



PO Box 37
4100 Main Street
Timnath, CO 80547

CERTIFICATE OF AUTHENTICITY

**STATE OF COLORADO)
TOWN OF TIMNATH)
COUNTY OF LARIMER)**

I, Linda Thompson, Town Clerk, for said Town of Timnath, in the County of Larimer, in the State of Colorado, do hereby certify that the attached is a true and correct copy of Resolution No. T-2006 passed and adopted by the Board of Trustees of the Town of Timnath, on the 29th day of March, 2006.

In witness whereof, I have hereunto set my hand and the seal of the Town of Timnath, this 29th day of March, 2006.



Linda Thompson
Linda Thompson
Town Clerk

TOWN OF TIMNATH
Larimer County, Colorado

RESOLUTION NO. T-2006

**A RESOLUTION APPROVING THE CONSOLIDATED
SERVICE PLAN FOR SERRATOGA FALLS
METROPOLITAN DISTRICT NOS. 1, 2 AND 3 AND
AUTHORIZING THE EXECUTION OF AN
INTERGOVERNMENTAL AGREEMENT BETWEEN THE
TOWN AND THE DISTRICTS**

WHEREAS, the Town of Timnath, Colorado (the "Town"), is a municipality duly organized and existing under Article XX of the Colorado Constitution; and

WHEREAS, the members of the Timnath Town Board of Trustees for the Town of Timnath, Larimer County, Colorado (the "Town Board") have been duly elected, chosen and qualified; and

WHEREAS, pursuant to the provisions of the "Special District Control Act", Part 2 of Article 1, Title 32, C.R.S., the representatives of the Serratoqa Falls Metropolitan Districts No. 1, No. 2, and No. 3 (collectively the "Districts") submitted to the Town Board a Service Plan dated March 9, 2006 ("Service Plan") which outlines the terms and conditions under which the Districts will be authorized to exist; and

WHEREAS, pursuant to Sections 32-1-203 and 204.5, C.R.S., as amended, the Consolidated Service Plan (the "Service Plan") for the Districts has been reviewed and recommended for approval by the Town Attorney and Town Planning Department, and has now been submitted to the Town Board of Trustees for its final approval; and

WHEREAS, pursuant to the provisions of Title 32, Article 1, C.R.S., as amended, (the "Act"), the Town Board held a public hearing on March 22, 2006, and a continued public hearing on March 29, 2006 regarding the approval of the Service Plan for the Districts, filed in the office of the Town Clerk on or about March 10, 2006, a true copy of which are attached to this Resolution as Exhibit A; and

WHEREAS, notice of the date, time and location and purpose of the hearing was published in *The Fort Collins Coloradoan*, a newspaper of general circulation within the Town of Timnath, on March 12, 2006 and duly posted by the Town as required by the Town Code, and forwarded to the proponents as well as the Colorado Division of Local Government as required by law; and

WHEREAS, the proposed Districts lie wholly within the corporate limits of the Town; and

WHEREAS, Sections 32-1-204.5(1), 32-1-205(1) and 32-1-301(3), C.R.S. require that any petition to the District Court for the creation of a special district, pursuant to the Act, which is confined exclusively within the boundaries of any municipality, shall be approved by the

governing body of the municipality, which approval will be based upon the presentation of a Service Plan defining the powers and authorities of the proposed Districts; and

WHEREAS, the Town Board has considered the Service Plan for the proposed Districts and all other testimony and evidence presented at the hearing; and

WHEREAS, the Town Board further finds that it is in the best interests of the citizens of the Timnath to enter into an Intergovernmental Agreement with the Districts at the time of their formation for the purpose of assigning the relative rights and responsibilities between the Town and the Districts with respect to certain functions, operations, and obligations of the Districts.

NOW THEREFORE BE IT RESOLVED by the Board of Trustees of the Town of Timnath, Colorado that:

SECTION 1. The above and foregoing recitals are incorporated herein by reference and are adopted as findings and determinations of the Board of Trustees.

SECTION 2. The Board of Trustees further finds and determines that all of the jurisdictional and other requirements of Title 32, Article 1, C.R.S. and the Town Code have been fulfilled, including those relating to the filing and form of the Service Plan and that notice and/or posting of the public meeting on this Resolution was given in the time and manner required by law and the Town Code.

SECTION 3. The Board of Trustees further finds and determines as follows:

(a) There is sufficient existing and projected need for organized service in the area to be served by the proposed Districts;

(b) The existing service in the area to be served by the proposed Districts is not adequate for present and projected needs;

(c) The proposed Districts are capable of providing economic and sufficient service to the area within their proposed boundaries;

(d) The area to be included in the proposed Districts has or will have the financial ability to discharge the proposed indebtedness on a reasonable basis.

(e) If the area of the Districts is included within another special district for the purposes of receiving public services for the Districts, but is not currently receiving any service from that district, consent of said district to the organization of the Districts pursuant to §32-1-107(3)(b)(IV), C.R.S. will be obtained in accordance with Town policies.

SECTION 4. The Town Board hereby grants and approves by this Resolution the Service Plan for the Districts, in the form attached hereto as Exhibit A. The Mayor and the Town Clerk are hereby authorized and directed to execute and deliver the intergovernmental agreement with the Town ("Town IGA") on behalf of the Town.

SECTION 5. The officers of the Town are authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Resolution.

SECTION 6. A certified copy of this Resolution shall be filed in the records of the Town and submitted to the petitioners for the purpose of filing in the District Court of Larimer County, Colorado.

SECTION 7. Repealer. All acts, orders, resolutions, or parts thereof, of the Town that are inconsistent or in conflict with this Resolution, are hereby repealed to the extent only of such inconsistency or conflict.

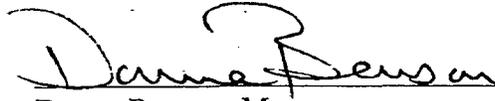
SECTION 8. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of any such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

SECTION 9. This Resolution shall be in full force and effect upon its passage and approval.

INTRODUCED, READ ADOPTED AND APPROVED by the Board of Trustees of the Town of Timnath, upon a motion duly made, seconded and passed at its public meeting held on March 29, 2006 at Timnath Town Hall, 4100 Main Street, Timnath, Colorado.



TOWN BOARD OF TRUSTEES
TOWN OF TIMNATH



Donna Benson, Mayor

ATTEST:



By: Linda Thompson, Town Clerk

CONSOLIDATED SERVICE PLAN
FOR
SERRATOGA FALLS METROPOLITAN DISTRICT NOS. 1, 2 AND 3
TOWN OF TIMNATH, COLORADO

Prepared

By

White Bear & Ankele

Professional Corporation

1805 Shea Center Drive Suite 100

Highlands, Ranch, CO 80129

March 9, 2006

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I. INTRODUCTION

A. Purpose and Intent.

This Consolidated Service Plan (the "Service Plan"), submitted in accordance with the requirements of the Special District Control Act (the "Act") (§ 32-1-201, *et seq.*, of the Colorado Revised Statutes), sets forth a proposal for the formation of three proposed metropolitan districts Serratoga Falls Metropolitan District Nos. 1, 2 and 3 (collectively the "Districts" or individually the "District") which are intended to be independent units of local government, separate and distinct from the Town, and, except as may otherwise be provided for by State or local law or this Service Plan, their activities are subject to review by the Town only insofar as they may deviate in a material matter from the requirements of this Service Plan or the Act. The proposed Districts are wholly within the Town of Timnath, Colorado ("Town" or "Timnath"), and are generally located east of Interstate 25 and Larimer County Road 5, North of Prospect Road (Larimer County Road 44), and West of Larimer County Road 3.

It is intended that the Districts will provide public improvements necessary and appropriate for the development of a project within the Town of Timnath (the "Town") to be known as Serratoga Falls (the "Project"). The Public Improvements will be constructed for the use and benefit of all anticipated inhabitants and taxpayers of the Districts. The primary purpose of the Districts will be to finance the construction of these Public Improvements.

District No. 1 is proposed to be the Operating District, and is expected to coordinate the financing, construction, operations and maintenance of all Public Improvements. District Nos. 2 and 3 are proposed to be the Financing Districts which are expected to include all of the future residential and/or non-residential development comprising the Project. The Operating District will be permitted to provide public services and facilities throughout the Districts pursuant to the Service Plan. The Operating District will be responsible for managing the construction and operation of facilities and Public Improvements for the Project as well as coordinating the financing and management of the public facilities and services as approved by the Town throughout the Project. The Financing Districts will be responsible for producing property tax and other revenue sufficient to pay the costs of operations and debt service expenses incurred for the Public Improvements, until such obligations are discharged, creating mutual benefits for Serratoga Falls and the Town.

B. Need for the Districts.

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

C. District Functions Generally.

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

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

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

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

D. Multiple District Structure.

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

II. DEFINITIONS

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

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

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

Debt: means bonds or other obligations not subject to annual appropriation for the payment of which any District has promised to impose an *ad valorem* property tax mill levy, to impose rates, fees, tolls, penalties or charges as permitted by applicable law, or to pay from any other legally available revenues of the District, or any combination thereof.

Development Fee: means the one-time development or system development fee imposed by the Districts on a per-unit (residential) or per square-foot (non-residential) basis at or prior to the issuance of a certificate of occupancy for the unit or structure to assist with the planning and development of the Public Improvements, subject to the limitations set forth in Section VI of the Service Plan. The Development Fee may be used to finance, pay debt service, plan, acquire, and construct the Public Improvements.

Developer: means Serratoga Development Group, LLC, a Colorado limited liability company, and its affiliates, successors or assigns.

District: means any one of the Serratoga Falls Metropolitan District No. 1 through 3.

District No. 1: means the Serratoga Falls Metropolitan District No. 1.

District No. 2: means the Serratoga Falls Metropolitan District No. 2.

District No. 3: means the Serratoga Falls Metropolitan District No. 3.

Districts: means District No. 1, District No. 2 and District No. 3, collectively.

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

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

Financing District: means District Nos. 2 & 3.

Inclusion Area Boundaries: (not applicable)

Inclusion Area Boundary Map: (not applicable)

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

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

Master IGA: means one or more agreements among the Districts that establish the obligation of the Financing Districts to fund capital and operational costs incurred by the Operating District on behalf of the Districts.

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

Maximum Debt Mill Levy Imposition Term: means the maximum term for imposition of a mill levy on a particular property developed for residential uses as set forth in Section VI.D below.

Operating District: means District No. 1.

Project: means the development or property commonly referred to as Serratoga Falls.

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

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

Service Plan: means this service plan for the Districts approved by Town Board of Trustees.

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

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

State: means the State of Colorado.

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

Taxable Property: means real or personal property within the Service Area subject to ad valorem taxes imposed by the Districts.

Town: means the Town of Timnath, Colorado

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

Town Board of Trustees: means the Town Board of Trustees of the Town of Timnath, Colorado.

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

III. BOUNDARIES

The area of the Districts Boundaries includes approximately three hundred eighty-eight and twenty-six one hundredths (388.26) acres. A legal description of the District Boundaries for each District is attached hereto as **Exhibit A**. A vicinity map is attached hereto as **Exhibit B**. A map of the Districts Boundaries is attached hereto as **Exhibit C**. It is anticipated that the Districts' internal boundaries may change from time to time as they undergo inclusions and exclusions pursuant to Section 32-1-401, *et seq.*, C.R.S., and Section 32-1-501, *et seq.*, C.R.S., subject to the limitations set forth in Article V below.

The Districts shall be entitled to change the configuration of their internal boundaries, without changing the total acreage of the Project or reconfiguring the Districts' Service Area, as their Boards of Directors may deem necessary. Any such internal reconfiguration shall be submitted to the Town's Planning Department for administrative review, who shall determine if such an internal reconfiguration constitutes a material modification of this Service Plan. In no event, shall any District include into its legal boundaries any property not located within the corporate limits of the Town at the time of inclusion. All changes in the Districts' boundaries must be made in compliance with the Special District Act.

