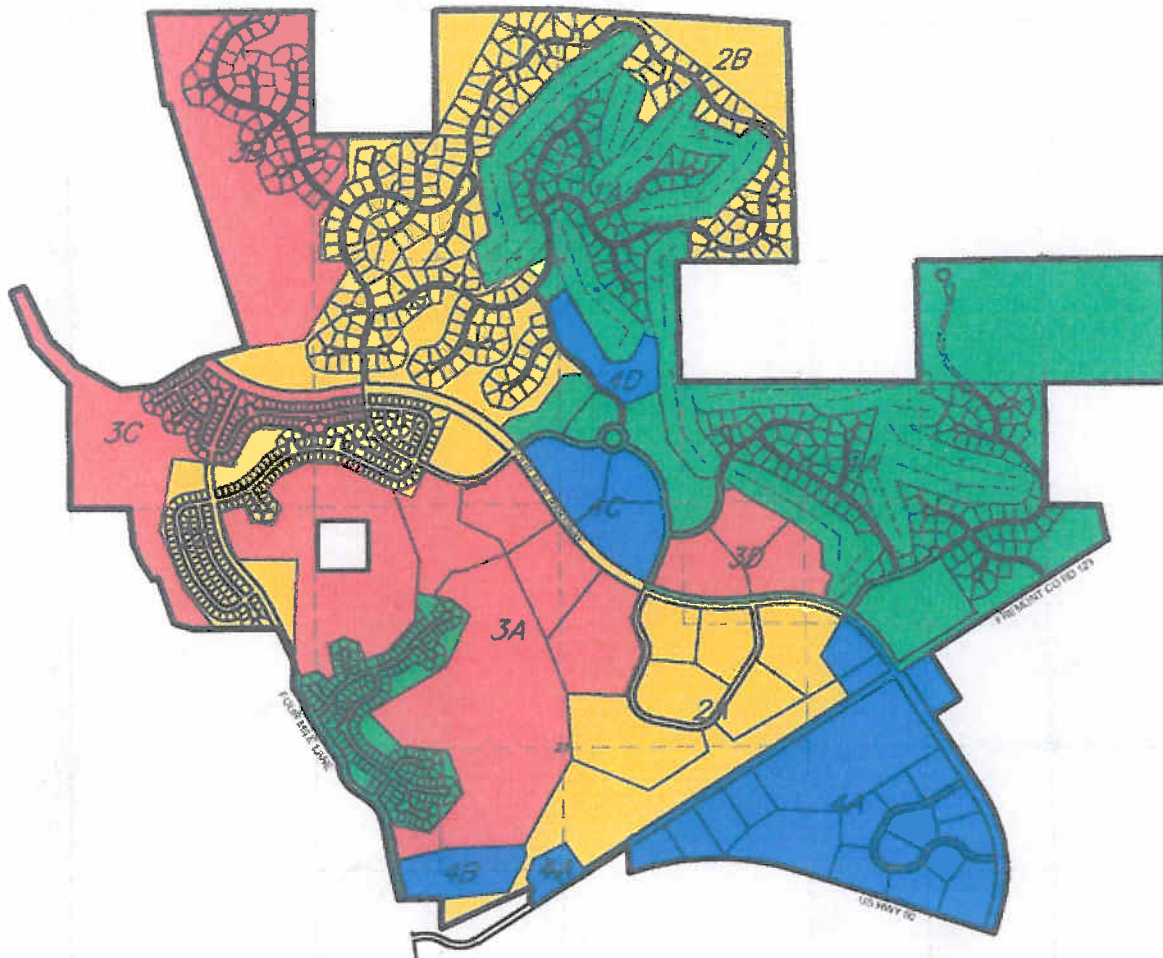


FOUR MILE RANCH METROPOLITAN DISTRICTS

No. 1, 2, 3 and 4
CAÑON CITY, COLORADO

SERVICE PLAN



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Approved: September 4, 2003

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- EXHIBIT B LEGAL DESCRIPTION
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- EXHIBIT C VICINITY MAP OF DISTRICTS
- EXHIBIT D BOUNDARY MAP OF DISTRICTS
- EXHIBIT E DESCRIPTION OF COMBINED FACILITIES AND COSTS
- EXHIBIT F COMBINED FINANCIAL PLAN

I. INTRODUCTION

This consolidated Service Plan (“Service Plan”) is submitted in accordance with §§ 32-1-201, *et seq.*, C.R.S., for the Four Mile Ranch Metropolitan Districts No. 1, 2, 3 and 4, (collectively, the “Districts”). The Districts will serve the needs of a new community to be known as Four Mile Ranch. The Districts will provide essential public improvements and services.

