

CONSOLIDATED SERVICE PLAN
FOR
CORNERSTONE METROPOLITAN DISTRICT NOS. 1 AND 2
MONTROSE COUNTY, COLORADO
OURAY COUNTY, COLORADO

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I. INTRODUCTION

A. Purpose and Intent. This service plan (the "Service Plan") is for Cornerstone Metropolitan District Nos. 1 and 2 (the "Districts"), two special districts proposed to be organized to finance and maintain certain public improvements and infrastructure which will serve the needs of a new residential development to be located within their boundaries. It is submitted in accordance with Part 2 of the Special District Act, Section 32-1-201, *et seq.*, Colorado Revised Statutes. The Districts' service areas will consist of an aggregate of approximately five thousand eight hundred forty-eight (5,848) total acres, one thousand five hundred seventy-five (1,575) of which lies in Montrose County, Colorado and the remaining four thousand two hundred seventy-three (4,273) of which lies in Ouray County, Colorado. Vicinity and Boundary maps of the Districts are contained in Exhibits B and C to this Service Plan, respectively. The residential development is currently planned to include eighty (80) cluster-type residences, forty (40) small ranch residences, one hundred seven (107) family golf-view residences and one hundred seventy-nine (179) single-family cluster residences. Recreational amenities may include a community trail system connecting large areas of open space, an equestrian facility, a swimming and tennis center, fishing ponds and lodge, as well as an eighteen (18) hole golf course and clubhouse.

Once organized, the Districts will be independent units of local government that are separate and distinct from the Montrose County and Ouray County governments. Their activities are subject to review by Montrose County and Ouray County insofar as they may materially deviate from the requirements of this Service Plan, the intergovernmental agreement among Montrose County, Ouray County and the Districts dated November 1, 2004, and/or as provided by State law, by local law or by this Service Plan. The primary purpose of the Districts will be to finance the construction and maintenance of part of the necessary public improvements and infrastructure for the use and benefit of all anticipated inhabitants and taxpayers of the Districts. Notwithstanding any contained or implied herein to the contrary, the Districts shall operate and maintain all Public Improvements which they finance, construct or own unless otherwise agreed to in writing by Montrose County and Ouray County.

B. Need for the Districts. There are currently no other governmental entities, including Montrose County and Ouray County, located in the immediate vicinity of the Districts that consider it desirable or practical to undertake the planning, design, acquisition, construction, installation, relocation, redevelopment and/or maintenance of necessary and adequate public improvements and infrastructure needed for the proposed development. Further, Montrose County and Ouray County require that the District which survives dissolution has perpetual responsibility for the ongoing operation and maintenance of certain facilities, as described herein, as there is no existing entity that is capable of providing such services. Consequently, the powers and authorities requested under this Service Plan are deemed necessary for the provision of said public improvements and infrastructure and for operations and maintenance thereof as described herein or as may be otherwise required in writing by Montrose County and Ouray County. The level of required improvements makes organization of the Districts critical so that they may finance both the construction and maintenance costs at acceptable levels.

C. Objectives of Montrose County and Ouray County Regarding This Service Plan. The primary objective of Montrose County and Ouray County in approving this Service Plan is to authorize the Districts to provide for the planning, design, acquisition, construction, installation, relocation, maintenance and/or redevelopment of all necessary and adequate public improvements and infrastructure for the proposed development, and to pay for the same using the proceeds from debt expected to be issued by the Districts and/or other revenues of the Districts. Additionally, as mentioned above, Montrose County and Ouray County require that one of the Districts has perpetual responsibility for the ongoing operation and maintenance of certain facilities, as described herein, as there is no existing entity that is capable of providing such services. All such debt is expected to be repaid by taxes imposed and collected for no longer than a "Maximum Debt Mill Levy Imposition Term" and at a tax mill levy no higher than a "Maximum Debt Mill Levy," as these terms are defined herein. The requirement that all debt be issued within these parameters will protect property owners from excessive tax burdens and will result in a timely and reasonable discharge of the same.

One purpose of this Service Plan is to assure, to the extent possible, that none of the property contained within the boundaries of the Districts will bear an economic burden greater in amount than that associated with said "Maximum Debt Mill Levy" and the "Maximum Operations and Maintenance Mill Levy," and that no property will bear an economic burden for the repayment of the Districts' debt greater in duration than that associated with said "Maximum Debt Mill Levy Imposition Term". The costs of any public improvements or infrastructure that cannot be funded within these parameters and within the Districts' obligations for operations and maintenance are not intended to be costs paid by the Districts.

It is the Districts' intent that, after all bonds or other debt instruments have been issued and after adequate provisions have been made for repayment of all Debt, or by year 25 of the Districts' existence, whichever occurs earlier, the Operating District will initiate and complete legal proceedings to dissolve pursuant to Section 32-1-701 *et seq.*, C.R.S., leaving the Taxing District to defease or otherwise repay any and all remaining debt and to provide for the perpetual, ongoing operation and maintenance of the Public Improvements. To the extent that the Districts have continuing operating and/or maintenance functions under this Service Plan or under intergovernmental agreements with Montrose County and Ouray County or other entities as permitted herein, the Operating District will transfer and/or assign said operating and/or maintenance functions to the Taxing District and the Operating District is compelled to dissolve unless Montrose County and Ouray County request otherwise in writing in accordance with this Service Plan.

This Service Plan contains a preliminary financial analysis that describes how the facilities and services can be provided and financed in an economical and efficient manner by the Districts. Numerous items are included in this Service Plan in order to satisfy the requirements of law for the formation of special districts in the State of Colorado. These requirements are listed in Exhibit E, attached hereto. This Service Plan satisfies each of these requirements.

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: a development plan or other process established and approved by Montrose County and Ouray County for identifying, among other things, the public improvements necessary for facilitating the development of property within the District's "Service Area," as the same is defined hereinbelow.

Board: the board of directors of one District or the boards of directors of both Districts, in the aggregate.

Bond, Bonds or Debt: bonds or other obligations for which the Districts have promised to impose an *ad valorem* property tax mill levy or other revenues in order to repay.

Boundary Map: the map attached hereto as Exhibit C which describes the Districts' initial boundaries.

C.R.S.: the Colorado Revised Statutes, 2003 edition.

Developer: HRC-Montrose Development, L.P.

District Boundaries: the boundaries of the area described in the Boundary Map, attached hereto as Exhibit C.

District No. 1 or Operating District: Cornerstone Metropolitan District No. 1.

District No. 2 or Taxing District: Cornerstone Metropolitan District No. 2.

The Districts: District No. 1 and District No. 2, collectively.

External Financial Advisor: a consultant acceptable to both Counties that: (1) advises Colorado governmental entities on matters relating to the issuance of securities, including matters such as the pricing, sales and marketing thereof and of the procuring of bond ratings, credit enhancement and insurance in respect thereto; (2) shall be an underwriter, investment banker, or individual listed as a public finance advisor in the "Bond Buyer's Municipal Market Place;" and (3) is not an officer or employee of the Districts and has not been otherwise engaged to provide services in connection with the transaction related to the applicable Debt.