IV. PROPOSED LAND USE/POPULATION PROJECTIONS/ASSESSED VALUATION

The Districts' Service Area consists of approximately 388.26 acres of residential and commercial land. The current assessed valuation of the Service Area is assumed to be approximately zero dollars (\$0.00) for purposes of this Service Plan and, at build out, is expected to be sufficient to reasonably discharge the Debt under the Financial Plan. The Operating District will contain neither residential nor commercial development. The population of the Districts at build-out is currently estimated to be approximately 1,095 persons, based on an approximation of 3.0 persons per residence or single-family equivalent unit.

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

V. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES

A. General Powers of the Districts.

The Districts shall have the power and authority to provide the Public Improvements and related operation and maintenance services within and without the boundaries of the Districts as such power and authority is described in the Special District Act; other applicable statutes, common law and the Constitution of the State of Colorado, and may include, but not be limited to, streets, traffic and safety controls, drainage, sanitation, water, parks and recreation, transportation, mosquito and pest control, television relay and translation, security services and covenant enforcement, subject to the limitations set forth herein.

1. Operations and Maintenance Limitation. The primary purpose of the Districts is to plan for, design, acquire, construct, install, relocate, redevelop and finance the Public Improvements. The Districts shall dedicate those Public Improvements to the Town or other appropriate jurisdiction or owners association in a manner consistent with the Approved Development Plan and other rules and regulations of the Town and applicable provisions of the Town Code. The Districts shall be authorized to own, operate and maintain any part or all of the Public Improvements and facilities not dedicated to the Town or other appropriate jurisdiction, in accordance with the terms contained in the Approved Development Plan. Any such operations and maintenance shall be funded through the imposition of a mill levy or by appropriate user fees imposed by the Districts. The Districts shall be authorized, but not obligated to, operate and maintain park and recreation improvements without an intergovernmental agreement with the Town, provided that any Fee imposed by the Districts for access to such park and recreation improvements shall not result in Non-District Timnath residents paying a user fee that is greater than, or otherwise disproportionate to, similar fees and taxes paid by residents of the Districts. However, the Districts shall be entitled to impose an administrative Fee as necessary to cover additional expenses associated with Non-District Timnath residents to ensure that such costs are not the responsibility of Districts residents. All such Fees shall be based upon the Districts' determination that such Fees do not exceed reasonable annual market fees for users of such facilities. Notwithstanding the foregoing, all parks and trails shall be open to the general public and Non-District Timnath residents free of charge.

2. Construction Standards Limitation. The Districts will ensure that the Public Improvements are designed and constructed in accordance with the standards and specifications of the Town and of other governmental entities having proper jurisdiction and of those special districts that qualify as "interested parties" under Section 32-1-204(1), C.R.S., as applicable. The Districts will obtain the Town's approval of civil engineering plans and will obtain applicable permits for construction and installation of Public Improvements prior to performing such work.

3. District Swimming Pool Operations Limitations. Any District swimming pool shall be constructed in accordance with plans submitted to and approved by the Town. The Districts may not cease or abandon the operation of, and may not change the use of the swimming pool as a District swimming pool, without prior consent of the Town, which consent shall not be unreasonably withheld, delayed or denied. The Districts swimming pool shall be operated and maintained in a manner similar to similar size and types of swimming pools

operated by metropolitan districts in other communities. The Districts swimming pool shall be subject to Town regulatory authority as permitted by state law. The Town shall provide written notice of any default in the operation and maintenance of the District swimming pool. If any such default continues for more than thirty (30) days after receipt of a written notice from the Town, the Town shall have the right to enforce by specific performance the maintenance of the swimming pool. Should the Districts default continue after notice, opportunity to cure and refusal to cure the default, the Town shall have the right to operate and maintain the Districts swimming pool and collect and use the Districts pool fees unless and until the Districts demonstrate a willingness and ability to operate the pool in accordance with applicable standards. Any maintenance and operations costs incurred by the Town to perform these functions, after written notice of default and failure of the Districts to cure the default, shall be reimbursed by the Districts.

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

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

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

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

8. Consolidation Limitation. District No. 1 shall not file a request with any Court to consolidate with another Title 32 district without the prior written consent of the Town, unless such consolidation is with District No. 2 or District No. 3. Consolidation of the Districts, after notice and approval of the Town, shall be permitted without the necessity of a Service Plan Amendment.

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

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

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

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

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

B. Preliminary Engineering Survey/Capital Plan.

The Districts shall have authority to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment, operation, maintenance and financing of the Public Improvements and facilities needed to serve the Serratoga Falls planned development either directly or by contract or acquisition from the Developer or other public or private entities, within and without the boundaries of the Districts, to be more specifically defined in an Approved Development Plan. It is anticipated that the Districts will acquire the completed improvements from the Developer, and/or complete the construction of such improvements, and may then transfer certain improvements to the Town, as long as such improvements are constructed and accepted in accordance with Town regulations, the ELCO Water District, for ownership, operation and maintenance of water systems in accordance with Town regulations and the ELCO Water District regulations, the Boxelder Sanitation District, for ownership, operation and maintenance of sanitary sewer systems in accordance with Boxelder Sanitation District regulations, as applicable, while retaining, operating and maintaining all other public improvements not otherwise dedicated to other public agencies. If appropriate, the Districts may contract with other public and/or private entities to complete the public improvements and to affect such functions and activities, including without limitation funding, acquisition and reimbursement agreements with the Developer or other developers and builders.

A preliminary engineering survey of the initial estimated costs of the Public Improvements which may be planned for, designed, acquired, constructed, installed, relocated, redeveloped, operated, maintained or financed was prepared based upon a preliminary engineering survey and estimates derived from what is anticipated to be the approved development on the property in the Service Area and is attached hereto as **Exhibit D**. It is

important to note that the engineering information used to determine costs, pricing, and phasing of improvements referenced in the Service Plan is preliminary in nature and that modifications to the type, configuration, quantity, dimension, location and costs of public improvements may be necessary as development proceeds. Notwithstanding the cost estimate allocations set forth in **Exhibit D**, the Districts shall be permitted to reallocate costs between categories of improvements as they deem necessary in their discretion, acting in the best interests of their respective residents, property owners and taxpayers. The combined total estimated cost of improvements which the Districts shall be permitted to construct is not currently anticipated to exceed Forty-Seven Million (\$47,000,000), inclusive of contingencies. The Districts may finance all or a portion of such improvements.

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

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

The Districts propose to construct or acquire the Public Improvements necessary to serve the Districts' residents and taxpayers, but do not intend to provide ongoing water or sanitary sewer services, unless approved or directed by the Town. It is intended that ELCO Water District shall provide the water service in conjunction with the Town. The Boxelder Sanitation District shall provide sanitary sewer service, and Timnath shall provide law enforcement services and other municipal services, as appropriate. Appropriate agreements regarding provision of service by these entities have been or will be obtained prior to obtaining service including any necessary inclusion in the respective districts of the property within the Districts, with the exception of any portion of the Districts that is already included in another district providing the same type of service. Nothing herein shall limit or discharge the Districts' responsibilities for operation, maintenance, and repair of Public Improvements prior to their acceptance by the Town, ELCO Water District, Boxelder Sanitation District, or their designee, or the Districts' warranty obligations.

D. Multiple District Structure.

It is anticipated that the Districts, collectively, will undertake the financing and construction, maintenance and operation of the Public Improvements. The nature of the functions and services to be provided by each District shall be clarified in a Master Intergovernmental Agreement ("Master IGA") between and among the Districts. The Master IGA will be designed to help assure the orderly development of the Public Improvements and essential services in accordance with the requirements of this Service Plan. Implementation of the Master IGA is essential to the orderly implementation of this Service Plan. Accordingly, any

determination of any Board to set aside said Master IGA without the consent of all of the Districts shall be a material modification of the Service Plan. The Master IGA may be amended by mutual agreement of the Districts without the need to amend this Service Plan.

VI. FINANCIAL PLAN

A. General Plan of Finance.

The Districts shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation, financing, ownership, operation and maintenance and/or redevelopment of the Public Improvements from their revenues and by and through the proceeds of Debt to be issued by the Districts. The Financial Plan for the Districts shall be to issue such Debt as the Districts can reasonably pay within the Maximum Debt Mill Levy Imposition Term from revenues derived from the Maximum Debt Mill Levy, Fees and other legally available revenues. The total Debt that the Districts shall be permitted to issue shall not exceed Twenty Million Dollars (\$20,000,000) and shall be permitted to be issued on a schedule and in such year or years as the Districts determine shall meet the needs of the Financial Plan referenced above and shall be phased to serve development as it occurs. A *pro forma* Financial Plan is attached hereto as **Exhibit E**. The attached Financial Plan is one illustration of how the Public Improvements and other services of the Districts may be financed; however, the final terms of such financing shall be determined by the Districts, subject to the parameters established within this Service Plan. All bonds and other Debt issued by the Districts may be payable from any and all legally available revenues of the Districts, including general *ad valorem* taxes and Fees to be imposed upon all taxable property within the Districts. The Districts will also rely upon various other revenue sources authorized by law. These will include the power to assess Fees, rates, tolls, penalties, or charges as provided in Section 32-1-1001(1), C.R.S., as amended from time to time.

Prior to the issuance of long-term bonds, the Districts may issue bond anticipation notes or other multiple-fiscal year financial obligations secured by the revenues generated from property taxes, capital facilities fees, district fees, and any other District revenues collected by the Districts. Credit enhancement may be provided for any obligation of the Districts, if necessary. The Districts may make multiple-fiscal year financial obligation pledges secured by property taxes, specific ownership taxes and the capital facilities fee revenue to fund the acquisition and installation of the Public Improvements for the Project. Revenue from property taxes, specific ownership taxes and capital facilities fees and from other available sources will be used to retire District bonds, other debt or multiple-fiscal year financial obligations.

B. Maximum Voted Interest Rate and Maximum Underwriting Discount.

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

C. Total Combined Mill Levy.

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

D. Maximum Debt Mill Levy.

With respect to each District, the "Maximum Debt Mill Levy" shall be the maximum mill levy a District is permitted to impose upon the taxable property within such District for payment of Debt. The Maximum Debt Mill Levy, shall be thirty-five (35.0) mills; provided that, on or after January 1, 2006, the thirty-five (35.0) mill tax rate for debt may be increased to compensate for any decreases in the assessed valuation of the property within the District necessitated by state law pursuant to Article X, Section 3 of the Colorado Constitution commonly referred to as the Gallagher Amendment or any other legislation causing a reduction in the assessed valuation of residential properties. In the event of legislation implementing changes in the ratio of actual valuation to assessed valuation for residential real property, pursuant to Article X, Section 3(1)(b) of the Colorado Constitution, the mill levy limitation provided herein will be increased or decreased as to all taxable property in the District to reflect such changes; so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation. All Debt issued by the Districts must be issued in compliance with the requirements of Section 32-1-1101, C.R.S. and all other requirements of State or Federal law.

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

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

E. Maximum Debt Mill Levy Imposition Term.

The Districts shall not impose a levy for repayment of any and all Debt (or use the proceeds of any mill levy for repayment of Debt) on any single property developed for residential uses which exceeds forty (40) years after the year of issuance of such debt mill levy unless a majority of the Board of Directors of the District imposing the mill levy are residents of such District and have voted in favor of a refunding of a part or all of the Debt and such refunding will result in a net present value savings as set forth in Section 11-56-101, C.R.S.; *et seq.*

F. Debt Repayment Sources.

Each of the Districts may impose a mill levy on taxable property within their boundaries as a primary source of revenue for repayment of debt service and for operations and maintenance. The Districts may also rely upon various other revenue sources authorized by law. At the Districts' discretion, these may include the power to assess fees, rates, tolls, penalties, or charges as provided in Section 32-1-1001(1), C.R.S., as amended from time to time. In no event shall the debt service mill levy in any District exceed the Maximum Debt Mill Levy or, for residential property within a District, the Maximum Debt Mill Levy Imposition Term.