The Districts consist of approximately 1,639 acres of vacant land located entirely within Cañon City (the “City”). At final build-out, the Districts are expected to contain approximately 902 single family residential units, 1,575 multi-family residential units, approximately 4,000,000 square feet of commercial space, an 18-hole golf course, approximately 528 acres of passive open space and three parks (the “Four Mile Ranch Project” or the “Project”).

The Four Mile Ranch Project is divided into four metropolitan districts (“Four Mile Ranch Metropolitan Districts No. 1, 2, 3 and 4”), each with separate but complimentary functions. District No. 1 will contain the golf course and primarily single family residential properties. Districts No. 2 and 3 will consist primarily of single family and multi-family residential properties. District No. 4 will consist primarily of commercial property.

The Districts are anticipated to overlap with boundaries of the Fremont Sanitation District and the boundaries of the Cañon City Area Metropolitan Recreation and Park District. The Districts shall enter into Intergovernmental Agreements with Fremont Sanitation District and the Cañon City Area Metropolitan Recreation and Park District to define the rights and obligations of the Districts upon mutually agreeable terms and conditions. The intent of the Districts is that the present users in the Fremont Sanitation District and the Cañon City Area Metropolitan Recreation and Park District (none of whom are in the area expected to overlap with Four Mile

Ranch) shall not be burdened with infrastructure costs for the Four Mile Ranch Metropolitan Districts.

The developer, Western Comfort, Inc. (“Developer”) anticipates a twenty year build-out of the Project in phases. By organizing the Districts to match the anticipated phasing of development and by recognizing the distinct needs of each District, the Developer can better maintain continuity and consistency of infrastructure design, installation and services. The use of a consolidated Service Plan and financial plan will assist in the coordinated development of the entire Project throughout the build-out period.

II. CONSOLIDATED SERVICE PLAN STRUCTURE

Unless specifically noted, general provisions of this Service Plan apply to all four Districts. Specific references will be made to distinguish the powers and authority of each District. The Financial Plan discussed in Section VI and attached as Exhibit F considers the development of the Project as a whole. Intergovernmental agreements will be executed by and among the Districts clarifying the nature of the functions and services to be provided by each.

This Service Plan has been prepared by the Organizer and its consultants:

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III. PURPOSE, INTENT, NEED AND GENERAL POWERS OF THE DISTRICTS

A. Purpose and Intent. The Districts will provide essential facilities and services for public use and benefit. The Districts will cooperate with the City to serve and promote the health, safety and general welfare of its citizens. The resolution approving this Service Plan adopted by the City Council of Cañon City is attached as Exhibit A, in accordance with § 32-1-204.5(1), C.R.S.

B. Need for Districts. The City does not consider it practical to finance the construction, acquisition or installation of the public improvements described on Exhibit E. There is no other public or private entity willing and able to design, finance, construct, acquire or install the public improvements needed for the Four Mile Ranch Project. The Districts are capable of financing the construction, acquisition and installation of the public improvements in a cost effective manner and will provide for the operation and maintenance of certain public

improvements not dedicated to the City, Fremont County, the Fremont Sanitation District, or the State of Colorado, as outlined in Section V of this Service Plan.

C. General Powers. The installation of improvements and the provision of services by the Districts shall be undertaken in accordance with the Special District Act (§§ 32-1-101, *et seq.*, C.R.S.), other state statutes and this Service Plan.

1. Powers Regarding Services and Facilities. The Districts will have authority to provide the following services and facilities within and without their boundaries as necessary to serve the Four Mile Ranch Project:

a. Water. The design, acquisition, installation, construction, relocation, operations and maintenance of water improvements including storage facilities, transmission and distribution lines, pumping stations, irrigation facilities, reservoirs, retention ponds, treatment works, hydrants, meters, facilities and equipment and related landscaping and irrigation improvements, together with incidental and appurtenant facilities, equipment, land and easements acquired by condemnation or otherwise, and extensions of and improvements to such facilities;

b. Sanitary Sewer. The design, acquisition, installation, construction, relocation and maintenance of sanitary sewer system improvements, including collection and transmission lines, pumping stations, together with all necessary, incidental and appurtenant facilities, equipment, land and easements acquired by condemnation or otherwise, and extensions of and improvements to such facilities;

c. Storm Drainage. The design, acquisition, installation, construction, relocation, operations and maintenance of storm water improvements, including storage facilities, collection and transmission lines, retention ponds or basins, facilities and

