval is conducted pursuant to Section 5.7.c hereof and shall be deemed to have occurred in the absence of such notice upon adoption of a budget for the Budget Year in question by the Financing District. The amount of payment due under the Annual Payment Option shall be not less than the greater of the amount set forth in the Service Plan for Service Costs or in the Final Budget of any given year, except as such amounts are adjusted and modified as permitted herein or in the Service Plan, but in no event in excess of the Maximum Annual Payment. The Districts recognize that the amounts set forth in the Service Plan are expressed in dollars which, in accordance with the Service Plan, may be adjusted for numerous factors subject to the overall limitation of the amount of debt of the Financing District as set forth in the Service Plan.

c. Bond Payments. The Districts agree that the Financing District shall use its best efforts to issue General Obligation Debt or Revenue Debt at the points in time identified in the Service Plan. If such General Obligation Debt or Revenue Debt is issued, the Financing District shall pay the proceeds thereof to the Service District in full or partial satisfaction of the Financing District's obligation to pay Capital Costs. All such payments received by the Service District shall be applied to reduce the then-remaining balance of the maximum amount of Capital Costs due under this Agreement to the Service District. If the Financing District has issued General Obligation Debt or Revenue Debt and transferred the proceeds to the Service District in full or partial fulfillment of its obligation to pay Capital Costs, the Financing District's obligation to pay annual Service Costs and Capital Costs due under this Agreement shall be limited to the net revenue available to it after all annual payments are made on its Bonds so that in no event shall it be required to make a payment hereunder in any year which would cause it to be unable to make full and timely payments of principal and interest on such General Obligation Debt or Revenue Debt as the same become due and payable. The Financing District shall also receive a credit against future Estimated Capital Costs if the net proceeds transferred to the Service District exceed the Estimated Capital Costs for the year of issuance.

3.3 Accounts.

a. Upon the execution of this Agreement, the total Estimated Capital Costs and Service Costs due under this Agreement as determined by the Service District, or the Maximum Annual Payment for the year of execution hereof, shall be paid by the Financing District to the Accounts, subject to the provisions of Section 3.2 (c) hereof. The total cumulative deposits into the Accounts by the Financing District over the life of this Agreement to cover Capital Costs and Service Costs shall not exceed the maximum amount of Authorized Capital Costs and Authorized Service Costs due hereunder, except as the same may be revised from time to time pursuant to, or as permitted, herein. The Districts specifically agree that in any given Budget Year, the payments required pursuant to this Agreement (whether for that portion of the maximum of Capital Costs and Service Costs which could become due hereunder, or the minimum payment under the Annual Payment Option for the Estimated Capital Costs or Estimated Service Costs for the Budget Year) may be more or less than the amounts required

under the Final Budget as a result of adjustments to such amounts as permitted or required under Articles IV and V hereof or elsewhere in this Agreement.

b. The Service District may borrow funds secured by the obligation of the Financing District to faithfully perform its obligations under this Agreement. Accordingly, and pursuant to the authorization approved by the Financing District's electorate at an election duly called and held in accordance with law and pursuant to Sections 3.6 and 3.7 hereof, the Financing District hereby pledges its full faith and credit to the punctual performance of its obligations, financial or otherwise, under this Agreement, subject to and limited by the Maximum Mill Levy. The Financing District further agrees that this Agreement constitutes contractual general obligation indebtedness as defined in Article X Section 20 of the Colorado Constitution that is subordinate to any Bonds it issues and as limited hereby. Notwithstanding anything else to the contrary in this Agreement, the Service Costs and Capital Costs shall be considered contractual debt of the Financing District, but are not backed by an unlimited mill levy as specified by the Service Plan, and, therefore, shall not be considered bonded General Obligation Debt pursuant to Section 11-59-103(9) C.R.S., or under the limitations of the Service Plan.