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

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

The Development Fee set forth in this Service Plan may increase by up to the Consumer Price Index for Denver-Boulder, all items, all urban consumers (or its successor index for any years for which Consumer Price Index is not available) each year thereafter (as an inflation adjustment) commencing on January 1, 2006. The Development Fee shall be collected prior to issuance of a certificate of occupancy.

G. Security for Debt.

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

H. TABOR Compliance.

The Districts will comply with the provisions of TABOR. In the discretion of the Board, the Districts may set up other qualifying entities to manage, fund, construct and operate facilities, services, and programs. To the extent allowed by law, any entity created by the Districts will remain under the control of the Districts' Boards.

I. Districts' Formation and First Year Operating Costs.

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

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

The Maximum Debt Mill Levy for the repayment of Debt shall not apply to the Districts' ability to increase their mill levy as necessary for provision of operation and maintenance services to their taxpayers and service users.

VII. ANNUAL REPORT

A. General.

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

B. Reporting of Significant Events.

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

1. Boundary changes made to the District's boundary as of December 31 of the prior year.
2. Intergovernmental Agreements with other governmental entities either entered into or proposed as of December 31 of the prior year.
3. A list of all facilities and improvements constructed by the Districts that have been dedicated to and accepted by the Town as of December 31 of the prior year.
4. The assessed valuation of the Districts for the current year.

5. Current year budget including a description of the Public Improvements to be constructed in such year.

6. Audit of the Districts' financial statements, for the year ending December 31 of the previous year, prepared in accordance with generally accepted accounting principles or audit exemption, if applicable.

7. Notice of any uncured events of default by the District, which continue beyond a ninety (90) day period, under any Debt instrument.

VIII. CONSOLIDATION/DISSOLUTION

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

IX. DISCLOSURE TO PURCHASERS

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

X. INTERGOVERNMENTAL AGREEMENTS

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

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

facilities, (2) provide for their operation and maintenance, and (3) provide service to the property within the Districts or convey facilities to other appropriate entities which will provide service.

C. Developer Fee Agreement. The Operating District may enter into a Developer Fee Agreement with the Developer and other developers and/or builders to install the public improvements to be furnished by the Districts. Under the Developer Fee Agreement, the Developer and other developers and/or builders will be obligated to pay a developer fee in the amounts set forth in Section VI.F. above based upon a per lot or equivalent unit calculation. The Operating District may increase the developer fee as necessary to fund the capital costs of the public improvements. If a Developer Fee Agreement is entered into, the developer fee will constitute an unconditional obligation of, and lien against, each lot within the Development until paid.

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

XI. CONCLUSION

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

1. There is sufficient existing and projected need for organized service in the area to be serviced by the Districts;
2. The existing service in the area to be served by the Districts is inadequate for present and projected needs;
3. The Districts are capable of providing economical and sufficient service to the area within its proposed boundaries; and
4. The area to be included in the Districts does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis.
5. Adequate service is not, and will not be, available to the area through the Town or county or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis.
6. The facility and service standards of the Districts are compatible with the facility and service standards of the Town within which the special districts are to be located and each public entity which is an interested party under Section 32-1-204(1), C.R.S.

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

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

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

Therefore, it is hereby respectfully requested that the Town Board of Trustees of the Town of Timnath, Colorado, which has jurisdiction to approve this Service Plan by virtue of Section 32-1-204.5, C.R.S., *et seq.*, as amended, adopt a resolution, which approves this "Consolidated Service Plan for Serratoga Falls Metropolitan District No. 1, No. 2, and No. 3," as submitted.

Respectfully submitted this 9th day of March, 2006.

By:

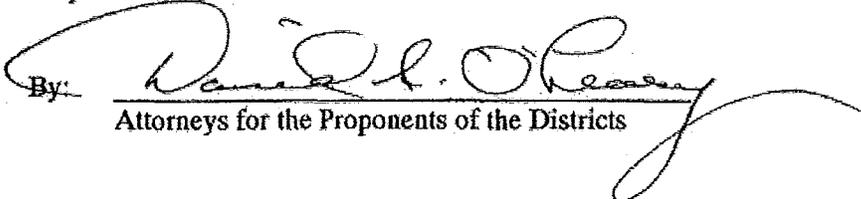

Attorneys for the Proponents of the Districts

EXHIBIT A

Legal Descriptions

LEGAL DESCRIPTION-SERRATOGA FALLS METRO DISTRICT 1

A PARCEL OF LAND LOCATED IN SECTION 14, TOWNSHIP 7 NORTH, RANGE 68 WEST OF THE SIXTH PRINCIPAL MERIDIAN; TOWN OF TIMNATH, COUNTY OF LARIMER, STATE OF COLORADO; BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE EAST CORNER OF SAID SECTION 14 AND CONSIDERING THE NORTH LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 14 TO HAVE A BEARING OF N89°40'41"W, SAID BEARING BEING A GRID BEARING OF THE COLORADO STATE PLANE COORDINATE SYSTEM, NORTH ZONE, NORTH AMERICAN DATUM 1983/92, WITH ALL OTHER BEARINGS CONTAINED HEREIN RELATIVE THERETO.

THENCE ALONG THE NORTH LINE OF SAID SOUTHEAST QUARTER, N89°40'41"W 1,384.43 FEET TO THE TRUE POINT OF BEGINNING.

THENCE N56°03'08"W, 254.17 FEET; THENCE N31°26'52"E, 150.00 FEET; THENCE N28°46'52"E, 128.00 FEET; THENCE S77°58'08"E, 133.00 FEET; THENCE S09°28'18"E, 359.27 FEET TO THE POINT OF BEGINNING.

SAID TRACT CONTAINS 1.35 ACRES (58,666 SQUARE FEET) MORE OR LESS AND IS SUBJECT TO ALL RIGHTS-OF-WAY, EASEMENTS, AND RESTRICTIONS OF RECORD, OR THAT NOW EXIST ON THE GROUND.

LEGAL DESCRIPTION-SERRATOGA FALLS METRO DISTRICT 2

A PARCEL OF LAND LOCATED IN SECTION 14, TOWNSHIP 7 NORTH, RANGE 68 WEST OF THE SIXTH PRINCIPAL MERIDIAN; TOWN OF TIMNATH, COUNTY OF LARIMER, STATE OF COLORADO; BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF SAID SECTION 14 AND CONSIDERING THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 14 TO HAVE A BEARING OF N89°48'24"W, SAID BEARING BEING A GRID BEARING OF THE COLORADO STATE PLANE COORDINATE SYSTEM, NORTH ZONE, NORTH AMERICAN DATUM 1983/92, WITH ALL OTHER BEARINGS CONTAINED HEREIN RELATIVE THERETO.

THENCE ALONG THE WEST LINE OF SAID SOUTHWEST QUARTER, N00°07'12"W 772.86 FEET TO A POINT ON THAT PARCEL OF LAND AS DESCRIBED WITHIN THAT WARRANTY DEED AS RECORDED OCTOBER 25, 1892 IN BOOK 82 ON PAGE 504 OF THE RECORDS OF THE LARIMER COUNTY CLERK AND RECORDER, SAID POINT BEING THE TRUE POINT OF BEGINNING;

THENCE ALONG SAID WEST LINE, N00°07'12"W 1879.22 FEET TO THE WEST QUARTER CORNER OF SAID SECTION 14;

THENCE ALONG THE WEST LINE OF THE SOUTH HALF OF THE NORTHWEST QUARTER N00°07'26"W 1325.95 FEET TO THE NORTH SIXTEENTH CORNER COMMON TO SECTIONS 14 AND 15;

THENCE ALONG THE NORTH LINE OF THE SOUTH HALF OF THE NORTHWEST QUARTER OF SAID SECTION 14, S89°35'40"E, 541.64 FEET TO A POINT ON THE SOUTHERLY LINE OF THAT PARCEL OF LAND AS DESCRIBED WITHIN THAT WARRANTY DEED RECORDED NOVEMBER 29, 1977 IN BOOK 1817 ON PAGE 0027 AS RECEPTION NUMBER 224110 OF THE RECORDS OF THE LARIMER COUNTY CLERK AND RECORDERS;

THENCE ALONG SAID SOUTHERLY AND A PORTION OF THE EASTERLY LINE OF THE AFORESAID PARCEL OF LAND THE FOLLOWING TWO (2) COURSES AND DISTANCES:

1. S89°13'26"E, 302.57 FEET;

2. N26°55'26"W, 2.20 FEET TO A POINT ON THE NORTH LINE OF SAID SOUTH HALF OF THE NORTHWEST QUARTER OF SAID SECTION 14;

THENCE ALONG SAID NORTH LINE, S89°35'40"E, 233.46 FEET TO THE SOUTHERLY LINE OF JACKSON HEIGHTS SUBDIVISION, AS RECORDED AUGUST 16, 1978 AT RECEPTION NUMBER 264737 OF THE RECORDS OF THE LARIMER COUNTY CLERK AND RECORDER;

THENCE ALONG THE SOUTHERLY LINE OF SAID SUBDIVISION THE FOLLOWING SIX (6) COURSES AND DISTANCES:

1. S67°23'30"E, 1.75 FEET

2. S88°07'12"E, 101.15 FEET;

3. N89°23'48"E, 185.40 FEET;

4. S86°01'31"E, 270.93 FEET;

5. N85°56'04"E, 102.28 FEET;

6. N72°01'57"E, 28.21 FEET TO A POINT ON THE NORTH LINE OF THE SOUTH HALF OF THE NORTHWEST QUARTER OF SAID SECTION 14;

THENCE ALONG SAID NORTH LINE, S89°35'40"E, 855.04 FEET TO THE CENTER NORTH SIXTEENTH CORNER;

THENCE ALONG THE NORTH LINE OF THE SOUTH HALF OF THE NORTHEAST QUARTER OF SAID SECTION 14, S89°35'40"E, 324.94 FEET;

THENCE S14°09'13"E, 79.05 FEET;

THENCE S11°18'11"E, 118.46 FEET;

THENCE S01°09'25"W, 123.51 FEET;

THENCE S15°00'53"W, 125.10 FEET TO THE NORTHEAST CORNER OF THAT PARCEL OF LAND AS DESCRIBED WITHIN THAT WARRANTY DEED AS RECORDED NOVEMBER 8, 1893 IN BOOK 95 ON PAGE 412 OF THE RECORDS OF THE LARIMER COUNTY CLERK AND RECORDER. SAID NORTHEAST CORNER ALSO BEING A POINT ON A LINE BEING THE HIGH WATER LINE OF "THE KITCHELL RESERVOIR", PREVIOUSLY KNOW AS "THE KITCHELL & MOORE RESERVOIR", AS SAID RESERVOIR COVERS WHEN THE WATER IS UP TO SIX AND ONE-HALF (6 1/2) FEET ABOVE THE GRADE OF THE OUTLET DITCH OF SAID RESERVOIR. THE ELEVATION OF SAID LINE BEING 4959.50 BASED UPON THE NAVD 1988 DATUM;

THENCE ALONG A LINE BEING THE HIGH WATER LINE OF THE AFORESAID RESERVOIR WHEN THE WATER IS UP TO SIX AND ONE-HALF (6 1/2) FEET ABOVE THE GRADE OF THE OUTLET DITCH OF SAID RESERVOIR, AND BEING AT AN ELEVATION OF 4959.50 BASED UPON THE NAVD 1988 DATUM BY THE FOLLOWING THIRTY-THREE (33) COURSES AND DISTANCES. SAID LINE BEING ALONG THE FOLLOWING PARCELS OF LAND:

ALONG THE NORTHWESTERLY LINE OF THAT PARCEL OF LAND AS DESCRIBED WITHIN THAT WARRANTY DEED AS RECORDED OCTOBER 27, 1915 IN BOOK 334 ON PAGE 491 OF THE RECORDS OF THE LARIMER COUNTY CLERK AND RECORDER AND BEING THAT 30 ACRES, MORE OR LESS WITHIN THE SOUTHWEST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 14;