equipment, and related landscaping and irrigation improvements, together with all necessary, incidental and appurtenant facilities, equipment, land and easements acquired by condemnation or otherwise, and extensions of and improvements to such facilities;

d. Streets. The design, acquisition, installation, construction, relocation, operation and maintenance of roadway improvements, curbs, gutters, culverts, storm sewers, drainage facilities, sidewalks, bridges, parking facilities, paving, lighting, grading, landscaping, snow removal, utility relocation, monumentation, signage and related landscaping and irrigation improvements, together with all necessary, incidental and appurtenant facilities, equipment, land and easements acquired by condemnation or otherwise, and extensions of and improvements to such facilities;

e. Parks and Recreation. The design, acquisition, installation, construction, relocation, regulation, operation and maintenance of public park and recreation facilities including open space, golf course, bike paths, hiking trails, pedestrian trails, pedestrian bridges, public plazas and courtyards, ponds, water features pertaining to landscaping, signage, public sculpture, art, botanic gardens, tennis courts, recreational facilities, exercise facilities, meeting and event space, picnic areas, playgrounds, park shelters, community events, common area landscaping and weed control, outdoor lighting, fencing and related landscaping and irrigation improvements, incidental and appurtenant facilities, equipment, land and easements acquired by condemnation or otherwise, and extensions of and improvements to such facilities, excluding programs, swimming pools, spas and recreation centers without the prior written approval of the Cañon City Area Metropolitan Recreation and Park District.

f. Traffic and Safety Controls. The design, acquisition, installation, construction, relocation, operation and maintenance of traffic and safety protection facilities and

services through traffic and safety controls and devices on streets and highways and at railroad crossings, including traffic signals and signage, environmental monitoring, traffic-related computer systems, area identification signs, directional assistance, driver information and community identification and related landscaping and irrigation improvements, together with all necessary, incidental and appurtenant facilities, equipment, land and easements acquired by condemnation or otherwise, and extensions of and improvements to such facilities;

g. Transportation. The design, acquisition, installation, construction, relocation, operation and maintenance of public transportation system improvements, including transportation equipment, park and ride facilities and parking lots, shuttle facilities, parking structures, signage, roofs, covers, bicycle racks, other transportation-related facilities, and related landscaping and irrigation improvements, together with all necessary, incidental and appurtenant facilities, land and easements, acquired by condemnation or otherwise, and extensions of and improvements to such facilities or systems;

h. Telecommunication Systems and Services. The design, acquisition, installation, construction, relocation, operation and maintenance of television relay and translator facilities, including without limitation, digital, satellite and cable television, communication systems and other technologies, together with all incidental and appurtenant facilities, land and easements acquired by condemnation or otherwise, and extensions of and improvements to such facilities, provided that the Districts shall not enter into franchise agreements with cable service providers; and

i. Mosquito and Pest Control. The design, acquisition, installation, construction, relocation, operation and maintenance of programs and methods for the elimination and control of mosquitoes, rodents and other pests.

2. Miscellaneous Powers. With respect to the activities, facilities, improvements and programs to be provided pursuant to this Service Plan, the Districts shall have the following powers:

a. Legal Powers. The powers of each District will be exercised by its Board of Directors to the extent necessary to provide the contemplated services. The facilities, improvements, programs and services will be undertaken in accordance with, and pursuant to, the procedures and conditions contained in the Colorado Constitution, the Special District Act, other statutes, this Service Plan, and Colorado common law.

b. Discretionary Powers. In addition to the powers enumerated above, the Board of Directors of each District shall, subject to the limitations and provision of this Service Plan, have authority:

i. To seek amendment of this Service Plan for material modifications as required by and subject to the provisions of § 32-1-207(2), C.R.S.;

ii. To implement, forego, contract for, reschedule or restructure the financing and construction of improvements and facilities, in order to best provide for the health, safety, and welfare of Four Mile Ranch in the most cost effective and practical manner as determined by the District's Board;

iii. To provide additional services and exercise all powers expressly or impliedly granted by Colorado law or which the District is authorized to provide in its discretion in order to carry out the purposes and functions of the District as described in this Service Plan; and,

iv. To exercise all necessary and implied powers under the Special District Act as the Board of Directors deems appropriate, subject to and in accordance with the provisions and limitations set forth within this Service Plan.