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

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

3.6 Pledge of Security for Payment. The financial obligations of the Financing District assumed hereunder shall be contractual general obligation debt of the Financing District, as limited hereby, and shall be payable from ad valorem property taxes generated as a result of the certification by the Financing District of a mill levy not to exceed the Maximum Mill Levy, except as such obligations may actually be paid from any and all other revenues lawfully permitted to be used for such purpose. The full faith and credit of the Financing District, subject to the Maximum Mill Levy and as limited hereby, is pledged to the punctual payment of all amounts to be paid hereunder. The amounts to be paid hereunder shall, to the extent necessary,

be paid out of the general revenues of the Financing District or out of any funds legally available for that purpose, including Bonds issued by the Financing District. For the purpose of reimbursing such general revenues, and for the purpose of providing the necessary funds to pay the amounts to be paid hereunder as the same become due, the Board of the Financing District shall annually determine, fix and certify a rate of levy for ad valorem property taxes to the Board of County Commissioners of Jefferson County, Colorado, which, when levied on all of the taxable property in the Financing District, shall raise direct ad valorem property tax revenues which, when added to other funds of the Financing District legally available therefore, will be sufficient to pay promptly and fully the amounts to be paid hereunder, as well as all other general obligation indebtedness of the Financing District, as the same becomes due, subject to the Maximum Annual Payment. The Financing District further covenants to maintain a schedule of rates, fees, tolls and charges with respect to the provision of public services by the Service District which shall be sufficient, together with the proceeds of general ad valorem property taxes to pay the amounts to be paid hereunder, along with all other general obligation indebtedness of the Financing District.

3.7 Effectuation of Pledge of Security, Current Appropriation. The sums herein required to pay the amounts due hereunder are hereby appropriated for that purpose, and said amounts for each year shall be included in the annual budget and the appropriation resolution to be adopted by the Board of the Financing District in each year while any of the obligations herein authorized are outstanding and unpaid. No provision of this Agreement shall be impaired by any subsequently enacted constitutional, statutory or other measure limiting or impairing the obligation of the Financing District to levy ad valorem property taxes in a manner other than as set forth herein, or as limiting or impairing the obligation of the Financing District to levy, administer, enforce and collect the ad valorem property taxes as provided herein for the payment of the obligations hereunder.

It shall be the duty of the Financing District annually at the time and in the manner provided by law for the levying of the Financing District's taxes, if such action shall be necessary to effectuate the provisions of this Agreement, to ratify and carry out the provisions hereof with reference to the levy and collection of the ad valorem property taxes herein specified, and to require the officers of the Financing District to cause the appropriate officials of Jefferson County, to levy, extend and collect said taxes in the manner provided by law for the purpose of providing funds for the payment of the amounts to be paid hereunder promptly as the same, respectively, become due. Said tax, when collected, shall be applied only to the payment of the amounts to be paid hereunder and to other general obligation indebtedness of the Financing District, as herein specified.

3.8 Limited Defenses; Specific Performance. It is understood and agreed by the Financing District that its obligations hereunder are absolute, irrevocable, and unconditional except as specifically stated herein, and so long as any obligation of the Financing District hereunder remains unfulfilled, the Financing District agrees that notwithstanding any fact, circumstance, dispute, or any other matter, it will not assert any rights of setoff, counterclaim, estoppel, or other defenses to its payment obligations, or take or fail to take any action which would delay a payment to the Service District or impair the Service District's ability to receive payments due hereunder. The Financing District acknowledges that the Service District may

issue obligations to enable the Service District to fulfill its responsibilities hereunder and in so doing, the Service District will rely upon performance of the Financing District of its payment obligations hereunder to produce revenue for the Service District sufficient to enable the Service District to pay its Bonds.

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

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

3.9 The Financing District's General Obligation Debt. The Financing District acknowledges that the Service Plan permits the Financing District to issue General Obligation Debt or other instruments of debt solely for purposes of performing the Service Plan requirements. The Financing District further acknowledges and agrees that the Service Plan contemplates that General Obligation Debt or other evidences of debt will be issued by the Financing District solely for purposes of paying Capital Costs to the Service District in general compliance with the Service Plan. Accordingly, unless the Service Plan is amended as permitted therein not in contravention hereof, the Financing District agrees to and shall pay all proceeds of its Bonds, except capitalized interest, costs of issuance and reserve funds, to the Service District immediately upon receipt thereof by the Financing District or shall provide the Service District with the right to requisition such funds as may be required pursuant to any indenture or other document entered in connection with the issuance of General Obligation Debt, which amounts, when received by the Service District, shall be allocated to the payment of Authorized Capital Costs and/or Authorized Service Costs as directed by the Financing District. The Financing District shall not be entitled to retain for its own use any of such proceeds except capitalized