Financing Plan: the Financing Plan contained in this Service Plan, and that attached hereto as Exhibit E, which describes: (a) how the Public Improvements, as the same is defined hereinbelow, are to be financed; (b) how the Debt is expected to be incurred; and (c) the estimated operating revenue derived from property taxes for the first budget year.

Maximum Debt Mill Levy: the maximum mill levy District No. 1 and/or District No. 2 is/are permitted to impose for payment of Debt.

Maximum Debt Mill Levy Imposition Term: the maximum term for imposition of a mill levy on a particular piece of property for repayment of the Districts' Debt.

Maximum Operations and Maintenance Mill Levy: the maximum mill levy District No. 1 and/or District No. 2 is/are permitted to impose to pay for the ongoing operations and maintenance of Public Improvements.

Operating District: District No. 1.

Project: the development commonly referred to as Cornerstone.

Public Improvements: all or a part of the improvements authorized to be planned, designed, acquired, constructed, installed, relocated, redeveloped, financed and maintained to serve the Service Area, as the same are generally described in the "Special District Act," as the same is defined hereinbelow; except as specifically limited herein.

Service Area: the real property contained within the Districts' boundaries, as shown on the Boundary Maps.

Service Plan: this document approved by the Montrose County and Ouray County Boards of County Commissioners.

Service Plan Amendment: an amendment to the Service Plan that has been approved by the Montrose County and Ouray County Boards of County Commissioners in accordance with applicable Colorado law.

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

State: the State of Colorado.

Taxing District: District No. 2.

III. BOUNDARIES

The Districts' Boundaries consists of an aggregate of approximately five thousand eight hundred forty-eight (5,848) acres. Legal descriptions of District No. 1 and District No. 2 are attached as Exhibit A, and maps depicting the Districts' boundaries are attached hereto as Exhibit C.

At build-out, the assessed valuation of the real property and improvements contained within the boundaries of the Districts is anticipated to be approximately Forty-Two Million Two

Hundred Thousand Dollars (\$42,200,000.00). A legal description of the District Boundary is attached hereto as Exhibit A, a Montrose County and Ouray County vicinity map is similarly attached as Exhibit B, and a map of the District Boundary is attached as Exhibit C. It is anticipated that the Districts' Boundaries may change from time to time as they undergo inclusions and exclusions pursuant to Section 32-1-401, *et seq.* and 32-1-501, *et seq.*, C.R.S., respectively. All such boundary changes shall be subject to the limitations set forth below.

IV. PROPOSED LAND USE/ POPULATION PROJECTIONS/ ASSESSED VALUATION

The Districts' Service Area consists of approximately five thousand eight hundred forty-eight (5,848) acres, with the portion of the Service Area lying in Montrose County currently zoned as "Planned Development District" and the portion lying in Ouray County currently zoned as "Alpine." For purposes of this Service Plan, the Service Area is presumed to have a current assessed valuation of zero dollars (\$0.00). At build-out the population of the Districts is estimated not to exceed approximately one thousand two hundred eighteen (1,218) people, based on an estimate of three (3) persons per residential unit.

Approval of this Service Plan by Montrose County and Ouray County 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 identified in this Service Plan or any of the exhibits attached hereto.

V. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES

A. Powers of the Districts and Service Plan Amendment. The Districts shall have the power and authority to provide the Public Improvements and related operation and maintenance services, both within and without of their boundaries, as such power and authority is described in the Special District Act, other applicable statutes, common law and/or the Constitution of the State of Colorado, subject to the following limitations and the limitations contained in any intergovernmental agreement between the Districts and either Montrose County or Ouray County:

1. Operations and Maintenance of the Public Improvements. The purpose of the Districts is to plan for, design, acquire, construct, install, relocate, redevelop, finance and maintain all or a portion of the Public Improvements, including, but not limited to, the following Public Improvements, subject to the provisions of Section V. A. 11. and Section XII. C. of this Service Plan, or as otherwise provided herein:

- Permanent Fire and Emergency Medical Protection Improvements or Services
- Wastewater Collection and Treatment Systems
- Internal Water Facilities and Infrastructure
- Internal Street and Roadway Systems
- Offsite Roadway Systems

Other Public Improvements not identified in this Service Plan, but financed by the Districts, shall be operated and maintained by the Districts, unless subsequent agreements require the same to be dedicated to Montrose County and/or Ouray County or to other existing entities acceptable, as evidenced in writing, by Montrose County and Ouray County. The ongoing operations, maintenance and construction of the Districts' capital improvements, together with the costs associated therewith, shall be the subject of intergovernmental agreements and/or contracts between the Districts and the Developer, or between the Districts, Montrose County and Ouray County, or between the Districts and other existing entities acceptable, as evidenced in writing, by Montrose County and Ouray County. The negotiation and finalization of said intergovernmental agreements and/or contracts shall be permitted without the need to amend this Service Plan, and the same shall not be considered a material modification hereof. However, in the absence of a written agreement with Montrose County and Ouray County to the contrary, the Districts shall be obligated to operate and maintain all improvements they have financed, constructed, or otherwise own. The Districts shall establish and maintain an operations and maintenance mill levy in an amount not to exceed the limits set forth herein on all taxable property contained within their boundaries in an amount sufficient to ensure that enough tax revenue shall be generated therefrom to enable the Districts to operate and maintain the above-referenced Public Improvements at a level and in a manner that Montrose County and Ouray County deem acceptable and/or appropriate, but not to exceed the Maximum Operations and Maintenance Mill Levy described hereinbelow. In the event that the Maximum Operations and Maintenance Mill Levy is not sufficient to cover the Districts' operations and maintenance obligations, the Districts may use other revenues available to the Districts including their debt service mill levy, as permitted by law, to defray said operations and maintenance costs. In the event the Districts fail to meet their obligations to fund said operations and maintenance costs, the Districts shall be in breach of their contractual obligations with Montrose County and Ouray County, and the same will constitute a material modification of this Service Plan. In no event will the obligations for operations and maintenance fall to either Montrose County or Ouray County. Notwithstanding anything contained in this Service Plan to the contrary, the Districts shall not be authorized to impose tolls on any road without a written agreement with the Counties of Montrose and Ouray. Furthermore, in the event the Districts receive written approval from the board of the County to impose a toll road, 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 and all such fees shall be structured in such a way as to ensure that non-District residents do not pay user fees that are unreasonably disproportionate to similar fees and taxes paid by the Districts' residents.

2. Construction Standards. The Districts will ensure that the proposed Public Improvements are designed and constructed in accordance with all applicable facility and service standards and specifications of Montrose County, Ouray County, and other municipalities and special districts which are interested parties pursuant to Section 32-1-204 (1), C.R.S. The Districts will obtain prior approval from Montrose County and Ouray County for all civil engineering plans and will obtain permits for the construction and/or installation of all Public Improvements prior to performing such work. Where applicable, construction will occur pursuant to the standards adopted by the Tri-County Water Conservancy District and pursuant to the Ouray County road standards, as contained in the Ouray County Land Use Code. Montrose

County and Ouray County shall have the right to review the construction standards required by Tri-County Water Conservancy District and, in the event such standards are lesser than those required by Montrose County or Ouray County at the time of construction, either County shall have the right to substitute its own standards on improvements located within such County for the standards otherwise required by the Tri-County Water Conservancy District.