ALONG THE WESTERLY AND NORTHERLY LINE OF THAT PARCEL OF LAND AS DESCRIBED WITHIN THAT WARRANTY DEED AS RECORDED OCTOBER 27, 1915 IN BOOK 334 ON PAGE 491 OF THE RECORDS OF THE LARIMER COUNTY CLERK AND RECORDER AND BEING THAT 10 ACRES, MORE OR LESS WITHIN THE SE QUARTER OF THE NW QUARTER (SOUTHEAST QUARTER NORTHWEST QUARTER) OF SECTION 14;

ALONG THE SOUTHWESTERLY LINE OF THAT PARCEL OF LAND AS DESCRIBED WITHIN THAT WARRANTY DEED AS RECORDED DECEMBER 23, 1891 IN BOOK 82 ON PAGE 165 OF THE RECORDS OF THE LARIMER COUNTY CLERK AND RECORDER;

ALONG THE SOUTHERLY LINE OF THAT PARCEL OF LAND AS DESCRIBED WITHIN THAT WARRANTY DEED AS RECORDED NOVEMBER 8, 1893 IN BOOK 95 ON PAGE 412 OF THE RECORDS OF THE LARIMER COUNTY CLERK AND RECORDER;

1. THENCE S23°28'07"W, 114.66 FEET;
2. THENCE S74°10'55"W, 104.70 FEET;
3. THENCE N56°47'52"W, 123.88 FEET;
4. THENCE N70°49'16"W, 116.92 FEET;
5. THENCE N73°28'38"W, 123.16 FEET;
6. THENCE S88°26'29"W, 138.78 FEET;
7. THENCE S82°34'17"W, 99.96 FEET;
8. THENCE S34°09'23"W, 96.02 FEET;
9. THENCE S21°24'45"W, 107.81 FEET;
10. THENCE S05°38'22"E, 116.93 FEET;
11. THENCE S07°02'15"E, 114.12 FEET;

12. THENCE S06°33'11"E, 115.91 FEET;
13. THENCE S23°10'07"E, 138.58 FEET;
14. THENCE S16°33'13"E, 83.66 FEET;
15. THENCE S10°36'55"W, 39.55 FEET;
16. THENCE S62°47'30"W, 44.46 FEET;
17. THENCE S31°43'40"E, 8.18 FEET;
18. THENCE S55°19'24"E, 224.90 FEET;
19. THENCE S38°05'22"E, 152.75 FEET;
20. THENCE S60°09'07"E, 106.17 FEET;
21. THENCE S85°54'02"E, 70.85 FEET;
22. THENCE S71°43'10"E, 120.77 FEET;
23. THENCE S56°10'06"E, 110.01 FEET;
24. THENCE S60°10'19"E, 151.52 FEET;
25. THENCE S75°46'02"E, 124.10 FEET;
26. THENCE S81°12'12"E, 143.97 FEET;
27. THENCE S72°25'24"E, 213.02 FEET;
28. THENCE N58°18'39"E, 130.14 FEET;
29. THENCE N09°55'32"E, 124.35 FEET;
30. THENCE N30°05'42"W, 151.82 FEET;
31. THENCE N19°41'21"W, 101.82 FEET;
32. THENCE N39°45'53"E, 107.77 FEET;
33. THENCE N50°46'22"E, 25.29 FEET TO A POINT ON THE NORTH LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 14;
THENCE ALONG SAID NORTH LINE, S89°40'41"E, 290.52 FEET; THENCE N09°28'18"E, 359.27 FEET TO THE SOUTHEAST CORNER OF PARCEL 1 AS DESCRIBED WITHIN THAT QUIT CLAIM DEED AS RECORDED JULY 27, 1977 IN BOOK 785, ON PAGE 0893, AS RECEPTION NUMBER 204869 OF THE RECORDS OF THE LARIMER COUNTY CLERK AND RECORDER;
THENCE ALONG THE NORTHEASTERLY AND EASTERLY LINES OF THE AFORESAID PARCEL OF LAND THE FOLLOWING THREE (3) COURSES AND DISTANCES:
1. N87°41'52"E, 258.00 FEET;
2. S43°08'08"E, 226.00 FEET;
3. S07°28'08"E, 204.34 FEET TO A POINT ON THE NORTH LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 14;
THENCE ALONG SAID LINE, S89°40'41"E, 886.43 FEET TO THE EAST QUARTER CORNER OF SAID SECTION 14
THENCE ALONG THE EAST LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 14, S00°15'37"E, 2,636.55 FEET TO THE SOUTHEAST CORNER OF SAID SECTION 14;
THENCE ALONG THE SOUTH LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 14, N89°53'22"W, 2,630.56 FEET TO THE SOUTH QUARTER CORNER OF SAID SECTION 14;
THENCE ALONG THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 14, N89°48'24"W, 1,360.74 FEET; THENCE N00°11'36"E, 401.87 FEET; THENCE N89°48'24"E, 499.69 FEET; THENCE N46°38'36"W, 545.22 FEET; THENCE S89°52'48"W, 365.74 FEET TO THE POINT OF BEGINNING.

SAID TRACT CONTAINS 371.48 ACRES (16,181,774 SQUARE FEET) MORE OR LESS AND IS SUBJECT TO ALL RIGHTS-OF-WAY, EASEMENTS, AND RESTRICTIONS OF RECORD, OR THAT NOW EXIST ON THE GROUND.

LEGAL DESCRIPTION-SERRATOGA FALLS METRO DISTRICT 3

A PARCEL OF LAND LOCATED IN SECTION 14, TOWNSHIP 7 NORTH, RANGE 68 WEST OF THE SIXTH PRINCIPAL MERIDIAN; TOWN OF TIMNATH, COUNTY OF LARIMER, STATE OF COLORADO; BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF SAID SECTION 14 AND CONSIDERING THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 14 TO HAVE A BEARING OF N89°48'24"W, SAID BEARING BEING A GRID BEARING OF THE COLORADO STATE PLANE COORDINATE SYSTEM, NORTH ZONE, NORTH AMERICAN DATUM 1983/92, WITH ALL OTHER BEARINGS CONTAINED HEREIN RELATIVE THERETO. SAID POINT BEING THE TRUE POINT OF BEGINNING.

THENCE ALONG THE WEST LINE OF SAID SOUTHWEST QUARTER, N00°07'12"W 22.11 FEET TO A POINT ON THAT PARCEL OF LAND AS DESCRIBED WITHIN THAT WARRANTY DEED AS RECORDED OCTOBER 25, 1892 IN BOOK 82 ON PAGE 504 OF THE RECORDS OF THE LARIMER COUNTY CLERK AND RECORDER;

THENCE N89°46'17"E, 826.85 FEET; THENCE N00°11'36"E, 54.00 FEET; THENCE S89°46'17"E, 827.15 FEET; THENCE N00°07'12"W, 696.75 FEET; THENCE N89°52'48"E, 365.74 FEET; THENCE S46°38'36"E, 545.22 FEET; THENCE S89°48'24"E, 499.69 FEET; S00°11'36"W, 401.87 FEET; N89°48'24"W, 1,258.88 FEET TO THE POINT OF BEGINNING.

SAID TRACT CONTAINS 15.43 ACRES (672,027 SQUARE FEET) MORE OR LESS AND IS SUBJECT TO ALL RIGHTS-OF-WAY, EASEMENTS, AND RESTRICTIONS OF RECORD, OR THAT NOW EXIST ON THE GROUND.

EXHIBIT B

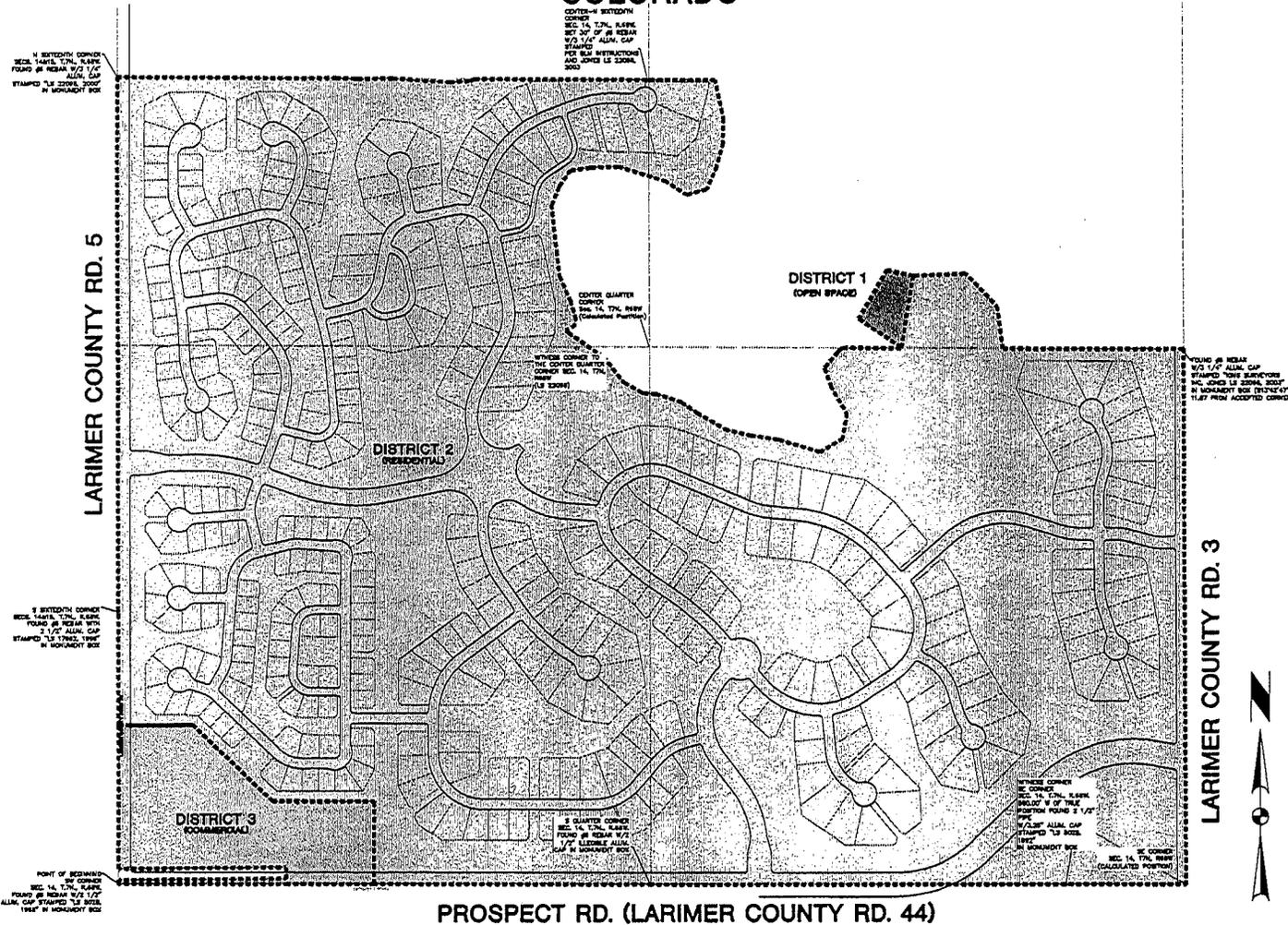
Timnath Vicinity Map

EXHIBIT C

Districts Boundaries Map

SERRATOGA FALLS METROPOLITAN DISTRICTS

LARIMER COUNTY, COLORADO



EXHIBIT

MAP OF DISTRICT BOUNDARIES

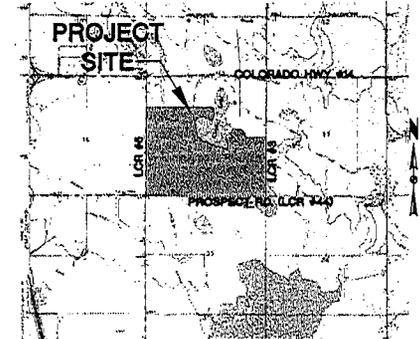
SERRATOGA FALLS METROPOLITAN DISTRICT NOS. 1-3

DISTRICTS

DISTRICT ACREAGE

DISTRICT 1		136 AC. / 58,666 SQ.FT.
DISTRICT 2		37,148 AC. / 16,181,774 SQ.FT.
DISTRICT 3		15,43 AC. / 672,027 SQ.FT.