IV. BOUNDARIES, POPULATION & VALUATION

A. Summary of Combined Districts. The Districts' boundaries contain approximately 1,639 acres located entirely within the City of Cañon City in Fremont County. The Districts are located north and east of the intersection of Four Mile Lane and US Highway 50. The legal descriptions of the Districts are attached as Exhibits B1, B2, B3 and B4. A vicinity map showing the location of the Districts within Cañon City is attached as Exhibit C. A boundary map showing the boundaries of each of the Districts is attached as Exhibit D.

Four Mile Ranch is designed as a mixed-use development consisting of single-family residential lots, multiple family lots, an 18-hole golf course, commercial areas, recreational facilities, and educational and religious sites. Residential development is expected to include approximately 446 urban lots, 457 estate lots and 1,575 multi-family units.

The residential population of the Districts is projected to be 6,200 persons, assuming 2.5 persons per residential unit. The current assessed value of all property within the Districts is less than Fifty Thousand Dollars (\$50,000). The estimated assessed value of property within the Districts at full build-out in 2022 is shown on the Financial Plan, attached hereto as Exhibit F. A build-out schedule by District is shown below at Table 1.

1. Four Mile Ranch Metropolitan District No. 1. District No. 1 contains approximately 511 acres. Approximately 182 acres is designated for the golf course, approximately 4.7 acres is designated for an urban park; and approximately 96 acres is designated for passive open

space areas. District No. 1 contains approximately 196 estate lots, 150 urban lots and 276 multi-family units, with the majority of its build-out taking place within the first seven years of development. District No. 1 is located primarily along the easterly side of the Project, except for a residential development parcel accessed from Four Mile Lane. The golf course and surrounding residential property are anticipated to be the first areas developed in the Project.

The golf course will be privately owned and constructed, but will be open to the public. District No. 1 may purchase the golf course at such time as the Districts' debt capacity is sufficient to accommodate such a transaction, if ever.

2. Four Mile Ranch Metropolitan District No. 2. District No. 2 contains approximately 472 acres, including approximately 224 estate lots, 197 urban lots, 618 multi-family units, and 37 acres of passive open space. Construction in District No. 2 is projected to begin in five years. District No. 2 is located primarily through the middle of the Project, running north and south.

3. Four Mile Ranch Metropolitan District No. 3. District No. 3 contains approximately 443 acres, including approximately 64 estate lots, 99 urban lots, 725 multi-family units, an elementary school site and two neighborhood parks of 21 and 12 acres. Construction in District No. 3 is projected to begin in 2013, and is expected to continue for ten years. District No. 3 is located primarily along the westerly side of the Project.

4. Four Mile Ranch Metropolitan District No. 4. District No. 4 contains the commercial development sites, located primarily at the south end of the Project's boundary along US Hwy 50 and FCR 123; the golf course club house and related facilities; and a "town center" development located in the center of the Project, along the proposed Four Mile Parkway. Commercial development is anticipated to take place over twenty years. The club house and related facilities will be among the first buildings and improvements constructed within the

Project, as well as certain commercial sites along FCR 123. The town center is one of the last sites expected to be developed within the Project.

**Four Mile Ranch Metropolitan District Nos. 1, 2, 3 and 4
Build-out by District**

Year	District No. 1		District No. 2		District No. 3		District No. 4		Totals	
	Estate	Urban	Estate	Urban	Estate	Urban	Estate	Urban	Estate	Urban
2003									0	0
2004		50							0	50
2005	27	23							27	23
2006	18	65							18	65
2007	27	98							27	98
2008	18	50	19	10					37	25
2009	18	40	19	10					37	25
2010	14	3	17	14					31	17
2011	14		9	17					23	17
2012	18		9	23					27	23
2013	9		9	16	9	7			27	23
2014	11		9	12	9	7			29	19
2015	8		8	16	7	10			23	26
2016	14		6	18	6	10			26	28
2017			20	18	6	10			26	28
2018			20	18	6	10			26	28
2019			20	18	6	10			26	28
2020			20	7	6	21			26	28
2021			20		6	14			26	14
2022			19		3				22	0
Total	196	150	224	197	64	99	64	1,943,865	484	446
		276	618		725					1,619

V. EXISTING CONDITIONS, PROPOSED IMPROVEMENTS, AND FACILITIES TO BE PROVIDED

A. Description of Existing Conditions. The Property is zoned Planned Development District #1 and consists of approximately 1,639 acres of predominantly undeveloped agricultural use land.

B. Anticipated Development. The Developer anticipates total build-out of the Four Mile Ranch community to occur within twenty years. Build-out for each District is shown on Table 1. The build-out schedule by category for all of the Districts combined is shown in the Financial Plan attached as Exhibit F.