3. Limitation on the Issuance of Debt. Prior to the issuance of any Debt, the Districts must obtain a certification from an External Financial Advisor, who shall be acceptable to Montrose County and Ouray County, which contains the following language, or language substantially similar thereto:

We are/I am an External Financial Advisor within the meaning of the Districts' Service Plan.

We/I certify that: (1) the net effective interest rate (calculated as defined in Section 32-1-103(12), C.R.S.) to be borne by [insert the designation of the Debt] does not exceed a reasonable current [tax-exempt/taxable] interest rate, using criteria deemed appropriate by us/me and based upon our/my analysis of comparable securities; and (2) the structure of [insert designation of the Debt], including maturities and early redemption provisions, is reasonable considering the financial circumstances of the District.

4. Limitation on the Inclusion or Exclusion of Property. With the exception of the thirty (30) foot strip of real estate that is shown in Exhibit A-1 to this Service Plan, the Districts shall not include any property into their boundaries from outside of the Service Area, nor shall they exclude any property from their boundaries, without the prior, written approval of Montrose County and Ouray County. Any inclusion or exclusion made by the Districts in violation of this Service Plan shall be deemed a material modification to this Service Plan.

5. Initial Debt Limitation. Prior to the approval of the Final Plat by Montrose County and Ouray County, the Districts shall not: (a) issue any Debt; (b) impose a mill levy for the payment of Debt by direct imposition or by the transfer of funds from the operating fund to the debt service funds; or (c) impose and/or collect any fees used for the purpose of Debt repayment; unless prior written approval therefor is obtained from Montrose County and Ouray County, which approval shall not be deemed a material modification of this Service Plan..

6. Total Debt Issuance Limitation. Collectively, the Districts shall not issue Debt in excess of Thirty Million Dollars (\$30,000,000.00). Issuance of Debt in excess of this amount shall be a material modification of this Service Plan.

7. Monies from Other Governmental Sources. The Districts shall neither apply for, nor accept, Conservation Trust Funds, Great Outdoors Colorado Funds, or other funds available from or through governmental or non-profit entities that Montrose County and Ouray County are eligible to apply for, without obtaining prior, written authorization from Montrose County and Ouray County. The foregoing limitation shall not apply to specific ownership taxes, which shall be a revenue source distributed to the Districts without limitation except as

specifically and expressly provided for herein and in the intergovernmental agreement between Montrose County, Ouray County and the Districts.

8. Consolidation Limitation. The Districts shall not file a request with any District Court to consolidate with any other Title 32 special district without the prior, written consent of Montrose County and Ouray County.

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

a. Shall not be set aside for any reason 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 Section 903 of Title 11 of the United States' Bankruptcy Code, and also included in the "regulatory or electoral approval necessary under applicable nonbankruptcy law" as required for confirmation of a Chapter 9 Bankruptcy Plan under Section 943(b)(6) of said Bankruptcy Code.

10. Modification of this Service Plan. This Service Plan has been designed with sufficient flexibility to enable the Districts to provide required services and facilities, together with the operations and maintenance thereof, under evolving circumstances without the need for numerous amendments. While the assumptions upon which this Service Plan are generally based are reflective of current zoning for the property within the Districts, the cost estimates and Financing Plan are sufficiently flexible to enable the Districts to provide necessary services and facilities without the need to amend this Service Plan as zoning changes. Modification of the general types of services and facilities, but not powers of the Districts, and changes in proposed configurations, locations, or dimensions of various facilities and improvements shall be permitted to accommodate development needs consistent with then-current zoning for the property. Actions of the Districts which violate the limitations set forth in this Service Plan shall be deemed to be material modifications to this Service Plan; Montrose County and Ouray County shall be entitled to all equitable remedies available to them under applicable State and/or local law to enjoin such actions. Montrose County and Ouray County shall retain the jurisdiction to enter into agreements with the Districts which alter provisions of this Service Plan, and such shall not necessarily be deemed a material modification hereof, subject to the discretion of Montrose County and Ouray County. It is thus the express intent of the Districts, Montrose County and Ouray County that this Service Plan shall not require amendment to implement any agreement that may be achieved with both Montrose County and Ouray County, unless either County so desires.

11. Limitation on Roadway Ownership and Maintenance. The Districts shall obtain ownership of the roadways from the Developer if the Districts provide financing of any

type or form for the construction of said roadway. The Districts shall not purchase the associated rights-of-way for the roadways from the Developer. In the event that the Districts obtain such ownership, and only with the advance, written approval and consent of both Montrose County and Ouray County, shall they be entitled to defray the costs associated with the ownership, operation and maintenance thereof by utilization of the revenue-generating powers granted to them by Colorado law. Notwithstanding anything contained herein to the contrary, the Districts shall be entitled to enter into agreements with Montrose or Ouray County with respect to Regional Improvements as contemplated in Section VI herein, and such shall not require an amendment to this Service Plan, unless such an amendment is desired by Montrose County or Ouray County.

12. Limitation on the Exercise of Eminent Domain Power to Acquire Water Rights. Pursuant to Section 32-1-1004(4), C.R.S., the Districts shall not be entitled to exercise the power of eminent domain or dominant eminent domain for the acquisition of water rights. Further, the Districts shall have no power with respect to their water powers which could aid or assist the property owners to violate the terms of the Ouray County Development Agreement as recorded and of the Montrose County PD Notice of Decision affecting property within the Districts.

13. Limitation on Extraterritorial Service Agreements. The Districts shall not be entitled to enter into any extraterritorial service agreements without obtaining the prior, written consent of the County where such extraterritorial service is to occur. Any such agreements entered into in violation of this Subsection shall be deemed a material modification of this Service Plan.

B. Preliminary Engineering Survey. The Districts shall have authority to provide for the financing, planning, design, acquisition, construction, installation, relocation, redevelopment, maintenance, and/or operation of the Public Improvements, both within and without their boundaries. The foregoing shall be more specifically defined in an Approved Development Plan, as the same is described herein. An estimate of the costs of the Public Improvements which may be financed, planned for, designed, acquired, constructed, installed, relocated, redeveloped, maintained or operated was prepared based upon a preliminary engineering survey, a copy of which is attached hereto as Exhibit G for informational purposes only, and estimates derived from the zoning on the property in the Service Area and is approximately Thirty-One Million Dollars (\$31,000,000.00); to the extent the Districts are not able to finance these costs via the issuance of Debt, they will be required to fund these costs from other sources. Changes to the preliminary engineering survey will occur over time and will not require a formal amendment of this Service Plan. Notwithstanding this cost estimation, the Districts shall be permitted to reallocate costs between such categories of the Public Improvements as deemed necessary in the discretion of their Boards of Directors, subject to the limitations contained herein and subject to both the Districts' ability to discharge their Debt on a reasonable basis and the mill levy limitations contemplated herein. The Districts are obligated to operate and maintain anything they finance, construct or own unless otherwise agreed to in writing by Montrose County and Ouray County.