VICINITY MAP



SCALE: 1" = 500' +/-

TST TST, INC. CONSULTING ENGINEERS

748 Whalers Way, Bldg. D
Fort Collins, Colorado
Phone: 970.226.0557
Fax: 970.226.0204
Job no. 1005-0004.00
Filename: exhibit 2-15-06
February 15, 2006

EXHIBIT D

Capital Plan

Serratoga Falls Metropolitan District All Phases (I - IV)
Preliminary Estimated Project Construction Costs

February 10, 2006

Prepared by: Pinnacle Consulting Group Inc

No.	Item Description	Units	Unit Cost	Quantity	Total	District Cost
1.00 Land						
1.01	Raw Land Cost	LOT	\$8,767.12	365	\$ 3,200,000.00	\$ -
1.02	Raw Water (Potable Water Requirement)	LOT	\$4,819.28	365	\$ 1,759,036.14	\$ -
1.03	Additional Land Fees (Minerals, Commissions)	LS	\$0.00	1	\$ -	\$ -
	Land Subtotal:				\$ 4,959,036.15	\$ -
	Land Cost Subtotal				\$ 4,959,036.15	\$ -
Indirect Costs						
2.00 Permits and Fees						
2.01	Municipal Development Fees	LOT	\$863.01	365	\$ 315,000.00	\$ 315,000.00
2.02	Erosion Control and Discharge Insp City and State	LS	\$62,000.00	1	\$ 62,000.00	\$ 62,000.00
2.03	Additional Permits and Fees	LS	\$0.00	1	\$ -	\$ -
	Permits and Fees Subtotal:				\$ 377,000.00	\$ 377,000.00
* 3.00 Engineering, Design and Management						
3.01	Design Engineering (Project Design Construction Plans)	LS	\$1,280,000.00	1	\$ 1,280,000.00	\$ 1,280,000.00
3.02	Planning (Prelim. layout and Landscape Design)	LS	\$325,000.00	1	\$ 325,000.00	\$ 325,000.00
3.03	Engineering During Construction	LS	\$115,000.00	1	\$ 115,000.00	\$ 115,000.00
3.04	As-Builts completed (.5%)	LS	\$166,202.00	1	\$ 166,202.00	\$ 166,202.00
3.05	Construction Surveying (2% of Direct Cost)	LS	\$664,811.00	1	\$ 664,811.00	\$ 664,811.00
3.06	Re-staking (.5%)	LS	\$166,202.00	1	\$ 166,202.00	\$ 166,202.00
3.07	Material Testing (2% of Direct Cost)	LS	\$664,811.00	1	\$ 664,811.00	\$ 664,811.00
3.08	Safety Inspections	LS	\$34,000.00	1	\$ 34,000.00	\$ 34,000.00
3.09	Construction Management (2.1% of Direct Cost)	LS	\$698,050.00	1	\$ 698,050.00	\$ 698,050.00
	Direct Management of all phases of construction.					
	Engineering, Design and Management Subtotal:				\$ 4,114,076.00	\$ 4,114,076.00
	Indirect Cost Subtotal				\$ 4,491,076.00	\$ 4,491,076.00
Direct Costs						
* 4.00 Earthwork						
4.01	Strip and Stockpile	CY	\$1.20		\$ -	\$ -
4.02	Topsoil Replaced	CY	\$1.20		\$ -	\$ -
4.03	Topsoil Stockpiled	CY	\$0.00		\$ -	\$ -
4.04	Unclassified Excavation	CY	\$1.50		\$ -	\$ -
4.05	Embankment	CY	\$1.85		\$ -	\$ -
4.06	Subgrade Prep	LS	\$38,000.00	1	\$ 38,000.00	\$ 38,000.00
4.07	Clear and Grub	LS	\$12,500.00	1	\$ 12,500.00	\$ 12,500.00
4.08	Import Site Material	CY	\$1.50	0	\$ -	\$ -
	Earthwork Subtotal:				\$ 3,892,125.00	\$ 3,892,125.00
5.00 Sanitary Sewer						
5.01	4" SDR-35 Sewer Service Pipe	LF	\$22.50	13,322	\$ 299,741.63	\$ 299,741.63
5.02	8" SDR-35 Main	LF	\$33.50	29,680	\$ 994,280.00	\$ 994,280.00
5.03	4' Sewer Manhole	LF	\$2,636.00	169	\$ 445,484.00	\$ 445,484.00
5.04	Sewer Marker Posts	EA	\$125.00	365	\$ 45,625.00	\$ 45,625.00
5.05	Tie to Existing	LS	\$1,200.00	2	\$ 2,400.00	\$ 2,400.00
	Add Alternate					
5.06	Under drain with Sewer Main	LF	\$6.59	43,000	\$ 283,370.00	\$ 283,370.00
5.07	Muck remove and replace	CY	\$6.20	16,389	\$ 101,611.80	\$ 101,611.80
5.08	Dewatering	LF	\$5.10	43,000	\$ 219,300.00	\$ 219,300.00
	Sanitary Sewer Subtotal:				\$ 2,391,812.43	\$ 2,391,812.43
6.00 Domestic Water						
6.01	12" PVC-C900	LF	\$45.00	9,756	\$ 439,020.00	\$ 439,020.00
6.02	8" PVC-C900	LF	\$29.00	24,889	\$ 721,781.00	\$ 721,781.00
6.03	3/4 " Water Service and Meter Pit	EA	\$1,866.00	365	\$ 681,090.00	\$ 681,090.00
6.04	Fire Hydrant Assembly	EA	\$4,714.00	54	\$ 254,556.00	\$ 254,556.00

6.05	8" Gate Valve	EA	\$995.00	52	\$	51,740.00	\$	51,740.00	
6.06	12" Gate Valve	EA	\$1,100.00	23	\$	25,300.00	\$	25,300.00	
6.07	12" x 8" Tee	EA	\$450.00	12	\$	5,400.00	\$	5,400.00	
6.08	8" x 8" Tee	EA	\$375.00	17	\$	6,375.00	\$	6,375.00	
6.09	8" fittings	EA	\$320.00	84	\$	26,880.00	\$	26,880.00	
6.10	12" fittings	EA	\$426.23	18	\$	7,672.14	\$	7,672.14	
	Domestic Water Subtotal:					\$	2,219,814.14	\$	2,219,814.14
7.00	Storm Sewer								
7.01	Storm Sewer Facilities and Pipe	LF	\$48.00	43,000	\$	2,064,000.00	\$	2,064,000.00	
	Storm Sewer Subtotal:					\$	2,064,000.00	\$	2,064,000.00
8.00	*Irrigation System								
8.01	8" C-900 Irrigation Water Main	LF	\$32.00	8,266	\$	264,524.16	\$	264,524.16	
8.02	4" C-900 Irrigation Water Main	LF	\$21.00	38,071	\$	799,491.00	\$	799,491.00	
8.03	Irrigation Main Fittings	LS	\$64,700.00	1	\$	64,700.00	\$	64,700.00	
8.04	3/4" Irrigation Service and Meter Pit (Resident + parks)	EA	\$1,650.00	370	\$	610,500.00	\$	610,500.00	
8.05	Irrigation Pump System and Pump House	LS	\$180,000.00	1	\$	180,000.00	\$	180,000.00	
	Irrigation System Subtotal:					\$	1,919,215.16	\$	1,919,215.16
9.00	Concrete								
9.01	Vertical C&G in fall	LF	\$11.50	62,982	\$	724,293.00	\$	724,293.00	
9.02	Vertical C&G outfall	LF	\$10.50	6,146	\$	64,533.00	\$	64,533.00	
9.03	Concrete Access, Radius, Spandrels	SF	\$6.00	3,440	\$	20,640.00	\$	20,640.00	
9.04	Concrete Cross Pans	SF	\$5.75	807	\$	4,640.25	\$	4,640.25	
* 9.05	Open space Sidewalk	SF	\$3.00	172,737	\$	518,211.00	\$	518,211.00	
	Concrete Subtotal:					\$	1,332,317.25	\$	1,332,317.25
10.00	Asphalt Paving								
10.01	Aggregate Base (7")	SY	\$4.60	160,902	\$	740,149.20	\$	740,149.20	
10.02	A/C (5")(Non-Polymer)	SY	\$12.75	109,924	\$	1,401,531.00	\$	1,401,531.00	
10.03	Fly Ash (12" @12%)	SY	\$5.25	160,902	\$	844,735.50	\$	844,735.50	
10.04	Adjust Manholes	LS	\$48,000.00	1	\$	48,000.00	\$	48,000.00	
10.03	Adjust Valves	LS	\$25,200.00	1	\$	25,200.00	\$	25,200.00	
	Asphalt Paving Subtotal:					\$	3,059,615.70	\$	3,059,615.70
11.00	Landscaping								
11.01	Feature Landscape	SF	\$3.25	156,124	\$	507,403.00	\$	507,403.00	
11.02	Irrigated Landscape (Open Space)	SF	\$2.25	843,876	\$	1,898,721.00	\$	1,898,721.00	
11.03	Irrigated Natural Area	SF	\$1.80	1,270,750	\$	2,287,350.00	\$	2,287,350.00	
11.04	Dry Land Natural Area	SF	\$0.80	6,000,000	\$	4,800,000.00	\$	4,800,000.00	
11.05	Entry Feature (Signage)	LS	\$115,000.00	2	\$	230,000.00	\$	230,000.00	
11.06	Park Equipment (Benches and Playground Equipment)	LS	\$64,000.00	1	\$	64,000.00	\$	64,000.00	
11.07	Ponds	SF	\$0.00	729,250	\$	-	\$	-	
11.08	Miscellaneous (Additional signage, Trash)	LS	\$12,000.00	2	\$	24,000.00	\$	24,000.00	
	Landscaping Subtotal:					\$	9,811,474.00	\$	9,811,474.00
12.00	Dry Utilities								
12.01	Electric	LOT	\$2,800.00	365	\$	1,022,000.00	\$	-	
12.02	Natural Gas	LOT	\$1,400.00	365	\$	511,000.00	\$	-	
12.03	Phone	LOT	\$485.00	365	\$	177,025.00	\$	-	
12.04	Cable TV	LOT	\$485.00	365	\$	177,025.00	\$	-	
	Dry Utilities Subtotal:					\$	1,887,050.00	\$	-
13.00	Miscellaneous								
13.01	Swimming Pool with Cabana								
	Swimming Pool (85' x 70' pool and 20' x 20' wading pool)	LS	\$921,000.00	1	\$	921,000.00	\$	921,000.00	
	Club House (Single Story Structure)	SF	\$432.00	3,600	\$	1,555,200.00	\$	1,555,200.00	
13.02	Administration, Legal, Engineer, Contingency	LS	\$2,138,440.00	1	\$	2,138,440.00	\$	2,138,440.00	
13.03	Striping and Signage	LS	\$96,000.00	1	\$	96,000.00	\$	96,000.00	
13.04	Additional developer management costs	LS	\$0.00	0	\$	-	\$	-	
13.05	Construction Cost Contingency	LS	\$2,494,848.00	1	\$	2,494,848.00	\$	2,494,848.00	
	Miscellaneous Subtotal:					\$	7,205,488.00	\$	7,205,488.00
14.00	Off Site Improvements								
14.01									
	Off site Improvements Subtotal:					\$	-	\$	-
	Direct Cost Subtotal					\$	35,782,911.68	\$	33,895,861.68

Total Project Cost (Without Land)	40,273,987.68	38,386,937.68
Total Project Cost (With Land)	45,233,023.82	
* Budgeted Cost		
Additional Information Required		

EXHIBIT E

Financial Plan

Stan Bernstein and Associates, Inc.