interest, reserve funds, and to reimburse its general funds for the reasonable costs of issuance of such Bonds or other indebtedness until all obligations hereunder have been performed. If the Financing District has issued General Obligation Debt and transferred the proceeds to the Service District in partial fulfillment of its obligation to pay Capital Costs, the Financing District's obligation to pay Service Costs and Capital Costs due under this Agreement shall be limited to the net revenue available to the Financing District after all payments due on an annual basis are made on its Bonds so that in no event shall the Financing District be required to make a payment hereunder in any year which would cause it to be unable to make full and timely payments of principal and interest on such Bonds as the same become due and payable in each such year. The Financing District shall also receive a credit against future Estimated Capital costs if the net proceeds transferred to the Service District exceed the Estimated Capital Costs for the year of issuance. Notwithstanding anything contained herein, the Districts agree that any obligation hereunder shall be fully subordinated, at all points in time, to any Bonds issued and outstanding by the Financing District.

ARTICLE IV

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

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

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

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

4.4 Automatic Budget Revision.

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

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

c. It is anticipated that the funds for Capital Costs will be provided through the issuance of General Obligation Debt by the Financing District in amounts sufficient to enable the Financing District to pay the Capital Costs or, at the Financing District's option the Estimated Capital Costs set forth in the Final Budget for each Budget Year, as the same may be adjusted as set forth in Section 3.5 above and Section 4.6 below; provided, however, that the Financing District shall retain the discretion and authority to provide for and raise said funds in any manner lawfully available to the Financing District including but not limited to: (i) the issuance of Bonds (whether General Obligation Debt or Revenue Debt), debentures, notes, certificates, anticipation notes, and such other general or special obligations of the Financing District (including lines of credit) as the Financing District shall in its sole discretion determine to issue or incur; (ii) the utilization of the Financing District's power to raise funds in respect to the property and facilities located within its boundaries, as, for example, through the imposition of fees, charges, and general ad valorem property taxes; and/or (iii) the creation and maintenance of debt reserve and contingency funds. The Financing District shall not be deemed to have surrendered or delegated any powers with respect to the determination of the manner in which the financial obligations imposed by this Agreement are to be satisfied and otherwise discharged.

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

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

4.7 Deposit and Funding of Capital Costs. If the Financing District has elected to pay the Estimated Capital Costs for the Budget Year, upon determination of the Final Budget and no later than March 1 of the applicable Budget Year, the Financing District shall make a deposit into the Construction Account to be used exclusively by the Service District for funding the construction of the Facilities in an amount equal to the Estimated Capital Costs for such Budget Year, subject to limitations as set forth herein. The Service District shall account for the funds withdrawn from the Construction Account. If, and in the event, cost estimates as budgeted shall

not be sufficient to cover Capital Costs incurred for the portions of the Facilities included in the Final Budget, and in the event construction contract change orders and similar such causes shall increase the costs incurred for the Facilities Construction, the Service District shall call for such supplemental deposits to be placed into the Construction Account by the Financing District as may be necessary to cover such increased costs, subject to the limitations of the Maximum Annual Payment. The Financing District shall make supplemental deposits into the Construction Account within thirty (30) days of such a call by the Service District; provided that in no event shall any such call result in a reduction or increase in the obligation on the part of the Financing District to pay to the Service District the maximum amount of Capital Costs which could become due hereunder.

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

4.8 Construction Account Ownership and Fiscal Year Spending. All funds deposited by the Financing District into the Construction Account shall at all times remain the funds of the Financing District until disbursed from the Construction Account but upon deposit shall be deemed to be part of the fiscal year spending of the Financing District pursuant to Article X, Section 20 of the Colorado Constitution. Funds expended from the Construction Account shall not be part of the fiscal year spending of the Service District, which is acting as owner and manager, and which is receiving no funds from the Financing District other than to provide Services, Facilities, and programs for the Financing District.