All of the Public Improvements described herein will be designed in such a way as to assure that the Public Improvements standards will be compatible with those of Montrose County and Ouray County and shall also be constructed in accordance with the requirements of the Approved Development Plan and Final Plats. All descriptions of the Public Improvements to be constructed, together with their related costs, are estimates only which are subject to modification as engineering, development plans, economics, the requirements of Montrose County and Ouray County, and construction scheduling may require. Upon approval of this Service Plan, the Districts will continue to develop and refine the cost estimates contained herein in order to prepare for the issuance of Debt. At that time, all cost estimates will be inflated to then-current dollars; the \$30,000,000.00 total debt limitation shall not be inflated. All construction cost estimates assume construction to applicable local, State or Federal requirements.

C. Dual District Structure. It is anticipated that the Districts, collectively, will undertake the financing, construction, operation and maintenance of the Public Improvements, subject to the limitations contained herein. The nature of the functions and services to be provided by each District shall be clarified in an intergovernmental agreement between the Districts. This agreement will be designed in such a way as to assure the orderly development of the Public Improvements and essential services in accordance with the requirements of this Service Plan. Therefore, said intergovernmental agreement is essential to the orderly implementation of this Service Plan. Accordingly, any determination by one of the Boards of Directors, made without the consent of the other, to set aside said intergovernmental agreement shall be a material modification of this Service Plan. Said intergovernmental agreement may be amended from time to time by way of mutual agreement between the Districts' Boards of Directors without the need to amend this Service Plan.

VI. REGIONAL IMPROVEMENTS

It is currently anticipated that, upon the entry of an order organizing the Districts by a District Court of competent jurisdiction, or at some other, future point in time as the Districts, Montrose County and Ouray County collectively agree and determine, the Districts, Montrose County and Ouray County shall, in said Counties' sole discretion, negotiate and enter into an intergovernmental agreement for the specific purpose of the planning, design, acquisition, construction, installation, relocation, redevelopment, operation and/or maintenance of those regional street and transportation-related improvements as subsequently defined by agreement with both Counties that benefit the Project as well as the Districts' service users and taxpayers (the "Regional Improvements"), and their related costs as may be required by the Ouray County Development Agreement, as recorded, and of the Montrose County PD Notice of Decision. Said intergovernmental agreement may include terms allowing the Districts to use the revenue-generating powers granted to them under this Service Plan and Colorado law in order to assist in the funding, operation and/or maintenance of the Regional Improvements. Absent such an agreement, the Districts are specifically precluded from using their revenue-generating powers for anything related to Regional Improvements. In no event shall the Regional Improvements include water or sanitary sewer improvements. This section in no way binds Montrose County

or Ouray County to enter into an agreement, nor does it empower or entitle the Districts to any rights or ability to act.

VII. FINANCING PLAN

A. General. The Financing Plan attached as Exhibit E and prepared by the Districts' organizers sets forth certain assumptions, estimated revenues, expenses, and debt service requirements with respect to the Districts. This Financing Plan contains one illustration of a financing structure by which the improvements would be financed, including the estimated costs of engineering services, legal services, administrative services, proposed bond issuances, estimated maximum proposed interest rates and discounts, land or facilities to be acquired, and other major expenses relating to the organization and operation of the Districts. Further, the Financing Plan demonstrates that the Districts will have the financial capability to discharge the proposed indebtedness with reasonable mill levies, within the limitations set forth in this Service Plan, assuming reasonable increases in assessed valuation and assuming the rate of build-out estimated therein.

Notwithstanding the foregoing, the attached Financing Plan is to be viewed as merely one of many models by which the Districts may undertake their financial obligations. The figures contained therein are non-binding and shall be subject to adjustment and/or modification as development of the Project evolves under changing circumstances without a need to amend this Service Plan. The foregoing shall not apply to the Total Debt Issuance Limitation, the Maximum Debt Mill Levy and the Maximum Operations and Maintenance Mill Levy, which may not be altered beyond the face hereof without the consent of Montrose County and Ouray County.

The Districts shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment, operations and/or maintenance of the Public Improvements by and through their revenues and Debt proceeds. In general terms, the Districts' financing plan shall be to issue such Debt as they can reasonably repay from revenues derived from the Maximum Debt Mill Levy, and/or from other legally available revenues, within the Maximum Debt Mill Levy Imposition Term, subject to the Maximum Debt Mill Levy and the Maximum Operations and Maintenance Mill Levy limitations.

The total debt that the Districts shall be permitted to issue shall not exceed Thirty Million Dollars (\$30,000,000.00), which shall be permitted to be issued on a schedule and in such year or years as the Districts determine shall meet the needs of this Financing Plan and which shall be phased to serve development as it occurs. Issuance of Debt, exclusive of Debt refundings or master intergovernmental agreement obligations between the Districts, in excess of this amount shall be a material modification of this Service Plan. It is currently anticipated that the Districts will issue bonds on December 1, 2007 in the amount of Five Million Five Hundred Thousand Dollars (\$5,500,000.00), on December 1, 2009 in the amount of Ten Million Five Hundred Thousand Dollars (\$10,500,000.00), and on December 1, 2012 in the amount of Two Million Nine Hundred Thousand Dollars (\$2,900,000.00). However, the foregoing issuance schedule is strictly preliminary in nature, is not binding on the Districts, and shall be subject to adjustment

and/or modification by the Districts' Boards of Directors in order to accommodate development under evolving circumstances, without the need to amend this Service Plan. All bonds and other debt issued shall be repayable from any and all legally available revenues available to the Districts as permitted by this Service Plan, including general *ad valorem* property taxes to be imposed upon all taxable property within the Districts' boundaries. The Districts will also rely upon various other revenue sources authorized by law including, but not limited to, 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, subject to the limitations on same contained in this Service Plan.

The Districts shall be entitled to issue, refund, restructure and/or reissue any and all Bonds in accordance with State law, subject to the mill levy limitations and Maximum Debt Mill Levy Imposition term limitations contained herein.

B. Maximum Voted Interest Rate and Maximum Underwriting Discount. The interest rate on any Debt is expected not to exceed ten percent (10%) at the time such Debt is issued. The proposed maximum underwriting discount will be five percent (5%). In the event of default, the proposed maximum interest rate on any Debt is not permitted to exceed eighteen percent (18%). The maximum interest rate on bonds shall not exceed ten percent (10%) without a letter from an External Financial Advisor who is acceptable to Montrose County and Ouray County, addressed to Montrose County and Ouray County, that an interest rate of more than ten percent (10%) is reasonable. Under no circumstances shall the proposed maximum interest rate exceed twelve percent (12%). Debt, when issued, will comply with all of the relevant requirements of this Service Plan as well as the provisions of State and Federal law applicable to the issuance of public securities.