Financial Planners and Consultants

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

8400 East Prentice Ave., Penthouse

Greenwood Village, Colorado 80111

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

MEMORANDUM

TO: Robert Bisetti, Serratoga Development Company, LLC
David O'Leary, Esq., White, Bear, and Ankele
Peggy Dowswell, CPA, Pinnacle Consulting Group, Inc.
Chad Walker, Pinnacle Consulting Group, Inc.

FROM: Stan Bernstein
Amy Bernstein

DATE: March 13, 2006

SUBJECT: Fifth Draft – Financial Model – Serratoga Falls Metropolitan Districts #1 - #3

INTRODUCTION AND SCOPE

Stan Bernstein and Associates, Inc. has assembled Financial Models for Serratoga Falls Metropolitan Districts #1 - #3 based upon key assumptions provided by officials of the Serratoga Development Company LLC. The Financial Models were assembled in order to provide a conceptual understanding of the amount of Non- Rated Limited Tax General Obligation Bonds (the Non-Rated Limited G.O. Bonds) that could ultimately be supported by Serratoga Falls Metropolitan Districts #2 and #3 (Financing Districts #2 and #3). The Non-Rated Limited G.O. Bonds are assumed to be issued by Financing Districts #2 and #3 in exchange for Serratoga Falls Metropolitan Districts' related infrastructure costs funded by Serratoga Development Company, LLC (the "Developer").

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

**FUTURE RATES OF RESIDENTIAL AND COMMERCIAL BUILDOUT AND
RELATED ASSESSED VALUATION**

The financial planning concept is that as the construction of future residential and commercial real estate product occurs within the boundaries of Financing District #2 and #3, incremental assessed valuation will generate property tax revenues for the Financing Districts.

For financial planning purposes it is assumed that a portion of the property tax revenues generated from the 50 mills (decreasing to 47 mills in 2030) assumed to be levied by Financing District #2 (Residential) and the 35 mills assumed to be levied by Financing District #3 (Commercial) will be transferred to the Service District (Service District #1) and used to pay operating and administrative costs. The property tax revenues generated from Financing District #2 and #3 mill levies that are not transferred to Service District #1 will be available to make annual interest and principal payments on outstanding Non-Rated Limited G.O. Bonds.

This draft indicates that for Financing District #2, 45 mills decreasing to 20 mills in 2015 and for Financing District #3, 15.0 mills will be transferred to the Service District for administrative costs and will be transferred to the Service District for administrative costs. This results in 5.0 mills, increasing to 30 mills in 2015, being available to pay debt service on Non-Rated Limited G.O. Bonds issued by Financing District #2 and 20.0 mills being available to pay debt service on Non-Rated Limited G.O. Bonds issued by Financing District #3.

This draft indicates that Financing District #2 could support approximately \$12,700,000 of Non-Rated Limited G.O. Bonds and that Financing District #3 could support approximately \$850,000 of Non-Rated Limited G.O. Bonds. If swimming pool, clubhouse, water irrigation system, and administrative operating expenditures are higher than estimated on Exhibits I, IA and IB, it is likely that the amount of Non-Rated Limited G.O. Bonds that could be issued from Financing Districts #2 and #3 will be less than the amounts indicated above.

The key assumptions with respect to future residential buildout, and related assessed valuation buildup, within the boundaries of Financing District #2 and #3 are presented in detail on Schedules 1 and 2. The assessed valuation forecasts assume 4% inflationary increases every other year beginning in tax collection year 2010. It is assumed that any loss in residential assessed valuation caused by Gallagher related adjustments will be offset by increases to the Financing District #2 and #3 mill levies.

Memorandum
March 13, 2006
Page iii

The Financial Models are based upon a total of 365 residential units being completed by the end of 2015 in Financing District #2 and 100,000 square feet of commercial space being completed by 2015 in Financing District #3.

Pinnacle Consulting Group Inc. and the Developer have provided the information contained in Schedules 1 and 2 and believes these assumptions to be reasonable and appropriate to use for financial modeling purposes at this time.

SERRATOGA FALLS METROPOLITAN DISTRICT #1 – CASH FLOW
GENERAL FUND– EXHIBIT I, PAGE 1

Exhibit I presents the estimated revenues and expenditures for Serratoga Falls Metropolitan District #1 (“Service District #1”). Key revenue sources include (i) Intergovernmental Transfers (pursuant to Intergovernmental Agreements between the Service District #1 and the Financing Districts #2 and #3) of property taxes from Financing Districts #2 and #3 assumed to be approximately 45 mills (decreasing to 20 mills in 2015) from Financing District #2 and 15.0 mills from Financing District #3; (ii) Developer Operating Advances of \$80,000 during years 2007 - 2009 (these developer advances could be reduced if operating, maintenance, and administrative costs are less than shown on Exhibit I), (iii) Capital Facilities Fees of \$0.25 per square foot at permit for commercial and \$2,500 per unit at permit for residential, and (iv) Developer Infrastructure Contributions during 2006 – 2014 totaling \$40,273,988.

Administrative, operating and landscape related expenditures are estimated at \$96,102 for Phase I in 2007, \$80,085 for Phase II in 2009, \$72,077 for Phase III in 2011, \$80,085 for Phase IV in 2013, and \$72,077 for Phase V in 2015 and assume 3% annual increases. These expenditures have been provided by Pinnacle Consulting Group, Inc.

SERRATOGA FALLS METROPOLITAN DISTRICT #1 – CASH FLOW
SWIMMING POOL FUND– EXHIBIT IA, PAGE 4

Exhibit IA presents the estimated revenues and expenditures for the proposed Swimming Pool Fund. Key revenue sources include (i) annual Pool User Fees assuming 100% of homes use the pool at \$350 annually per home (inflated at 3% per year), (ii) annual Clubhouse/Exercise User Fees assuming 100% of homes use the clubhouse at \$350 annually per home (inflated at 3% per year), (iii) and transfers from the General Fund totaling \$130,000 during years 2011 – 2013. The swimming pool and clubhouse are assumed to be operational beginning in 2011.

Memorandum
March 13, 2006
Page iv

Swimming Pool expenditures including management, lifeguards and maintenance are estimated at \$84,768 in 2011 (inflated at 3% per year). Clubhouse expenditures including management, maintenance, and labor are estimated at \$98,270 in 2011 (inflated at 3% per year). A \$60,000 contingency is assumed beginning in 2015. Expenditure estimates have been provided by Pinnacle Consulting Group, Inc. (inflated at 3% per year).

SERRATOGA FALLS METROPOLITAN DISTRICT #1 – CASH FLOW
WATER IRRIGATION FUND– EXHIBIT IB, PAGE 8

Exhibit IB presents the estimated revenues and expenditures for the proposed Water Irrigation Fund. Key revenue sources include (i) one time Water Irrigation Tap Fees of \$2,310 at permit, (ii) annual Water Irrigation Base Fees assumed to be \$96 per year per home (inflated at 3% per year), and (iii) annual Water Irrigation User Fees assumed to be \$300 per year per home (inflated at 3% per year).

Water Irrigation expenditures are estimated at \$45,190 in 2006 (inflated at 3% per year). A \$50,000 contingency is assumed beginning in 2009, increasing to \$100,000 in 2011. Expenditure estimates have been provided by Pinnacle Consulting Group, Inc.

SERRATOGA FALLS FINANCING DISTRICT #2 - CASH FLOW – EXHIBIT II,
PAGE 12

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

The primary revenue source is a 50.00 mill levy (decreasing to 47 mills in 2030) of which 5.0 mills (increasing to 30 mills in 2015) are assumed to be retained by Financing District #2 for payment of the annual debt service relating to approximately \$12.7 million of developer owned Non-Rated Limited G.O. Bonds. Approximately 45.0 mills (decreasing to 20 mills in 2015) are assumed to be transferred to Service District #1- General Fund for operations and administration pursuant to an IGA.

Memorandum
March 13, 2006
Page v

The Non-Rated Limited G.O. Bonds debt service schedule is also presented on Exhibit II. It is assumed that Non-Rated Limited G.O. Bonds could be issued on December 1, 2013 in the approximate amount of \$1.85 million with average interest rates of 7.0% and 30 year amortization. It is also assumed that Non-Rated Limited G.O. Bonds could be issued on December 1, 2014 in the approximate amount of \$5.3 million, December 1, 2016 in the approximate amount of \$3.95 million, and on December 1, 2022 in the approximate amount of \$1.6 million with average interest rates of 6.0% and up to 30-year amortization. Exhibit II indicates all Non-Rated Limited G.O. Bonds could be redeemed by December 31, 2042.

SERRATOGA FALLS FINANCING DISTRICT #3 - CASH FLOW – EXHIBIT III, PAGE 17

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

The primary revenue source is a 35.00 mill levy of which 20.0 mills are assumed to be retained by Financing District #3 for payment of the annual debt service relating to approximately \$850,000 of developer owned Non-Rated Limited G.O. Bonds. Approximately 15.0 mills are assumed to be transferred to Service District #1- General Fund for operations and administration pursuant to an IGA.

The Non-Rated Limited G.O. Bonds debt service schedule is also presented on Exhibit III. It is assumed that Non-Rated Limited G.O. Bonds could be issued on December 1, 2016 in the approximate amount of \$850,000 with average interest rates of 7.0% and 30 year amortization. Exhibit III indicates all Non-Rated Limited G.O. Bonds could be redeemed by December 31, 2042.

DISCLAIMER AND LIMITATIONS

The Financial Models were assembled by Stan Bernstein and Associates, Inc. based upon key assumptions provided by officials of the Districts and the Developer. Stan Bernstein and Associates, Inc. has not independently evaluated or reviewed these key assumptions and, consequently, does not vouch for the achievability of the information presented on Exhibits I - III or on Schedules 1 - 3. Furthermore, because of the inherent nature of future events, which are subject to change and variation as events and circumstances change, the actual results may vary materially from the results presented on Exhibits I - III and on Schedules 1 - 3. Stan Bernstein and Associates, Inc. has no responsibility or obligation to update this information or these Financial Models for events occurring after the date of this memorandum.

Memorandum
March 13, 2006
Page vi

The actual amount of the Non-Rated Limited G.O. Bonds that could be supported by Financing Districts #2 - #3 will depend on the rate of buildout and the related increases in assessed valuation, interest rates and debt service coverage requirements, and the actual amounts needed to pay for the District's administrative, operating and maintenance expenses. In the event that the District's actual administrative, operating, and maintenance expenses are more than anticipated on Exhibit I, the amount of bonds that could actually be supported by the District will likely be less than shown.