C. Public Improvement Schedule. The Developer anticipates construction of the public improvements to commence in the spring of 2004. Construction of public improvements will be phased to match the development schedule and market demand to ensure that public infrastructure improvements are built only as needed.

D. Specific Improvements to be Provided. The Districts will exercise the powers and authority described in Section III to finance the construction, acquisition, operations and maintenance of the public facilities and improvements described in Exhibit E. Where appropriate, the Districts will contract with other public and/or private entities to provide construction or other services. A preliminary engineering and construction plan including the cost in current dollars of each improvement is attached as part of Exhibit E. Exhibit E is a preliminary list only and is subject to modification and revision as engineering plans, City approvals, financing plans, construction scheduling and costs may require. Improvements not specifically described are permitted as long as they are necessary or appurtenant to those improvements contemplated in this Service Plan and within the power and authority described in Section III.

1. Water Utility System.

a. The Districts' potable water distribution system, including mains, appurtenant fixtures and other related improvements installed or acquired by the Districts will be conveyed to the City for ownership, operation and maintenance upon completion of construction and any warranty period. Property owners will be responsible for the construction and maintenance of all "customer side" service lines and for such other costs, fees and charges as might be required or imposed under the laws, regulations and policies of the Cañon City Water Department that are generally applicable to water users throughout the entire service area of the Cañon City Water Department.

b. If the Districts should contract with the City for the sale and delivery of non-potable water by the City to the Districts for purposes of irrigating the golf course and/or certain common areas open to the public, the Districts shall install or acquire a non-potable water distribution system that may include diversion facilities, weirs, canals, channels, mains, appurtenant fixtures and other related improvements. Unless the contract between the City and the Districts provides otherwise, such non-potable water distribution system will be conveyed to the City for ownership, operation and maintenance upon completion of construction and any warranty period. It is anticipated that any contract between the City and the Districts will provide that the Districts may use non-potable water for irrigation purposes for the golf course, public parks and other common areas. The Districts may, upon their receipt of prior written approval from the City, own, operate and maintain irrigation systems for the golf course and certain common areas, subject to such limitations, if any, that might be stated in the City's written approval.

2. Sanitary Sewer. The Districts' collection system, including mains, any offsite interceptor or lift station required and related facilities will be designed and constructed to Fremont Sanitation District standards and conveyed to the Fremont Sanitation District free of any liens or encumbrances for ownership, operation and maintenance upon completion of construction and any warranty period. The Districts shall not pledge any assets dedicated to Fremont Sanitation District as security for the indebtedness set forth in the Financial Plan. The Districts will not provide ongoing sanitary sewer service.

3. Storm Drainage. Storm drainage improvements will be designed, installed and constructed in accordance with City standards to ensure proper placement, sizing and operation of culverts, ditches, detention and retention ponds. The District will be responsible for the construction, operations and maintenance of the drainage improvements except those dedicated and conveyed to the City, County or State in connection with road improvements. The capital requirements for drainage improvements are shown on Exhibit E.

4. Streets. Certain roadway and related storm drainage infrastructure improvements will be conveyed to the City, Fremont County or the State of Colorado, as appropriate, for ownership, operation and maintenance upon completion of construction and any applicable warranty period. The District may retain ownership of internal District roads and drainage improvements and provide for ongoing operations, maintenance, repair and replacement.

5. Park and Recreation Facilities. District No. 1 may acquire, own, operate and maintain an 18-hole golf course open to the public. The Districts will design, construct, own, operate and maintain three parks and other recreational facilities. Approximately 528 acres in the Districts is expected to be passive open space. The open space parcels are anticipated to be conveyed in fee simple to the appropriate District for ownership and maintenance from the

Developer. A resolution of approval for any overlapping park and recreational facilities and services will be obtained from the Cañon City Area Metropolitan Recreation and Park District. The Districts will not seek exclusion from the Cañon City Area Metropolitan Recreation and Park District.

6. Traffic and Safety Controls. Traffic and safety protection devices will include traffic signals and signs, identification and directional signage and landscaping.

7. Telecommunication Facilities. Television, fiber optic, communication, data acquisition and other facilities and services will be provided to the extent necessary. The Developer intends such systems to be self-supporting with both capital and service costs being borne by the ultimate users. The City has sole authority to enter into television cable franchise agreements with providers.