C. Maximum Debt Mill Levy / Maximum Operations and Maintenance Mill Levy.

The Maximum Debt Mill Levy shall not exceed 40 mills. The Maximum Operations and Maintenance Mill Levy shall not exceed 20 mills. However, the Maximum Debt Mill Levy and Maximum Operations and Maintenance Mill Levy, when added together, shall not exceed the total sum of 55 mills. If, on or after October 4, 2004, there are changes in the method of calculating assessed valuation or any Constitutionally-mandated tax credit, cut or abatement, the mill levy limitation applicable to such Debt may be increased or decreased to reflect such changes proportionally in accordance with the "Gallagher Amendment" as commonly reflected in district service plans. Any such increases or decreases shall be determined by the Districts' Boards in good faith so that, to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced; any such determination shall be final and binding. 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 contemplated in this Service Plan must be issued in compliance with the requirements of Section 32-1-1101, C.R.S., and all other applicable requirements of Colorado law. To the extent that the Districts are composed of or subsequently organized into one or more sub-districts (which is specifically prohibited without the written permission of Montrose County

and Ouray County), 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/or additional sub-districts separately, so that each shall be treated as an autonomous district for purposes of the application of this definition.

D. Maximum Debt Mill Levy Imposition Term. The Districts shall not impose a mill levy for the repayment of any Debt, or use the proceeds of any mill levy for repayment of Debt, on any property for more than forty (40) years after the initial imposition of such mill levy, unless either of the following occur which shall not thereafter require a Service Plan Amendment:

1. A majority of the Board of Directors of the District imposing the mill levy are residents of such District, have voted in favor of refunding all or a part 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.*; or

2. The Districts, Montrose County and Ouray County have entered into an intergovernmental agreement extending or waiving this Maximum Debt Mill Levy Imposition Term and have modified this Service Plan accordingly.

The Maximum Debt Mill Levy Imposition Term shall apply strictly to mills levied for the purpose of Debt repayment and shall not in any way limit the Districts ability to collect property taxes for the ongoing operations and maintenance of the Public Improvements, as contemplated herein. The Districts are prohibited from using Operations and Maintenance mill levy revenue for retirement of debt.

E. Debt Repayment Sources. The Districts may impose a mill levy on taxable property within its boundaries as a primary source of revenue for the repayment of Debt service as well as for operations and maintenance expenses subject to the limitations contained in this Service Plan, including without limitation the prohibition on toll roads. The Districts may also rely upon various other revenue sources authorized by law, at their discretion including, but not limited to, the power to assess fees, rates, tolls, penalties, or charges as provided in Section 32-1-1001(l), C.R.S., as amended from time to time. In no event shall the Debt service mill levy in the Districts exceed the Maximum Debt Mill Levy or the Maximum Debt Mill Levy Imposition Term, except pursuant to an intergovernmental agreement between Montrose County, Ouray County and the Districts.

F. Debt Instrument Disclosure Requirement. In the text of each Bond and/or any other instrument representing and constituting Debt, the District shall set forth a statement in substantially the following form:

By accepting this instrument, the owner of this Bond agrees and consents to all of the limitations that are contained herein, in the Districts' Resolution authorizing the issuance of this Bond, and in the Districts' Service Plan regarding the payment of the principal of, and payment of the interest on, the Debt issued hereby.

Similar language must be included in any document used for the offering of Debt for sale to any person or entity, including, but not limited to, a developer of property within the Districts' boundaries.

G. Security for Debt. The Districts shall not pledge any revenue or property of Montrose County or Ouray County as security for any reason whatsoever, including, without limitation, the indebtedness set forth in this Service Plan. Further, approval of this Service Plan shall not be construed as a representation or guarantee by Montrose County or Ouray County of the payment of any of the Districts' obligations; nor shall anything contained herein be construed to create any responsibility or liability on the part of Montrose County or Ouray County in the event of default by the Districts in the payment of any such obligation.

H. Default. In the event that the Districts default on all or any portion of the Debt, and such default is ongoing for more than thirty (30) calendar days, the Districts shall not be entitled to issue any new Debt of any kind, inclusive of Debt refinancings and/or refundings, without curing said default and obtaining written approval from Montrose County and Ouray County. By their approval of this Service Plan, Montrose County and Ouray County agree that any said approval shall not be unreasonably withheld and that all actions and inquiries made with respect to said approval shall be undertaken or made in good faith.

I. TABOR Compliance. The Districts will comply in all respects with the provisions of the TABOR Amendment to the Colorado Constitution (Colo. Const. art. X, §20). The Districts, in their discretion, may organize other qualifying entities to manage, fund, construct and/or operate facilities, services, and programs. To the extent allowed by law, any entity created by the Districts shall remain under the exclusive control of their Boards.

J. Districts' Operating Costs. The estimated cost of the initial organizational and operation expenses related to acquiring land, engineering services, legal services, administrative services, debt issuance costs and amounts expended on design and construction of the improvements are anticipated to be One Hundred Thousand Dollars (\$100,000.00) and will be eligible for reimbursement from the Debt proceeds. The foregoing specifically excludes the acquisition of land from the Developer. That portion of the first year's operating budget that will be derived from property taxes is estimated to be Zero Dollars (\$0.00).

In addition to the capital costs of the Public Improvements, the Districts will require operating funds for their administration and to plan and cause the Public Improvements to be constructed and maintained. Said costs and payment therefore are specifically limited to the Maximum Debt Mill Levy and the Maximum Operations and Maintenance Mill Levy.

VIII. EVENTS OF DEFAULT

In the event that the Districts default on all or any portion of the duties and/or obligations that are contained in this Service Plan or any other Intergovernmental Agreements, contracts or written agreements, whether said duties and/or obligations exist expressly or impliedly, three or more times in the aggregate, for any length of time, the Districts shall not be entitled to issue any

new Debt of any kind without obtaining prior, written approval from Montrose County and Ouray County. The foregoing shall expressly include, but is not limited to, refundings and/or refinancings of existing Debt.

IX. ANNUAL REPORT

A. General. Each of the Districts shall be responsible for submitting an annual report to Montrose County and Ouray County no later than June 30th of each year that the Districts are in existence.

B. Reporting of Significant Events. The annual report shall include information as to any of the following:

1. Changes made or proposed to the Districts' boundaries as of December 31 of the prior year.
2. Intergovernmental agreements with other governmental entities, either entered into or proposed, as of December 31 of the prior year.
3. Copies of and/or changes to the Districts' rules and regulations, if any, as of December 31 of the prior year.
4. A summary of any litigation which involves the Districts' Public Improvements as of December 31 of the prior year.
5. Status of the Districts' construction of the Public Improvements as of December 31 of the prior year.
6. A list of all facilities and improvements constructed by the Districts that have been dedicated to and accepted by Montrose County and Ouray County as of December 31 of the prior year.
7. The current assessed valuation of the Districts.
8. A budget from the current year, including a description of the Public Improvements to be constructed in such year.
9. An audit of the Districts' financial statements, for the year ending December 31 of the previous year, prepared in accordance with generally accepted accounting principles.
10. Notice of any uncured events of default by the Districts under any Debt instrument, which continue beyond a thirty (30) day period.

11. Any inability of the Districts to pay their obligations as they come due, in accordance with the terms of such obligations, which continue beyond a thirty (30) day period.

12. Any other defaults of any kind of the Districts' obligations, agreements, contracts, intergovernmental agreements, or duties.

X. DISSOLUTION

It is currently anticipated that the Taxing District will have perpetual existence in order to provide for the ongoing operations and maintenance of Public Improvements, as contemplated herein. Any form of dissolution not contemplated by this Section will constitute a material modification of the Service Plan. Further, the Districts' failure to initiate dissolution proceedings as required in this Section shall constitute a material modification to this Service Plan.