EXHIBIT I (SERVICE DISTRICT #1)
 SERRATOGA FALLS METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS - GENERAL FUND
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2031

WORKING DRAFT
 SUBJECT TO REVISION
 8-Mar-06
 SEE CONSULTANTS' DISCLAIMER

<u>KEY ASSUMPTIONS</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
ASSESSED VALUATION - SFMD #1	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
INCREMENTAL COMMERCIAL SQ FT ADDED - SFMD #2 (SCH. 1)	0	0	0	0	0	0	0	0	50,000	50,000
CUMULATIVE COMMERCIAL SQ FT - SFMD #2	0	0	0	0	0	0	0	0	50,000	100,000
ASSESSED VALUATION SFMD #2 (SCH. 1)	0	0	0	0	0	0	0	0	0	112,486
ASSUMED MILL LEVY TRANSFER FROM SFMD #2	0.00	0.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
INCREMENTAL RESIDENTIAL UNITS ADDED - SFMD #3 (SCH. 2)	20	20	31	34	42	38	41	43	46	50
CUMULATIVE RESIDENTIAL UNITS - SFMD #3	20	40	71	105	147	185	226	269	315	365
ASSESSED VALUATION SFMD #3 (SCH. 2)		100,000	856,200	1,612,400	2,895,890	4,232,852	6,119,769	8,201,124	11,092,228	14,089,552
ASSUMED MILL LEVY TRANSFER FROM SFMD #3	0.00	0.00	45.00	45.00	45.00	45.00	45.00	40.00	40.00	20.00
ASSUMED CAPITAL FACILITES FEE COMMERCIAL (ONE TIME AT PERMIT)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
ASSUMED CAPITAL FACILITES FEE RESIDENTIAL (ONE TIME AT PERMIT)	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
 <u>CASH FLOW</u>										
<u>REVENUES</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
PROPERTY TAXES @ 50 MILLS	0	0	250	250	250	250	250	250	250	250
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	0	0	15	15	15	15	15	15	15	15
IGA PROPERTY TAX TRANSFERS FROM SFMD #2	0	0	0	0	0	0	0	0	0	1,687
LTD. G.O.BOND PROCEEDS - SFMD #2	0	0	0	0	0	0	0	0	0	0
IGA PROPERTY TAX TRANSFERS FROM SFMD #3	0	0	38,529	72,558	130,315	190,478	275,390	328,045	443,689	281,791
LTD. G.O.BOND PROCEEDS - SFMD #3	0	0	0	0	0	0	0	1,536,000	4,080,000	0
DEVELOPER INFRASTRUCTURE CONTRIBUTIONS	9,135,837	0	10,099,059	0	6,809,754	0	7,622,859	0	6,606,478	0
DEVELOPER OPERATING CONTRIBUTION	0	50,000	0	15,000	0	0	0	0	0	0
CAPITAL FACILITIES FEE COMMERCIAL (\$0.25/SQ FT @ PERMIT)	0	0	0	0	0	0	0	0	12,500	12,500
CAPITAL FACILITIES FEE RESIDENTIAL (\$3,000 @ PERMIT)	60,000	60,000	93,000	102,000	126,000	114,000	123,000	129,000	138,000	150,000
INTEREST EARNINGS @ 2% OF BEG.FUNDS	0	1,200	1,502	2,188	2,388	3,817	4,684	7,288	9,351	13,981
TOTAL REVENUES	9,195,837	111,200	10,232,355	192,011	7,068,722	308,560	8,026,198	2,000,598	11,290,283	460,225
 <u>EXPENDITURES (PER PINNACLE GROUP LLC) 3% PER YR</u>										
PHASE I ADMIN, O&M, LANDSCAPE (SEE DETAIL PER PINNACLE)	0	96,102	98,985	101,955	105,013	108,164	111,409	114,751	118,193	121,739
PHASE II ADMIN, O&M, LANDSCAPE (SEE DETAIL PER PINNACLE)	0	0	0	80,085	82,488	84,962	87,511	90,136	92,840	95,626
PHASE III ADMIN, O&M, LANDSCAPE (SEE DETAIL PER PINNACLE)	0	0	0	0	0	72,077	74,239	76,466	78,760	81,123
PHASE IV ADMIN, O&M, LANDSCAPE (SEE DETAIL PER PINNACLE)	0	0	0	0	0	0	0	80,085	82,488	84,962
PHASE V ADMIN, O&M, LANDSCAPE (SEE DETAIL PER PINNACLE)	0	0	0	0	0	0	0	0	0	72,077
CONTINGENCY FOR ADMINISTRATION	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING EXPENDITURES	0	96,102	98,985	182,040	187,501	265,202	273,158	361,438	372,281	455,526
 TOTAL REIMBURSEMENT TO DEVELOPER FOR INFRASTRUCTURE (SCH. 3)	0	0	0	0	0	0	0	1,536,000	4,080,000	0
 TOTAL INFRASTRUCTURE COSTS(SCH. 3)	9,135,837	0	10,099,059	0	6,809,754	0	7,622,859	0	6,606,478	0
 TOTAL EXPENDITURES	9,135,837	96,102	10,198,044	182,040	6,997,255	265,202	7,896,018	1,897,438	11,058,759	455,526
 EXCESS REVENUES & BONDS OVER EXPENDITURES	60,000	15,098	34,311	9,972	71,467	43,358	130,180	103,160	231,524	4,698
 BEGINNING FUND BALANCE - JANUARY 1	0	60,000	75,098	109,409	119,380	190,847	234,205	364,386	467,545	699,069
 ENDING FUND BALANCE - DECEMBER 31	60,000	75,098	109,409	119,380	190,847	234,205	364,386	467,545	699,069	703,767

EXHIBIT I (SERVICE DISTRICT #1)
 SERRATOGA FALLS METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS - GENERAL FUND
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2031

KEY ASSUMPTIONS

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
ASSESSED VALUATION - SFMD #1	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
INCREMENTAL COMMERCIAL SQ FT ADDED - SFMD #2 (SCH. 1)	0	0	0	0	0	0	0	0	0	0
CUMULATIVE COMMERCIAL SQ FT - SFMD #2	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
ASSESSED VALUATION SFMD #2 (SCH. 1)	1,813,281	3,392,590	3,528,293	3,528,293	3,669,425	3,669,425	3,816,202	3,816,202	3,968,850	3,968,850
ASSUMED MILL LEVY TRANSFER FROM SFMD #2	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
INCREMENTAL RESIDENTIAL UNITS ADDED - SFMD #3 (SCH. 2)	0	0	0	0	0	0	0	0	0	0
CUMULATIVE RESIDENTIAL UNITS - SFMD #3	365	365	365	365	365	365	365	365	365	365
ASSESSED VALUATION SFMD #3 (SCH. 2)	18,224,314	21,750,677	22,620,704	22,620,704	23,525,532	23,525,532	24,466,554	24,466,554	25,445,216	25,445,216
ASSUMED MILL LEVY TRANSFER FROM SFMD #3	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
ASSUMED CAPITAL FACILITES FEE COMMERCIAL (ONE TIME AT PERMIT)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
ASSUMED CAPITAL FACILITES FEE RESIDENTIAL (ONE TIME AT PERMIT)	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000

CASH FLOW

REVENUES	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
PROPERTY TAXES @ 50 MILLS	250	250	250	250	250	250	250	250	250	250
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	15	15	15	15	15	15	15	15	15	15
IGA PROPERTY TAX TRANSFERS FROM SFMD #2	27,199	50,889	52,924	52,924	55,041	55,041	57,243	57,243	59,533	59,533
LTD. G.O.BOND PROCEEDS - SFMD #2	816,000	0	0	0	0	0	0	0	0	0
IGA PROPERTY TAX TRANSFERS FROM SFMD #3	364,486	435,014	452,414	452,414	470,511	470,511	489,331	489,331	508,904	508,904
LTD. G.O.BOND PROCEEDS - SFMD #3	3,264,000	0	0	0	0	0	1,248,000	0	0	0
DEVELOPER INFRASTRUCTURE CONTRIBUTIONS	0	0	0	0	0	0	0	0	0	0
DEVELOPER OPERATING CONTRIBUTION	0	0	0	0	0	0	0	0	0	0
CAPITAL FACILITIES FEE COMMERCIAL (\$0.25/SQ FT @ PERMIT)	0	0	0	0	0	0	0	0	0	0
CAPITAL FACILITIES FEE RESIDENTIAL (\$3,000 @ PERMIT)	0	0	0	0	0	0	0	0	0	0
INTEREST EARNINGS @ 2% OF BEG.FUNDS	14,075	12,812	13,126	13,546	13,675	13,903	13,819	13,827	13,499	13,256
TOTAL REVENUES	4,486,026	498,979	518,730	519,149	539,492	539,720	1,808,658	560,666	582,202	581,958
EXPENDITURES (PER PINNACLE GROUP LLC) 3% PER YR										
PHASE I ADMIN, O&M, LANDSCAPE (SEE DETAIL PER PINNACLE)	125,391	129,153	133,028	137,018	141,129	145,363	149,724	154,215	158,842	163,607
PHASE II ADMIN, O&M, LANDSCAPE (SEE DETAIL PER PINNACLE)	98,494	101,449	104,493	107,628	110,856	114,182	117,608	121,136	124,770	128,513
PHASE III ADMIN, O&M, LANDSCAPE (SEE DETAIL PER PINNACLE)	83,556	86,063	88,645	91,304	94,043	96,865	99,771	102,764	105,847	109,022
PHASE IV ADMIN, O&M, LANDSCAPE (SEE DETAIL PER PINNACLE)	87,511	90,136	92,840	95,626	98,494	101,449	104,493	107,628	110,856	114,182
PHASE V ADMIN, O&M, LANDSCAPE (SEE DETAIL PER PINNACLE)	74,239	76,466	78,760	81,123	83,556	86,063	88,645	91,304	94,043	96,865
CONTINGENCY FOR ADMINISTRATION	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING EXPENDITURES	469,192	483,268	497,766	512,699	528,080	543,922	560,240	577,047	594,358	612,189
TOTAL REIMBURSEMENT TO DEVELOPER FOR INFRASTRUCTURE (SCH. 3)	4,080,000	0	0	0	0	0	1,248,000	0	0	0
TOTAL INFRASTRUCTURE COSTS(SCH. 3)	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENDITURES	4,549,192	483,268	497,766	512,699	528,080	543,922	1,808,240	577,047	594,358	612,189
EXCESS REVENUES & BONDS OVER EXPENDITURES	(63,166)	15,712	20,964	6,450	11,412	(4,202)	418	(16,381)	(12,157)	(30,231)
BEGINNING FUND BALANCE - JANUARY 1	703,767	640,601	656,313	677,277	683,727	695,139	690,936	691,354	674,974	662,817
ENDING FUND BALANCE - DECEMBER 31	640,601	656,313	677,277	683,727	695,139	690,936	691,354	674,974	662,817	632,586

EXHIBIT I (SERVICE DISTRICT #1)
 SERRATOGA FALLS METROPOLITAN DISTRICT #1
 CASH FLOW FORECASTS - GENERAL FUND
 FOR THE YEARS ENDING DECEMBER 31, 2006 THROUGH 2031

<u>KEY ASSUMPTIONS</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>TOTALS</u>
ASSESSED VALUATION - SFMD #1	5,000	5,000	5,000	5,000	5,000	5,000	
INCREMENTAL COMMERCIAL SQ FT ADDED - SFMD #2 (SCH. 1)	0	0	0	0	0	0	100,000
CUMULATIVE COMMERCIAL SQ FT - SFMD #2	100,000	100,000	100,000	100,000	100,000	100,000	100,000
ASSESSED VALUATION SFMD #2 (SCH. 1)	4,127,604	4,127,604	4,292,708	4,292,708	4,464,417	4,464,417	
ASSUMED MILL LEVY TRANSFER FROM SFMD #2	15.00	15.00	15.00	15.00	15.00	15.00	
INCREMENTAL RESIDENTIAL UNITS ADDED - SFMD #3 (SCH. 2)	0	0	0	0	0	0	365
CUMULATIVE RESIDENTIAL UNITS - SFMD #3	365	365	365	365	365	365	365
ASSESSED VALUATION SFMD #3 (SCH. 2)	26,463,025	26,463,025	27,521,545	27,521,545	28,622,407	28,622,407	
ASSUMED MILL LEVY TRANSFER FROM SFMD #3	20.00	20.00	20.00	20.00	20.00	20.00	
ASSUMED CAPITAL FACILITES FEE COMMERCIAL (ONE TIME AT PERMIT)	0.25	0.25	0.25	0.25	0.25	0.25	
ASSUMED CAPITAL FACILITES FEE RESIDENTIAL (ONE TIME AT PERMIT)	3,000	3,000	3,000	3,000	3,000	3,000	