8. Mosquito and Pest Control. All mosquito, rodent and pest control facilities and/or services, if any, will be provided in accordance with the applicable standards of the Colorado Department of Public Health and Environment, Colorado Department of Natural Resources, Colorado Department of Agriculture, U.S. Environmental Protection Agency, and other federal, state and local rules and regulations.

E. Dedication of Improvements to City of Cañon City/Other Entities. Each District shall dedicate water and certain road and drainage improvements to the City, sanitary sewer improvements to the Fremont Sanitation District, improvements to FCR 123 to Fremont County and improvements to Highway 50 to the State of Colorado, as set forth in this Service Plan. All improvements dedicated to the City, the County, Fremont Sanitation District or the State shall be transferred and conveyed with any necessary easements or rights-of-way upon completion of their construction and installation and applicable warranty periods.

F. Services to be Provided by other Governmental Entities. The Districts will receive fire protection services from the Cañon City Fire Protection District, domestic and irrigation water service from the City and sanitary sewer service from the Fremont Sanitation District. The Districts shall provide ongoing services for park and recreation, internal District streets and storm drainage and mosquito and pest control facilities and services.

VI. FINANCIAL PLAN

A. General. The Financial Plan attached as Exhibit F has been prepared for all four Districts, based on their combined assessed valuation. The Financial Plan demonstrates that the Districts will have the financial capacity to finance, maintain and operate the facilities. The Financial Plan assumes the issuance of bonds and repayment based on projected development within the Districts over a thirty year period.

B. Issuance of Bonds. Facilities will be financed primarily by the issuance of general obligation bonds secured by the *ad valorem* property taxing authority of the Districts and by development fees. The Financial Plan assumes four bond issues over a twelve year period. The Districts may obtain financing through the issuance of bonds payable from revenues derived from fees and other sources. Prior to the issuance of the bonds, the construction of necessary improvements may be undertaken by the Developer. The Districts may subsequently acquire the completed improvements or reimburse the Developer for advanced construction costs.

The Financing Plan assumes the issuance of the combined amount of Forty-three Million Nine Hundred and Five Thousand Dollars (\$43,905,000) in general obligation bonds, in four separate issuances, over a twelve year period with maturities of thirty years. The Districts may increase or decrease the amount of bonds to be issued as necessary to accommodate the needs of

the Districts, at the discretion of each District's Board of Directors and subject to the provisions of this Service Plan; provided however, the Districts may not increase the total aggregate debt issued by the Districts without the prior written consent of the City. The amount to be voted by the District's taxpaying electors is expected to exceed the amount of bonds anticipated to be sold, as shown in the Financial Plan, to allow for the utilization of alternative financing mechanisms, unforeseen contingencies, increases in construction costs due to changed market conditions or inflation, expansions of the District's boundaries, and to cover all issuance costs. The interest rate and discount will be determined at the time the bonds are sold, taking into account market conditions. Refunding bonds may be issued by the Districts to defease original issue bonds in compliance with law. The Districts may also issue notes, certificates, debentures or other evidences of indebtedness, as permitted by law; however, such obligations may not exceed \$43,905,000 without the prior written consent of the City. The figures contained herein depicting costs of infrastructure do not constitute legal limits on the financial powers of the Districts; provided, however, that the Districts shall not be permitted to issue bonds which are not in compliance with the bond registration and issuance requirements of Colorado law.

Subject to the restrictions set forth in this Section VI, the Districts will be authorized to fund any combination of the improvements. The combined total estimated cost of the improvements is expected to be approximately Twenty Five Million Seven Hundred Seventy Thousand Two Hundred Twenty Six Dollars (\$ 25,770,226). Neither the City, the Fremont Sanitation District nor the Cañon City Area Metropolitan Recreation and Park District shall be responsible for assuming any of the costs of the improvements funded by the Districts. The amount of authorized debt to be voted is expected to exceed the amount of bonds anticipated to be sold as shown in the Financial Plan to allow for the utilization of alternative financing mechanisms, contingencies, increases in

construction costs due to changed market conditions or inflation, expansions of the Districts' boundaries, and to cover all issuance costs.

C. Identification of District Revenue. In addition to *ad valorem* property taxes, and in order to offset expenses, the Districts may rely on other revenue sources authorized by law. These include fees, rates, tolls, penalties and charges as provided in § 32-1-1001(1), C.R.S. The Financial Plan assumes *ad valorem* property taxes, specific ownership taxes and development fees together with interest earnings on retained amounts. Collected fees, rates, tolls, penalties and charges, permitted under § 32-1-1001, C.R.S., may be used to supplement the Districts' debt service funds.