A. Failure of the Districts' Purposes. The Districts shall initiate dissolution proceedings, as indicated above, in the event any of the following events occurs:

1. Failure of the Developer to present a complete request for Ouray County preliminary plan approval for the Project in accordance with paragraph 3.3 of the Development Agreement as recorded in the Ouray County public records; or

2. Failure of the Developer to obtain final plat approval for the first phase of the Project by November 30, 2011, or seven (7) years from the date of approval of the Approved Final Development Plan whichever occurs first.

B. Future Dissolution of the Operating District. It is the Districts' intent that, after adequate provisions have been made for repayment of all Debt, or by year 25 of the Districts' existence, whichever occurs earlier, the Operating District will initiate and complete legal proceedings to dissolve or consolidate with the Taxing District pursuant to Section 32-1-701 *et seq.*, C.R.S., leaving the Taxing District to defease or otherwise repay any and all remaining debt and to provide for the perpetual, ongoing operation and maintenance of certain facilities, as contemplated herein, and of the Public Improvements. To the extent that the Operating District has continuing operating and/or maintenance functions under this Service Plan or under intergovernmental agreements with Montrose County and Ouray County, the Operating District will not dissolve or consolidate without the consent of Montrose County and Ouray County, but will make every attempt to transfer or convey said obligations to the Taxing District so that said dissolution or consolidation may occur. It is expressly understood that it is the intent of Montrose County, Ouray County and the Districts that the dissolution or consolidation contemplated above is required hereunder and that property in the Operating District will be included in the Taxing District boundaries.

XI. DISCLOSURE TO PURCHASERS

The Districts will use all reasonable efforts to assure that all developers and owners of the property located within the Districts' boundaries provide written notice to all purchasers of property in the Districts regarding the Maximum Debt Mill Levy, the Maximum Operations and Maintenance Mill Levy, as well as a general description of the Districts' authority to impose and collect rates, fees, tolls and charges. The form of this notice shall be submitted to Montrose and Ouray Counties for approval and then filed and recorded with Montrose County and Ouray County prior to the imposition of any mill levy by the Districts.

XII. INTERGOVERNMENTAL AGREEMENTS

To the extent practicable or necessary, and subject to all appropriate laws and obligations and subject to the provisions of this Service Plan, the Districts may enter into intergovernmental and/or private agreements in order to ensure the long-term provision, operation and/or maintenance of the improvements and services contemplated herein, as well as for the effective management thereof. Said agreements may include, but are not limited to, agreements with other service providers. Any such intergovernmental agreement must be approved, in writing, by both Montrose County and Ouray County prior to execution. Any intergovernmental agreement entered into by the Districts in violation of the foregoing sentence shall be deemed a material modification of this Service Plan. Montrose County and Ouray County agree that any said approval shall not be unreasonably withheld and that all actions and inquiries made with respect to said approval shall be undertaken or made in good faith.

A. Master Intergovernmental Agreement. Upon receipt of organizational approval, the Districts will enter into a master intergovernmental agreement with each other that will specifically define the nature of the functions and services that each District will provide while undertaking the financing and construction of the Public Improvements. The Boards of the Districts will approve this agreement at their first, organizational meeting after their organizational elections. Failure of the Districts to execute this master intergovernmental agreement shall constitute a material modification hereof and shall require a Service Plan Amendment.

B. Agreement for the Provision of Water Service. It is currently anticipated that the Operating District shall, upon organization, accept an assignment of an agreement between the Developer and the Tri-County Water Conservancy District regarding the provision of water service to the Districts' Service Area. Upon such acceptance, the Operating District shall completely assume any and all of the Developer's obligations under said agreement and shall be principally liable thereunder, subject to the Tri-County Water Conservancy District consenting to the same.

C. IGA with Montrose County and Ouray County. Upon entry of an order organizing the Districts by a District Court of competent jurisdiction, the Districts shall enter into a joint intergovernmental agreement with Montrose County and Ouray County, the form of which is attached hereto as Exhibit D. Said Intergovernmental Agreement may require

amendments to this Service Plan. Said Intergovernmental Agreement must be acceptable to Montrose County and Ouray County in their sole discretion. Until and unless said Intergovernmental Agreement is entered into by the Counties by November 1, 2004, the Districts shall not be permitted to hold their formation election, debt authorization election, or to act in any fashion and the Districts will not come into existence and all approvals relating to the Intergovernmental Agreement or this Service Plan will be void.

D. Other Agreements. It is possible that other special districts, or similar entities, may come into existence in the area surrounding the Districts that may desire to provide services and/or infrastructure that are substantially similar to those contemplated in this Service Plan. In order to minimize the proliferation of new governmental structures and personnel providing the same or substantially similar facilities and services, and in the interest of providing uniform service to the residents and taxpayers of Montrose County and Ouray County, the Districts shall, to the extent possible, use their best efforts to negotiate and enter into intergovernmental and/or private agreements regarding the provision of these facilities and services with any such neighboring entity, together with Montrose County and Ouray County.

XIII. CONCLUSION

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

1. There is sufficient existing and projected need for organized service in the area to be served by the Districts; and
2. The existing service in the area to be served by the Districts is inadequate for present and projected needs; and
3. The Districts are capable of providing economical and sufficient service to the area within their 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; and
5. Adequate service is not, and will not be, available to the area through Montrose County, Ouray County, or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis; and
6. The Districts' facility and service standards are compatible with the facility and service standards of Montrose County, Ouray County and each municipality which is an interested party under Section 32-1-204(1), C.R.S.; and
7. The proposal is in compliance with any duly adopted Montrose County, Ouray County, regional or State long-range water quality management plan for the area; and

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

It is therefore respectfully requested that the Montrose County and Ouray County Boards of County Commissioners, which have jurisdiction to approve this Service Plan by virtue of Section 32-1-207, C.R.S., *et seq.*, each adopt a resolution approving this Service Plan as submitted.

Respectfully submitted,

WHITE, BEAR & ANKELE
Professional Corporation
Counsel to the Districts

EXHIBIT A

Legal Description of Districts 1 and 2

PROPERTY DESCRIPTION FOR A 1 ACRE PARCEL, A PARCEL OF LAND SITUATED IN SECTION 22, TOWNSHIP 46 NORTH, RANGE 10 WEST, NEW MEXICO PRINCIPAL MERIDIAN, COUNTY OF MONTROSE, STATE OF COLORADO, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING at the 1/4 Corner common to of said Section 22 and Section 23 Township 46 North, Range 10 West, New Mexico Principal Meridian rebar and cap (3657) on the Montrose and Ouray County Line; thence along said county line $S01^{\circ}01'30''E$ a distance of 208.83' to a rebar and cap (PLS 33645); thence leaving said county line $N89^{\circ}02'44''W$ a distance of 208.83' to a rebar and cap (PLS 33645); thence $N00^{\circ}57'23''W$ a distance of 208.83' to said county line; thence along said county line $S89^{\circ}02'44''E$ a distance of 208.58' to the point of beginning, having an area of 1.000 acres MORE OR LESS.