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

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

4.10 Service District to Construct and Acquire Improvements. The Service District will, on behalf of the Financing District, contract for and supervise the construction and acquisition of the Facilities described in the Service Plan and the applicable Final Budget for each Budget Year in such manner as the Service District shall reasonably determine to be in the

best interests of the Districts. Pursuant to this Agreement, the Service District shall schedule, phase, and configure the Facilities to accurately and adequately provide for the needs of the residents and property owners within all of the Districts as reflected in development plans for the community, as the same may be revised officially from time to time and as development demands require. All construction shall be subject to the ability of the Service District through its good faith efforts to obtain all necessary governmental approvals. The Service District shall exercise its best efforts to comply with all applicable rules, laws, regulations and orders in its contractual undertakings concerning construction and acquisition of the Facilities.

4.11 Final Plans and Specifications.

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

1. Such Plans are not in substantial compliance with generally accepted architectural and/or engineering standards, including all applicable standards of the governing jurisdiction having authority over such Plans.

2. Such Plans are not in substantial compliance with any approved final plat as approved by entities with legal jurisdiction over such final plats or other regulatory agency having approval authority over a final plat of property within the Financing District or the Service District.

3. Such Plans are not in substantial compliance with design standards applicable to the Districts or any other regulatory agency having jurisdiction over such Plans.

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

Service District may make the changes to such Final Plans and proceed to construct the Facilities pursuant to this Agreement.

4.12 Construction Contracts. The Service District shall cause Construction of the Facilities to be commenced on a timely basis subject to receipt of all necessary governmental approvals and the terms of this Agreement. The Service District shall make available to the Financing District copies of any and all construction contracts and related documents concerning the Facilities. The Service District shall diligently and continuously prosecute to completion the Construction of the Facilities. Approval of any change orders for which funds are or may be made available pursuant hereto shall be in the sole discretion of the Service District after informational consultation with the Financing District. The Financing District shall have the right upon written request to review in advance all proposed change orders that will result in an increase in the total amount, taken in the aggregate, of the amount budgeted, appropriated and paid by the Financing District into the Accounts for the Budget Year in question. Nothing in this or any other paragraph, Article or Section of this Agreement shall be construed to mean that any change order, or change orders, shall effect an expansion of any District's total financing obligation under this Agreement except as specifically permitted herein or in the Service Plan. The Financing District shall not direct any Construction activities.

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

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

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

ARTICLE V

OWNERSHIP AND OPERATION OF THE FACILITIES PAYMENT FOR SERVICES

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

5.2 Sale of the Facilities. Notwithstanding any provision hereof to the contrary, in the event that the Service District finds it is in the best interests of the Service District and the Financing District to sell, transfer, lease, dedicate, or otherwise convey any interest in any Facilities, or a part thereof, to another governmental, quasi-governmental, private, or utility service supplier, the Service District may do so upon such reasonable terms as are determined by the Service District consistent with the Service Plan and provided that tax-exempt Bonds of the Districts are not negatively affected. The Districts agree and acknowledge that the Service Plan contemplates that water, wastewater, roads, and other facilities may be transferred or leased to other governmental entities for operation and maintenance purposes, and that such entities shall have the right to impose and collect service charges for services they provide. Nothing contained herein shall constrain the ability of the Service District to enter into and perform such agreements or enter into and perform singular agreements for coordinated provision of services among various governments.

5.3 Management Services. The Service District shall perform the following services for the Financing District:

a. Serve as the "official custodian" and repository for the Financing District's records, and emergency communication services for the Service District's Facilities, file space, incidental office supplies and photocopying, meeting facilities and reception services.

b. Coordination of all Board meetings to include:

1. Preparation and distribution of agenda and information packets.
2. Preparation and distribution of meeting minutes.
3. Attendance at Board meetings.
4. Preparation, filing and posting of legal notices required in conjunction with the meeting.
5. Other details incidental to meeting preparation and follow-up.

c. Ongoing maintenance of an accessible, secure, organized and complete filing system for the Financing District's official records.