The Districts intend to rely on development fees as a source of revenue in the amount of \$10,000 for estate lots; \$3,000 for urban lots; \$2,000 per multi-family residence; and \$1.00 per square foot for commercial development, as shown in the Financial Plan. Each District may increase or decrease the amount of the development fees at the discretion of its Board of Directors; or, at the discretion of the Board of Directors, a District may choose not to impose development fees.

D. Mill Levy. The Districts will have a mill levy assessed on all taxable property within their boundaries as the primary source of revenue for debt service and for administration expenses, operations and maintenance. The mill levy may vary depending upon each District Board's decision to proceed with certain improvements and services contemplated in this Service Plan. The levy needed to support the debt is estimated to be thirty (30) mills during the bond repayment period. Operations and maintenance expenses and administrative costs of the Districts will be supported by an additional levy, projected at five (5) mills, but which may increase or decrease to provide for the Districts' needs, subject to applicable laws.

The District may authorize, issue, sell, and deliver such bonds, notes, contracts, reimbursement agreements, or other obligations evidencing or securing a borrowing (collectively, "Bonds") as are permitted by law; provided that the following limitations shall apply except where waived by the City:

1. All Bonds, regardless of whether the District has promised to impose an ad valorem mill levy for their payment, shall be exempt from registration under the Colorado Municipal Bond Supervision Act, or shall be registered under such Act.

2. The principal amount of any issue of Bonds for the payment of which the District promises to impose an *ad valorem* property tax ("General Obligation Bonds"), together with any other outstanding issue of General Obligation Bonds of the District, may not at the time of issuance exceed fifty percent (50%) of the valuation for assessment of the taxable property in the District, as certified by the assessor, except that the foregoing shall not apply to an issue of General Obligation Bonds for the payment of which the District has covenanted to impose a maximum mill levy of not more than 50 mills (a mill being equal to 1/10 of 1¢) per annum (the "Limited Mill Levy Bonds"); provided that, such Limited Mill Levy Bonds may also provide that in the event the method of calculating assessed valuation is changed after the date of approval of this Service Plan by any change in law, change in method of calculation, or change in the percentage of actual valuation used to determine assessed valuation, the 50 mill levy limitation herein provided may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. The District may provide that Limited Mill Levy Bonds may convert to unlimited mill levy General Obligation

Bonds when the outstanding principal amount of all General Obligation Bonds is equal to or less than fifty percent (50%) of the valuation for assessment of the taxable property in the District, as certified by the assessor, and once Limited Mill Levy Bonds have been so converted to unlimited mill levy General Obligation Bonds, the District may provide that such General Obligation Bonds shall remain secured by such unlimited mill levy, notwithstanding any subsequent change in the District's debt to assessed ratio.

Provided however, that notwithstanding the foregoing, for any Bonds issued which will result in the District's debt to assessed ratio being 100% or higher after such issuance, one of the following conditions shall be required, except to the extent waived by the City Administrator:

a. The Bonds are rated in one of the four highest investment grade rating categories by one or more nationally recognized organizations which regularly rate such obligations; or

b. The Bonds are secured by a letter of credit or similar financial guaranty and the District is not obligated to reimburse draws under such letter of credit or financial guaranty; provided that the foregoing shall not be construed to prohibit the District from paying the Bonds with the revenues pledged thereto; or

c. Each of the following applies: (i) the Bonds are issued exclusively to "accredited investors", as that term is defined under sections 3(b) and (4)(2) of the federal "Securities Act of 1933" by regulation adopted thereunder by the securities and exchange commission; (ii) the Bonds are secured by the proceeds thereof so that, except for Bond issuance expenses which may be paid upon issuance, such proceeds are not released for expenditure by the District for purposes other than paying the Bonds until sufficient indications of future development within the District have occurred, which indications may include but not be limited

to sales or contracts for sales of real property within the District to builders, or similar indications of development, all as may be determined in good faith by the District; and (iii) a copy of the offering document used to market the Bonds and which describes such arrangements is provided to the City not less than ten days prior to the issuance of such Bonds.

3. The Financial Plan assumes that all property within the Districts will be developed and assessed at various percentages depending upon the year of construction. The valuation for assessment is assumed to lag one year behind construction with tax collections being realized two years after construction.

4. Annual administrative, operational and maintenance expenses are estimated in the Financial Plan. The Districts may supplement these revenues from other sources as permitted by law.

The mill levy cap does not apply to the Districts' mill levy for operation and maintenance. However, there are statutory and constitutional limits on the District's ability to increase its mill levy for operation and maintenance without an election.