PROPERTY DESCRIPTION FOR THE JVRE RANCH, A PARCEL OF LAND SITUATED IN SECTIONS 6, 7 & 18, TOWNSHIP 46 NORTH, RANGE 9 WEST, NEW MEXICO PRINCIPAL MERIDIAN AND IN SECTIONS 11, 12, 13, 14, 15, 16, 22, 23, 24, 25, 26, 27, 28, 33 & 34, TOWNSHIP 46 NORTH, RANGE 10 WEST, NEW MEXICO PRINCIPAL MERIDIAN, COUNTIES OF MONTROSE AND OURAY, STATE OF COLORADO, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING at the section corner of Sections 1/2/11/12, a B.L.M. monument in place; thence N89°12'18"E along an existing fence line and the north section line of said Section 12 a distance of 2746.29' to the North 1/4 Corner of said Section 12, a rebar and cap (PLS 33645); thence continuing along said fence line and said north section line N89°11'31"E a distance of 2250.20' to a rebar and cap (PLS 33645) at a fence corner; thence leaving said section line and continuing along said fence line N66°24'02"E a distance of 493.30' to a rebar and cap (PLS 33645) at a fence corner; thence continuing along a north fence line N05°58'56"E a distance of 1070.01' to a rebar and cap (PLS 33645) at a fence corner; thence continuing along said fence line N88°48'42"E a distance of 1737.35' to a rebar and cap (PLS 33645) at a fence corner; thence N01°11'54"W a distance of 1294.89' to a rebar and cap (PLS 33645) at a fence corner; thence S87°04'47"E a distance of 903.00' to a rebar and cap (PLS 33645) at a fence corner; thence S60°08'08"E a distance of 130.18' to a rebar and cap (PLS 33645) at a fence corner; thence along a fence line S04°19'39"W a distance of 1282.06' to a rebar and cap (PLS 33645) at a point on an east/west fence line; thence S86°58'40"E a distance of 413.92' along said fence line to a rebar and cap (LS 12180); thence S87°02'03"E a distance of 871.67' to the SE 1/16 corner of said Section 6 monumented by a 20' witness corner to the north being a rebar and cap (LS 12180); thence S04°43'56"W a distance of 1344.40' to the E 1/16 a rebar and cap (LS 12180) of said Sections 6 & 7; thence S00°46'04"W a distance of 528.13' to a rebar and cap (PLS 33645); thence N86°13'07"W a distance of 634.67' to a rebar and cap (PLS 33645); thence S11°53'52"W a distance of 256.30' to a rebar and cap (PLS 33645); thence S15°29'04"W a distance of 351.31' to a rebar and cap (PLS 33645); thence S54°21'59"W a distance of 144.69' to a rebar and cap (PLS 33645); thence S46°57'56"W a distance of 281.52' to a rebar and cap (PLS 33645); thence N87°17'31"W a distance of 594.59' to a rebar and cap (PLS 33645); thence N84°37'51"W a distance of 2144.88' to a rebar and cap (PLS 33645); thence S03°37'27"E a distance of 584.93' to a rebar and cap (PLS 33645); thence S09°11'20"W a distance of 726.69' to 1/4 Corner of said Sections 12 & 7 a B.L.M. brass cap; thence N89°24'32"W a distance of 110.06' to a rebar and cap (PLS 33645); thence S27°21'30"W a distance of 980.20' to a rebar and cap (PLS 33645); thence S06°56'25"E a distance of 864.70' to a rebar and cap (PLS 33645); thence N66°27'55"E a distance of 482.62' to a rebar and cap (PLS 33645); thence S00°52'50"W a distance of 1137.01' along the west section line of said Section 7 to the corner of said Sections 12/7/13/18 a rebar and cap (LS 24299); thence S86°44'20"E a distance of 1257.57' to a rebar and cap (PLS 33645); thence S00°35'14"E a distance of 1190.93' to a rebar and cap (PLS

33645); thence S84°52'43"E a distance of 1022.57' to a rebar and cap (PLS 33645); thence S05°02'47"E a distance of 1051.40' to a rebar and cap (PLS 33645); thence S88°43'38"E a distance of 1558.36' to a rebar and cap (PLS 33645) on the E 1/16 line of said Section 18; thence along said E 1/16 line S00°39'24"E a distance of 1742.89' to the SE 1/16 of said Section 18 a rebar and cap (LS 24299); thence N87°16'18"W a distance of 4037.75' to the S 1/16 of said Sections 13 & 18 a rebar and cap (LS 24299); thence S89°37'13"W a distance of 2858.76' to the C-S 1/16 of said Section 13 a rebar and cap (LS 24299); thence S01°40'11"E a distance of 1342.78' to the 1/4 Corner of said Sections 13 & 24 a rebar and cap (PLS 33645); thence S01°13'00"W a distance of 3964.36' to the C-S 1/16 of said Section 24 a rebar and cap (PLS 33645); thence N89°38'39"W a distance of 1351.52' to the SW 1/16 of said Section 24 a rebar and cap (PLS 33645); thence S00°33'38"W a distance of 1313.04' to the W 1/16 of said Sections 24 & 25 a rebar and cap (PLS 33645); thence S00°06'47"W a distance of 3980.20' to the SW 1/16 of said Section 25 a rebar and cap (PLS 33645); thence N87°50'12"W a distance of 1347.93' to the S 1/16 of said Sections 26 & 25 a rebar and cap (PLS 33645); thence S89°45'51"W a distance of 2671.04' to the C-S 1/16 of said Section 26 a rebar and cap (PLS 33645); thence N00°14'39"E a distance of 1330.02' to the Center 1/4 of said Section 26 a rebar and cap (PLS 33645); thence N89°53'45"W a distance of 2676.36' to the 1/4 Corner of said Sections 27 & 26 a rebar and cap (PLS 33645); thence S00°19'27"W a distance of 2688.32' to the section corner of said Sections 27/26/34/35 an alum. cap (LS 25643); thence S01°07'57"E a distance of 1348.35' to the N 1/16 of said Section 34 an alum. cap (LS 25643); thence N89°22'53"W a distance of 2673.32' to the CN 1/16 of said Section 34 a rebar and cap (LS 28652); thence N89°25'06"W a distance of 2684.77' to the N 1/16 of said Sections 33 & 34 a rebar and cap (LS 28652); thence S89°13'59"W a distance of 1336.08' to the NE 1/16 of said Section 33 a rebar and cap (LS 28652); thence N01°00'21"W a distance of 1338.34' to the E 1/16 of said Sections 28 & 33 a rebar and cap (LS 28652); thence along the south section line of said Section 28 S89°53'16"W a distance of 1333.94' to the 1/4 Corner of said Sections 28 & 33 a B.L.M. alum. cap; thence N00°09'26"E a distance of 4867.22' to a rebar and cap (LS 24299); thence along a fence line S89°38'22"E a distance of 2674.02' to a rebar and cap (LS 24299); thence along a fence line N00°07'32"E a distance of 569.70' to the section corner of said Sections 21/22/28/27 a B.L.M. brass cap; thence along the north line of said Section 27 S89°17'19"E a distance of 1341.78' to the W 1/16 of said Sections 22 & 27 a rebar and cap (LS 3657); thence N00°14'10"E a distance of 2665.49' to the CW 1/16 of said Section 22 a rebar and cap (LS 24299); thence N00°12'02"E a distance of 2664.88' to the W 1/16 of said Sections 15 & 22 a rebar and cap (LS 12180); thence N88°43'27"W a distance of 1298.03' to the Section Corner of said Sections 16/15/21/22 a B.L.M. brass cap; thence along the west line of said Section 15 N00°07'57"E a distance of 1049.61' to a rebar and cap (LS 24299); thence S89°06'44"W a distance of 5365.46' to a point on the west line of said Section 16 a rebar and cap (LS 24299); thence along the west line of said Section 16 N02°34'32"E a distance of 285.52' to the S 1/16 of said Section 16 a B.L.M. alum. cap; thence N89°08'03"E