- d. Monthly preparation of checks and coordination of postings with an accounting firm.
- e. Periodic coordination with an accounting firm for financial report preparation and review of financial reports.
- f. Insurance administration, including evaluating risks, comparing coverage, processing claims, completing applications, monitoring expiration dates, processing routine written and telephone correspondence, etc. Ensure that all contractors and subcontractors maintain required insurance coverage for the Financing District's benefit.
- g. Election administration, including preparation of election materials, publications, legal notices, pleadings, conducting training sessions for election judges, and generally assisting in conducting the election.
- h. Budget preparation, including preparation of the Preliminary Budget Documents and Final Budget in coordination with an accounting firm, preparation of required and necessary publications, legal notices, resolutions, certifications, notifications and correspondence associated with the adoption of the Final Budget and certification of the tax levy.
- i. Response to inquiries, questions and requests for information from the Financing District's property owners and residents and others.
- j. Drafting proposals, bidding contracts, construction administration, and supervision of contractors.
- k. Analysis of financial condition and alternative financial approaches, and coordination of bond issuances.
- l. Oversee investment of District funds based on investment policies established by the Board but in any case in accordance with state law.
- m. Provide liaison and coordination with other governments.
- n. Coordinate activities and provide information as requested to an external auditor engaged by the Board.
- o. Establish and maintain a system for selling and recording water and sewer taps including an inventory management system.
- p. Supervise and ensure contract compliance of all of Financing District's service contractors, including the establishment and maintenance of preventive maintenance programs.
- q. Coordinate legal, accounting, engineering and other professional services to the Financing District.

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

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

5.4 Record Keeping and Financial Planning.

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

b. The Service District shall also:

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

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

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

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

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

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

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

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

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

5.7 Financial Matters.

a. Payment of Service Costs. Unless the Financing District has paid the full amount of Estimated Service Costs as determined by the Service District that could become due hereunder, the Financing District shall pay all Service Costs in accordance with this Article V. It is the desire and intent of the Districts that, to the extent possible, the operation, maintenance, and administration costs incurred by the Service District in the performance of the duties and services required by this Agreement be paid through the operation of this Article by the imposition by the Financing District of taxes, fees and other legally available revenues against the taxable property lying within their boundaries, thus and to that extent avoiding the necessity for the Service District to exercise its power to assess fees, rates, tolls, service mill levies, and/or charges, as authorized under the Service Plan and any finance agreement, for the purpose of paying all or any part of such costs. Nevertheless, nothing herein shall be construed as a limitation on the powers granted to the Service District by Colorado law, and/or as restated in this Agreement, to recoup all or any portion of such operation, maintenance, and administration costs which are not paid through the operation of this Article, and whether or not they exceed the Service Costs, through the use of such alternative measures as the Service District may be authorized by Colorado law to utilize for that purpose.

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

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

d. Budget Revision. The Districts shall discuss and attempt to reach an agreement with respect to the Preliminary Budget Documents. In the event that no agreement can be reached between the Service District and the Financing District with regard to any proposed additions and/or deletions to the Preliminary Budget Documents, then the Preliminary Budget Documents with any amendments agreed to by the Service District shall be the Final Budget, and

budgeting, appropriation, and payment of the amounts called for hereunder shall be determined by reference to this Agreement and except as set forth below, the Financing District's obligation to deposit funds to the Service Account shall equal the maximum amount of Service Costs which could become due hereunder, or if elected, the maximum amount of Estimated Service Costs required for the Budget Year in question.

e. Automatic Budget Revision.

1. If the Financing District (a) fails to approve the Preliminary Budget Documents, or (b) fails to provide a written proposal for additions and/or deletions to the Preliminary Budget Documents in a timely fashion, or (c) makes a written proposal for additions and/or deletions to the Preliminary Budget Documents in a timely fashion but no resolution by each Board concerning said proposals is adopted in a timely fashion; then the Preliminary Budget Documents with any amendments agreed to by the Service District and Estimated Service Costs shall be the Final Budget, and the Estimated Service Costs for the Budget Year shall be paid in accordance with this Article V.

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

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

purposes. Revenues received by the Service District shall be deemed and constitute revenues for Services provided.

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

5.9 Adjustment of Annual Payment. If the Financing District has not paid the estimated total amount of Service Costs as determined by the Service District, it shall be deemed to have made a continuing election to pay Estimated Service Costs on an annual basis until such time as the Financing District affirmatively elects to pay and actually pays the then remaining balance of the estimated total amount of Service Costs as determined by the Service District. The Districts may, as set forth in Section 5.7 above, agree to increase or reduce the deposit for Estimated Service Costs by the Financing District into the Service Account on an annual basis. The Financing District may also unilaterally decide to increase the payment in any year. Unless otherwise agreed by the Districts after due authorization, in no event shall any reduction or increase result in a reduction or increase in the obligation on the part of the Financing District to pay more than the Maximum Annual Payment amount for Service Costs defined in Section 2.1.ff hereof to the Service District.