E. Security for Debt.

The Districts shall not pledge any assets dedicated pursuant to Section V.E (Dedication of Improvements to the City of Cañon City /Other Entities) of this Service Plan, or any City funds or assets as security for the indebtedness set forth in the Financial Plan.

F. Financial Plan. Exhibit F contains the Financial Plan for the Districts. The Plan provides:

1. Absorption rates and assumed residential and commercial values;
2. The debt anticipated by the Districts;
3. The anticipated sources of revenue and projected expenses, as well as the

assumptions upon which they are based for at least a ten year period from the date of organization of the Districts;

4. The dollar amount of anticipated financing, including capitalized interest, costs of issuance, estimated rates and discounts, and estimated expenses related to the organization and initial operation of the Districts; and

5. A detailed repayment plan covering the life of financing, including the frequency and amounts expected to be collected from all sources.

G. Services of Districts. The Districts will require operating funds to plan and cause the public improvements to be constructed and maintained. The costs are expected to include: organizational costs, legal, engineering, accounting and debt issuance costs, compliance with state reporting and other administrative matters. The operating budget for 2004 (the Districts' first year of operation) is estimated to be less than One Hundred Thousand Dollars (\$100,000), collectively.

VII. DEVELOPER OBLIGATIONS RESPECTING CERTAIN PUBLIC IMPROVEMENTS

The creation of the Districts shall not relieve the Developer, its successors or assigns of the obligation to construct on-site and off-site public improvements required by: (a) any annexation agreement; (b) any development agreement relating to the subdivision and/or development of any land within the Districts; or (c) any condition of "FPDP" approval, subdivision approval, PUD approval or other land use approval imposed by the Council of Cañon City pursuant to the duly adopted ordinances, regulations and policies of the City.

VIII. INCLUSIONS/EXCLUSIONS

The Districts may alter their boundaries by the inclusion and/or exclusion of property within the Districts, which inclusions or exclusions shall not be a material modification of this Service Plan. Any inclusion and/or exclusion proceedings shall be conducted in accordance with § 32-1-401, C.R.S. and/or § 32-1-501, C.R.S., as appropriate.

IX. HOMEOWNERS ASSOCIATIONS

Homeowners or property owners associations are expected to be formed to provide certain services to the Four Mile Ranch community, including architectural control, community events and activities, community marketing, animal control and other programs that may be beyond the scope and authority of the Districts.

X. MODIFICATION OF SERVICE PLAN

This Service Plan has been drafted to provide the Districts with the flexibility necessary to provide required services and facilities to the Four Mile Ranch community under evolving development conditions, without the need for numerous amendments. The Districts will obtain the approval of the City before making any material modifications to this Service Plan, pursuant to § 32-1-207(2), C.R.S. Modifications of the general types of services and facilities, and changes in proposed configurations, locations or dimensions of various improvements and facilities shall be permitted to accommodate develop needs consistent with the then-current zoning for the property. Material modifications include modifications of a basic or essential nature including, but not limited to, additions to the types of services provided by Districts, change in revenue sources, or any of the events or conditions enumerated in § 32-1-207(2),

C.R.S. of the Special District Act. City approval is not required for modifications to this Service Plan necessary for the execution of financing or construction of public improvements already outlined in this Service Plan.

XI. ANNUAL REPORT

Upon request, the Districts will submit an annual report to the City in the form prescribed by § 32-1-207(3)(c), C.R.S.

XII. NOTICE OF ORGANIZATION

The Districts will record the Order of the District Court organizing the Districts in the real property records of the Clerk and Recorder of Fremont County, Colorado, to provide notice to future property owners regarding the existence of the Districts.

XIII. STATUTORY REVIEW

This consolidated Service Plan for the Four Mile Ranch Metropolitan Districts No. 1, 2, 3 and 4 meets the applicable requirements of the Special District Control Act (§§ 32-1-201, *et seq.*, C.R.S.) and the requirements of the Colorado Constitution. It is further submitted, in accordance with § 32-1-203(2), C.R.S.:

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

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

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

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

XIV. CONCLUSION

Therefore, the Organizer requests that the City Council for Cañon City, which has jurisdiction to approve this Service Plan by virtue of § 32-1-204.5(1), C.R.S., adopt a resolution approving this Service Plan for the Four Mile Ranch Metropolitan Districts No. 1, 2, 3 and 4.

Respectfully submitted,

SETER & VANDER WALL, P.C.

By: Joan M. Fritsche
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