CASH FLOW

<u>REVENUES</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>TOTALS</u>
PROPERTY TAXES @ 50 MILLS	250	250	250	250	250	250	6,000
SPECIFIC OWNERSHIP TAXES @ 6% OF PROPERTY TAXES	15	15	15	15	15	15	360
IGA PROPERTY TAX TRANSFERS FROM SFMD #2	61,914	61,914	64,391	64,391	66,966	66,966	915,800
LTD. G.O.BOND PROCEEDS - SFMD #2	0	0	0	0	0	0	816,000
IGA PROPERTY TAX TRANSFERS FROM SFMD #3	529,260	529,260	550,431	550,431	572,448	572,448	9,706,894
LTD. G.O.BOND PROCEEDS - SFMD #3	0	0	0	0	0	0	10,128,000
DEVELOPER INFRASTRUCTURE CONTRIBUTIONS	0	0	0	0	0	0	40,273,988
DEVELOPER OPERATING CONTRIBUTION	0	0	0	0	0	0	65,000
CAPITAL FACILITIES FEE COMMERCIAL (\$0.25/SQ FT @ PERMIT)	0	0	0	0	0	0	25,000
CAPITAL FACILITIES FEE RESIDENTIAL (\$3,000 @ PERMIT)	0	0	0	0	0	0	1,095,000
INTEREST EARNINGS @ 2% OF BEG.FUNDS	12,652	12,122	11,204	10,351	9,079	7,860	245,206
TOTAL REVENUES	604,091	603,562	626,291	625,437	648,759	647,540	63,277,248

EXPENDITURES (PER PINNACLE GROUP LLC) 3% PER YR

PHASE I ADMIN, O&M, LANDSCAPE (SEE DETAIL PER PINNACLE)	168,515	173,571	178,778	184,141	189,666	195,356	3,503,808
PHASE II ADMIN, O&M, LANDSCAPE (SEE DETAIL PER PINNACLE)	132,368	136,339	140,430	144,642	148,982	153,451	2,598,989
PHASE III ADMIN, O&M, LANDSCAPE (SEE DETAIL PER PINNACLE)	112,293	115,662	119,131	122,705	126,387	130,178	2,066,901
PHASE IV ADMIN, O&M, LANDSCAPE (SEE DETAIL PER PINNACLE)	117,608	121,136	124,770	128,513	132,368	136,339	2,011,484
PHASE V ADMIN, O&M, LANDSCAPE (SEE DETAIL PER PINNACLE)	99,771	102,764	105,847	109,022	112,293	115,662	1,568,499
CONTINGENCY FOR ADMINISTRATION	0	0	0	0	0	0	0
TOTAL OPERATING EXPENDITURES	630,555	649,471	668,956	689,024	709,695	730,986	11,749,682
TOTAL REIMBURSEMENT TO DEVELOPER FOR INFRASTRUCTURE (SCH. 3)	0	0	0	0	0	0	10,944,000
TOTAL INFRASTRUCTURE COSTS(SCH. 3)	0	0	0	0	0	0	40,273,988
TOTAL EXPENDITURES	630,555	649,471	668,956	689,024	709,695	730,986	62,967,669
EXCESS REVENUES & BONDS OVER EXPENDITURES	(26,464)	(45,909)	(42,665)	(63,587)	(60,936)	(83,446)	309,579
BEGINNING FUND BALANCE - JANUARY 1	632,586	606,122	560,213	517,548	453,961	393,025	0
ENDING FUND BALANCE - DECEMBER 31	606,122	560,213	517,548	453,961	393,025	309,579	309,579

EXHIBIT F

**Form of Intergovernmental Agreement
between the Districts and Town of Timnath**

**INTERGOVERNMENTAL AGREEMENT BETWEEN
THE TOWN OF TIMNATH, COLORADO**

AND

SERRATOGA FALLS METROPOLITAN DISTRICT NOS. 1, 2 & 3

THIS AGREEMENT is made and entered into to be effective as of the ___ day of _____, _____, by and between the **TOWN OF TIMNATH**, a municipal corporation and political subdivision of the State of Colorado ("Town"), and **SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1, SERRATOGA FALLS METROPOLITAN DISTRICT NO. 2, and SERRATOGA FALLS METROPOLITAN DISTRICT NO. 3**, quasi-municipal corporations and political subdivisions of the State of Colorado (individually "District", collectively the "Districts"). The Town and the Districts are collectively referred to as the Parties.

RECITALS

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

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

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

WHEREAS, the Town and the Districts have determined it to be in the best interests of their respective taxpayers, residents and property owners to enter into this Intergovernmental Agreement ("Agreement") to promote the coordinated development of the Smith Bassett/Serratoga Falls Annexation property.

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

COVENANTS AND AGREEMENTS

1. Ownership, Operations and Maintenance of Facilities. The Districts shall dedicate the Public Improvements (as defined in the Service Plan) to the Town or other appropriate jurisdiction or owners association in a manner consistent with the final Approved Development Plan and other rules and regulations of the Town and applicable provisions of the Town Code. The Districts shall undertake ownership, operation and maintenance of those public facilities, and shall furnish related services, or shall dedicate and convey to the Town, the ELCO Water District, or the Boxelder Sanitation District, those facilities shown for such dedication and

conveyance as set forth the schedule of disposition of facilities attached hereto as **Exhibit A** and incorporated herein by reference. Except for those public improvements required to be dedicated to the Town or its designee in accordance with the final approved plat for any phase of development or this Intergovernmental Agreement, the Districts shall be authorized to operate and maintain any part or all of the Public Improvements provided for in the Service Plan.

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

2. Construction Standards. The Districts will ensure that the Public Improvements are designed and constructed in accordance with the standards and specifications of the Town and of other governmental entities having proper jurisdiction and of those special districts that qualify as "interested parties" under Section 32-1-204(1), C.R.S., as applicable. The Districts will obtain the Town's approval of civil engineering plans and will obtain applicable permits for construction and installation of Public Improvements prior to performing such work.

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

4. Current Town Residential Property Owners' Access to Park and Recreation Facilities and Improvements. All open space tracts, trails, and park improvements shall be open and available to the general public and Town citizens free of charge. It is acknowledged that the Town intends to explore the possibility of constructing a Town pool. Until such Town pool is constructed, the Districts shall allow Town residents who reside within property owner addresses

as of November 1, 2005 as described in Exhibit G, and their families who may reside at the address, including any family member added through birth, marriage, adoption or a parents marriage thereafter, access to any District constructed pool facility at reduced rates equivalent to 50% of the then current fee charged to in-District residents. A list defining the current residential property owner addresses which shall be provided this access is attached hereto as **Exhibit G**. Future residents of the addresses in **Exhibit G**, other than those defined above, who purchase or rent in these addresses after May 31, 2006, will not be entitled to this provision. Once a Town pool is constructed, the access and reduced rate as required by the Town for Town residential property owners as defined in **Exhibit G** shall be rescinded.

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

6. Changes in Boundaries or Service Area. Except as provided in the Service Plan and internal boundary adjustments between the Districts, the inclusion of property located within the Town into, and the exclusion of property from each District, and the furnishing of services outside the Service Area (as defined in the Service Plan) of the Districts, shall be subject to the approval of the Town. No inclusion or exclusion of property conforming with this Section 6 shall constitute a material modification of the Service Plan.

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

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

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

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

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

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

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

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

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

13. Multiple District Structure. It is anticipated that the Districts, collectively, will undertake the financing and construction of the Public Improvements. The nature of the functions and services to be provided by each District shall be clarified in an intergovernmental agreement between and among the Districts. Such intergovernmental agreement will be designed to help assure the orderly development of the Public Improvements and essential services in accordance with the requirements of the Service Plan. Implementation of such intergovernmental agreement is essential to the orderly implementation of the Service Plan. Accordingly, any determination of any Board to set aside said intergovernmental agreement without the consent of all of the Districts shall be a material modification of the Service Plan. Said intergovernmental agreement may be amended by mutual agreement of the Districts without the need to amend the Service Plan.

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

15. Maximum Debt Mill Levy. The "Maximum Debt Mill Levy" shall be the maximum mill levy the District is permitted to impose upon the taxable property within the District for payment of Debt. With respect to each District, the "Maximum Debt Mill Levy" shall be the maximum mill levy a District is permitted to impose upon the taxable property within such District for payment of Debt. The Maximum Debt Mill Levy, shall be thirty-five (35.0) mills; provided that, on or after January 1, 2006, the thirty-five (35.0) mill tax rate for debt may be increased to compensate for any decreases in the assessed valuation of the property within the District necessitated by state law pursuant to Article X, Section 3 of the Colorado Constitution commonly referred to as the Gallagher Amendment or any other legislation causing a reduction in the assessed valuation of residential properties. In the event of legislation implementing changes in the ratio of actual valuation to assessed valuation for residential real property, pursuant to Article X, Section 3(1)(b) of the Colorado Constitution, the mill levy limitation provided herein will be increased or decreased as to all taxable property in the District to reflect such changes; so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation. All Debt issued by the Districts must be issued in compliance with the requirements of Section 32-1-1101, C.R.S. and all other requirements of State or Federal law.

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

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

16. Total Combined Mill Levy. The total mill levy in any of the Districts, combined to include both general operations, maintenance and debt service, shall not exceed fifty (50) mills unless approved by the Town; provided, however, in the event that the method of calculating assessed valuation is changed after the date of this Agreement by any change in law or method of calculation or by any change in the percentage of actual value used to determine assessed valuation pursuant to Section 39-1-104.2, C.R.S., and Article X, Section 3 of the State Constitution, the mill levy limitation shall be increased or decreased to reflect such change, as reasonably determined by the Boards of Directors of the Districts so that, to the greatest extent

possible, the actual property tax revenues generated by the mill levy as adjusted are neither increased nor diminished as a consequence of such adjustment

17. Maximum Debt Mill Levy Imposition Term. The District shall not impose a levy for repayment of any and all Debt (or use the proceeds of any mill levy for repayment of Debt) on any single property developed for residential uses which exceeds forty (40) years after the year of the issuance of such Debt unless a majority of the Board of Directors of the District are residents of the District and have voted in favor of a refunding of a part or all of the Debt and such refunding will result in a net present value savings as set forth in Section 11-56-101, C.R.S.; *et seq.*

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

To the Districts: Serratoga Falls Metropolitan District Nos. 1, 2 & 3
 c/o White Bear & Ankele Professional Corporation
 Attn: David Sean O'Leary
 1805 Shea Center Drive, Suite 100
 Highlands Ranch, Colorado 80129
 Phone: (303) 858-1800
 Fax: (303) 858-1801

To the Town: Town of Timnath
 4100 Main Street
 Timnath, Colorado 80547

with copy to: Brad March, Esq.
 March Olive & Pharris, LLC
 110 E. Oak Street, Suite 200
 Fort Collins, Colorado 80524-2825
 Phone: (970) 482-4322
 Fax: (970) 482-5719

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

19. Precedence. Recognizing that full development of the Serratoga Falls property may take up to thirty (30) years, the Town approved the Service Plan with sufficient flexibility to accommodate and enable the Districts to respond to changed conditions over time, while still relying upon the provisions of this Agreement to enable it to exercise appropriate control and supervision of the Districts as provided by state law. Accordingly, any conflict or inconsistency

between the Service Plan and this Agreement shall be resolved in favor of the provisions of this Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

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

SERRATOGA FALLS METROPOLITAN
DISTRICT NO. 1

By: _____
President

Attest:

Secretary

SERRATOGA FALLS METROPOLITAN
DISTRICT NO. 2

By: _____
President

Attest:

Secretary

SERRATOGA FALLS METROPOLITAN
DISTRICT NO. 3

By: _____
President

Attest:

Secretary

TOWN OF TIMNATH, COLORADO

By: _____
_____, Mayor

Attest:

By: _____

Its: _____

APPROVED AS TO FORM: _____

EXHIBIT A
SCHEDULE OF FACILITIES DISPOSITION

1. Streets and Roadways.

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

2. Traffic and Safety Protection.

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

3. Drainage/Stormwater Facilities.

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

4. Sanitation.

Upon acceptance, conveyed to Boxelder Sanitation District for ownership, operation and maintenance.

5. Water.

a. Potable water facilities: Upon acceptance, conveyed to ELCO Water District for ownership, operation and maintenance.

b. Non-potable water facilities: Owned, operated and maintained by District.

6. Parks and Recreation.

Owned, operated and maintained by District or Town in accordance with the Approved Development Plan or otherwise agreed to by the Parties.

7. Transportation.

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

8. Mosquito Control; Miscellaneous

Owned, operated and maintained by District.

Exhibit G
Serratoga Falls Metropolitan District Nos. 1 - 3
Town of Timnath Address List as of November 1, 2005

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

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