5.10 Service Accounts.

a. Deposit. Commencing in the Budget Year which immediately follows the initial Budget Year and continuing thereafter, the Financing District shall deposit Estimated Service Costs for such Budget Year into the Service Account in such amounts as the Districts may agree to in the preparation of the Final Budget, but unless otherwise agreed, such deposit shall be in an amount not less than the Estimated Service Costs in the Final Budget for the Budget Year in question. Said deposit shall be made on or before March 1 of the Budget Year. The Service District shall have the authority to make withdrawals or payments from the Service Account, and the funds deposited in the Service Account, together with interest earned thereon, shall be used solely for the purpose of paying Service Costs for that Budget Year.

b. Adjustments for Deficiencies - User Fees. If it appears to the Service District that Service Costs for the Budget Year will exceed the amount deposited into the Service Account by the Financing District, the Service District may, by written notice, call for supplemental deposits to cover such increased costs and the Financing District shall make such supplemental deposits into the Service Account within ten (10) days after receipt of such written notice. If and in the event Service Costs exceed the amount deposited in the Service Account or exceed the Maximum Annual Payment under Section 5.7.e.2. hereof, and/or a call for supplemental deposits would result in a deposit by the Financing District that exceeds permitted payment amounts for the year in question, the Service District may fund the deficiency through

its powers to impose rates, fees, tolls, penalties, and charges under Colorado law directly on all Users with or without the consent of the Financing District.

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

5.11 Service Account Ownership and Fiscal Year Spending. All funds deposited by the Financing District into the Service Account at all times shall remain the funds of the Financing District until disbursed from said Account but upon deposit shall be deemed to be part of the fiscal year spending of the Financing District pursuant to Colorado Constitution Article X, Section 20. Funds expended from the Service Account shall not be part of the fiscal year spending of the Service District, which is acting as owner and manager, and which is receiving no funds from the Financing District other than to provide services, facilities, and programs for the Financing District.

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

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

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

ARTICLE VI

CONTRACT SERVICES; SPECIAL PROVISIONS

6.1 Contract Service Area. For purposes of this Agreement, and to clarify the continuing obligation of the Service District to provide Service to the Financing District and its

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

6.2 General Provision Regarding Service; Charges.

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

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

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

d. User Fees and Development Fees. The Service District may establish, revise, impose and collect (or assign collection of) all fees, rates, tolls and charges permitted by Colorado Law for Services or Facilities provided within the Financing District by the Service District either directly or by contract through other entities, including surcharges for Service

provided under contracts or other arrangements developed by the Service District. All such charges shall be referred to as and be "User Fees." In addition, the Service District may at any time impose, set or change the rate of, and/or waive or discontinue, system development charges, tap fees, participation charges, and such other rates, fees, tolls, charges, penalties, or combinations thereof, which are utilized for any purpose, and may waive any such fees or charges for classes of Users as might be limited by the Service Plan. User Fees and Development Fees are separate charges and one does not include the other or any part thereof. Development Fees shall be uniform among members of each class of Users within the Contract Service Area as "class" is defined by the Service District. User Fees and Development Fees shall remain in full force and effect until the Service District shall deem it necessary to raise or lower either or both of such charges. The Financing District agrees that it shall not permit any connection to or use of the Facilities by any Person without the Service District's written consent unless this Agreement has been voluntarily terminated by the Districts in accordance with the provisions hereof. In no event shall connection to the Facilities be permitted unless an appropriate tap permit has been received by Persons desiring to connect to the Facilities and unless the Service District consents thereto, which consent shall not be unreasonably withheld.

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

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

g. Right to Provide Service. The Financing District agrees that it shall not attempt to provide services or facilities of any kind to its residents and property owners without first offering the Service District the opportunity to provide such services or facilities, and in no event shall services or facilities be provided by the Financing District which are intended under the Service Plan to be provided by the Service District. The Financing District further agrees that it shall not impose any fee or charge of any kind on any person without consent of the Service District which may be denied by the Service District if it believes, in its sole and reasonable discretion, that such fee or charge would materially adversely affect the financial structure of the Service District or interfere with the Service District's performance of this

Agreement, including payment of its Bonds or other obligations. In no event shall the Financing District be entitled to impose any fee or charge of any kind with respect to any element of any Service or Facility, or the availability thereof, which is the subject of this Agreement.

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

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

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

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

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

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

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

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

ARTICLE VIII

DEFAULT, REMEDIES AND ENFORCEMENT

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

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

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

c. The filing of a voluntary petition under federal or state bankruptcy or insolvency laws by the Financing District or the Service District or the appointment of a receiver

for any of the Financing District's assets which is not remedied or cured within thirty (30) calendar days of such filing or appointment;

d. Assignments by the Financing District for the benefit of a creditor and a failure to cure such assignments within ten (10) business days of receipt of written notice from the Service District; or

e. The dissolution, insolvency, or liquidation of the Financing District or the Service District and a failure to cure such dissolution, insolvency or liquidation within ten (10) business days of receipt of written notice.

8.2 Remedies on Occurrence of Events of Default.

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

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

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

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

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

4. To terminate this Agreement as provided herein; and

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

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

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

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

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

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

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

I. As a condition precedent to termination by the Financing District and in recognition of the integrated nature and need for the continued funding of the Facilities, as well as the possibility that the Service District may borrow against the anticipated performance

by the Financing District of the payment and financial obligations set forth herein, the Districts agree that prior to the time of termination, all remaining payments and financial obligations set forth in this Agreement shall be paid into the Accounts by the Financing District; and

2. As a condition precedent to termination by the Service District and in recognition of the need on the part of the Financing District for the continued provision of all of the Services contemplated hereby, the Service District shall either (1) transfer to the Financing District, free and clear of encumbrances and in its entirety, its interest in the Facilities and in each and every one and all of the water rights, contracts, leases, easements, properties held in fee, and any other personal, real or intangible property then held or owned by the Service District and necessary for the continued provision of the Services contemplated hereby at the level then provided, or (2) make said transfer to another governmental entity or entities pursuant to such terms and conditions as may be satisfactory to the Board of the Financing District or, in the event said transfer is to be made pursuant to a plan for dissolution of the Service District, in accordance with Colorado law, as may be held in accordance with that law by the District Court in and for Jefferson County, Colorado or such other ruling body as may at the time have jurisdiction.

ARTICLE IX

INSURANCE AND INDEMNIFICATION

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

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

a. General liability coverage in the minimum amount of \$150,000 per person/per occurrence and \$600,000 total per occurrence, or in an amount reflecting the current level of governmental immunity exceptions provided by statute, whichever is greater, protecting the Districts and their officers, directors, and employees against any loss, liability, or expense

whatsoever from personal injury, death, property damage, or otherwise, arising from or in any way connected with management, administration, and operations.

b. Directors and officers liability coverage (errors and omissions) in the minimum amount of \$150,000 per person/per occurrence and \$600,000 total per occurrence, or in an amount reflecting the current level of governmental immunity provided by statute, whichever is greater, protecting the Districts and their directors and officers against any loss, liability, or expense whatsoever arising from the action and/or inaction of the Districts and their directors and officers in the performance of their duties.

c. Operations coverage designed to insure against injury to the property of third parties or the person of those third parties caused by the operations by the parties in the minimum amount of \$150,000 per person/per occurrence and \$600,000 total per occurrence, or in the amount reflecting the current level of governmental immunity provided by statute, whichever is greater.

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

ARTICLEX

MISCELLANEOUS

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

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

10.3 Assignment. Except as set forth herein or as contemplated in the Service Plan, neither this Agreement, nor any of any District's rights, obligations, duties or authority hereunder may be assigned in whole or in part by any District without the prior written consent of the other Districts which consent shall not be unreasonably withheld. Any such attempt of assignment

shall be deemed void and of no force and effect. Consent to one assignment shall not be deemed to be consent to any subsequent assignment, nor the waiver of any right to consent to such subsequent assignment.

10.4 Modification. This Agreement may be modified, amended, changed or terminated, except as otherwise provided herein, only by an agreement in writing duly authorized and executed by the Districts. No consent of any third party, other than the City in accordance with the Service Plan and Colorado law, shall be required for the negotiation and execution of any such agreement.

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

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

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

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

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

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

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

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

10.13 Time Is of the Essence. Time is of the essence hereof; provided, however, that if the last day permitted or the date otherwise determined for the performance of any act required or permitted under this Agreement falls on a Saturday, Sunday or legal holiday, the time for performance shall be extended to the next succeeding business day, unless otherwise expressly stated.

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

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

Mailing Address for Fossil Ridge Metropolitan District No. 1

Fossil Ridge Metropolitan District No. 1
c/o White, Bear & Ankele Professional Corporation
Attn: Kristen D. Bear, Esq.
1805 Shea Center Drive, Suite 100
Highlands Ranch, CO 80129

Mailing Address for Fossil Ridge Metropolitan District No. 2

Fossil Ridge Metropolitan District No. 2
c/o White, Bear & Ankele Professional Corporation
Attn: Kristen D. Bear, Esq.
1805 Shea Center Drive, Suite 100
Highlands Ranch, CO 80129

Mailing Address for Fossil Ridge Metropolitan District No. 3

Fossil Ridge Metropolitan District No. 3
c/o White, Bear & Ankele Professional Corporation
Attn: Kristen D. Bear, Esq.
1805 Shea Center Drive, Suite 100
Highlands Ranch, CO 80129

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

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

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

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

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

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

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

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FOSSIL RIDGE METROPOLITAN
DISTRICT NO. 3

By: Mills Perewé
Vice President

ATTEST:

Julie Stephens
Secretary

STATE OF COLORADO)
) ss.
COUNTY OF Douglas)

I The foregoing Agreement was acknowledged before me on this 11 day of August, 2008, by M. Charles Ralston President and Julie Stephens as Secretary of Fossil Ridge Metropolitan District No. 3.

WITNESS my hand and official seal.

My Commission expires: 11/1/09 D

Stacey Manzanara
Notary Public

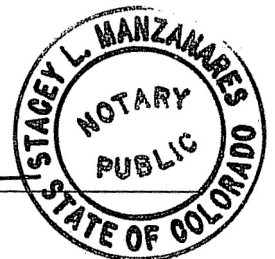


EXHIBIT A

**City of Lakewood, Colorado Letter of Consent Regarding
Master Intergovernmental District Facilities Construction and Service Agreement**

Sherman & Howard L.L.C.

ATTORNEYS & COUNSELLORS AT LAW
631 SEVENTEENTH STREET, SUITE 3000
DENVER, COLORADO 80202
TELEPHONE: 303 297-2900
FAX: 303 296-0940
OFFICES IN: COLORADO SPRINGS
RENO • LAS VEGAS • PHOENIX

Randy D. Funk
Direct Dial Number: (303) 299-8046
E-mail: rfunk@shermanhoward.com

July 2, 2008

Fossil Ridge Metropolitan District No. 1
Fossil Ridge Metropolitan District No. 2
Fossil Ridge Metropolitan District No. 3
c/o White, Bear & Ankele Professional Corporation
Attn: Kristen D. Bear, Esq.
1805 Shea Center Drive, Suite 100
Highlands Ranch, CO 80129

Re: Master Intergovernmental District Facilities Construction and Service Agreement
and Reimbursement of Developer Loan and Public Infrastructure Acquisition
Agreement

Dear Kristen:

The City of Lakewood staff and legal counsel have reviewed and recommended revisions to the drafts of the proposed Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement between Fossil Ridge Metropolitan District No. 1 and Carma Lakewood, LLC and the Master Intergovernmental District Facilities Construction and Service Agreement between Fossil Ridge Metropolitan District No. 1, Fossil Ridge Metropolitan District No. 2, and Fossil Ridge Metropolitan District No. 3. Such review was conducted pursuant to Section IV.F of the Second Amended and Restated Service Plan for the Fossil Ridge Metropolitan Districts. Such review was for the sole purpose of determining if the Agreements are in substantial compliance with the terms of such Service Plan. The City assumes no responsibility for the validity, enforceability, or any other aspect of the Agreements.

As revised, these Agreements are acceptable to the City of Lakewood.

Very Truly Yours,

□

RDF/rh

cc: Michael J. Rock, City Manager
Jay Hutchison, Public Works Director
Tim Cox, City Attorney