a distance of 5353.18' to S 1/16 of said Sections 16 & 15 a rebar and cap (LS 12180); thence N79°50'58"E a distance of 16.58' to a rebar and cap (PLS 33645) located at the intersection of the north/south & west fences; thence N00°15'35"W along the said north fence line a distance of 1330.65' to a rebar and cap (PLS 33645) at the intersection of the south & east fences; thence S88°32'09"E along said east fence line a distance of 5163.46' to a rebar and cap (PLS 33645) at an angle point in said east fence line; thence N86°15'56"E a distance of 1018.56' to a rebar and cap (PLS 33645) at an angle point in said east fence line; thence N43°09'55"E a distance of 434.73' to a rebar and cap (PLS 33645) at an angle point in said fence line; thence N01°26'22"E a distance of 2262.30' to a rebar and cap (PLS 33645) at the intersection of a south and east fence line; thence S89°43'35"E along said east fence line a distance of 3936.63' to a rebar and cap (PLS 33645) at an angle point in said fence line; thence N44°09'34"E a distance of 103.34' to a rebar and cap (PLS 33645) at an angle point in said fence line; thence N02°32'24"E along a north fence line distance of 2445.48' to a rebar and cap (PLS 33645) at an angle point in said fence line; thence N05°26'45"E a distance of 2685.41' to section corner of said Sections 1/2/11/12; which is the point of beginning, having an area of 5848.237 acres MORE OR LESS.

SAVE AND EXCEPT:

The 30 foot strip of land described in Deed recorded in Book 532, Page 234, and Reception No. 375428, Montrose County, Colorado.

SAVE AND EXCEPT:

BEGINNING at the 1/4 Corner common to of said Section 22 and Section 23 Township 46 North, Range 10 West, New Mexico Principal Meridian rebar and cap (3657) on the Montrose and Ouray County Line; thence along said county line S01°01'30"E a distance of 208.83' to a rebar and cap (PLS 33645); thence leaving said county line N89°02'44"W a distance of 208.83' to a rebar and cap (PLS 33645); thence N00°57'23"W a distance of 208.83' to said county line; thence along said county line S89°02'44"E a distance of 208.58' to the point of beginning, having an area of 1.000 acres MORE OR LESS.

EXHIBIT A-1

Legal Description of thirty (30) foot inclusion strip

Inclusion Property

The 30 foot strip of land described in Deed recorded in Book 532, Page 234, and Reception No. 375428, Montrose County, Colorado.

EXHIBIT B

Vicinity Map

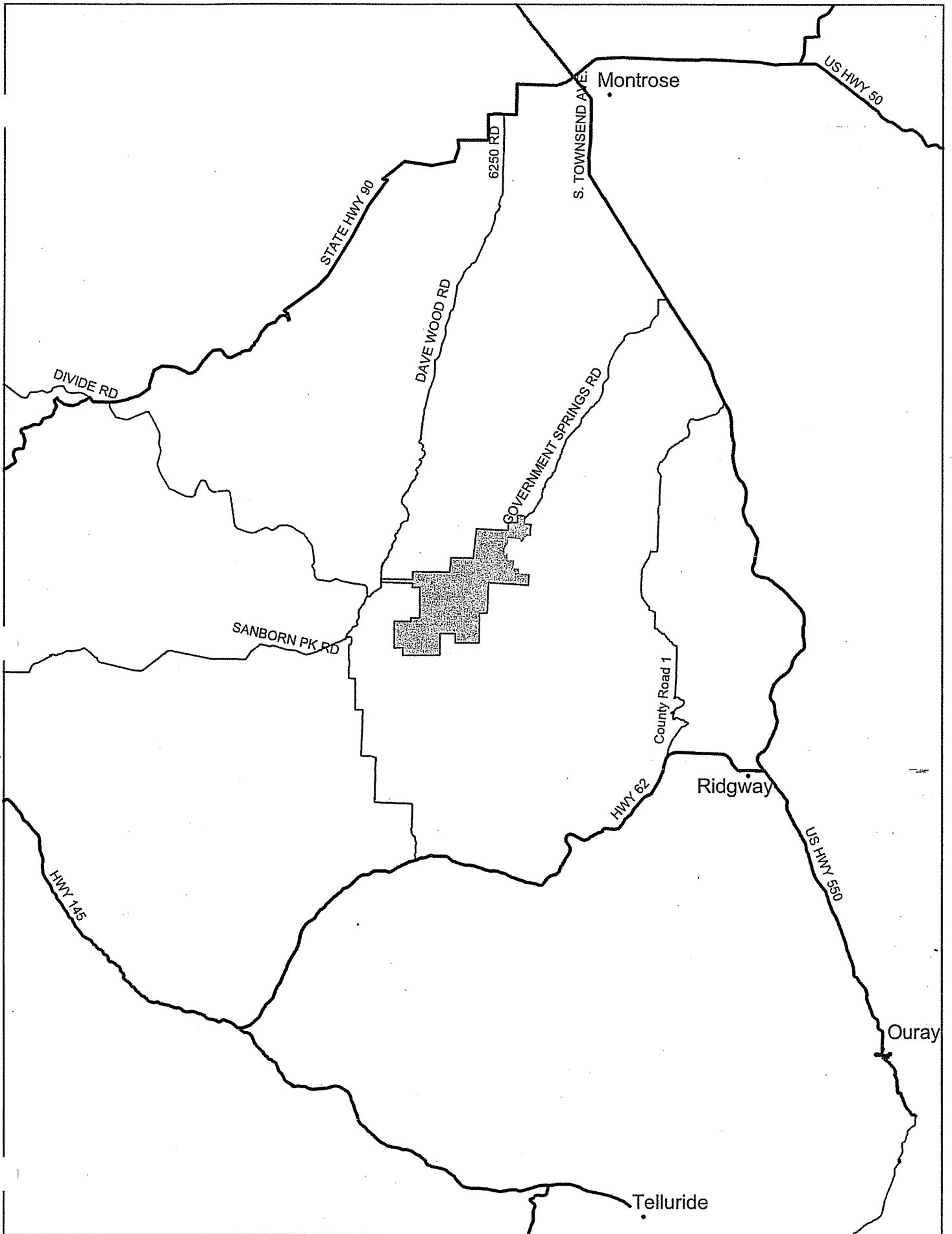
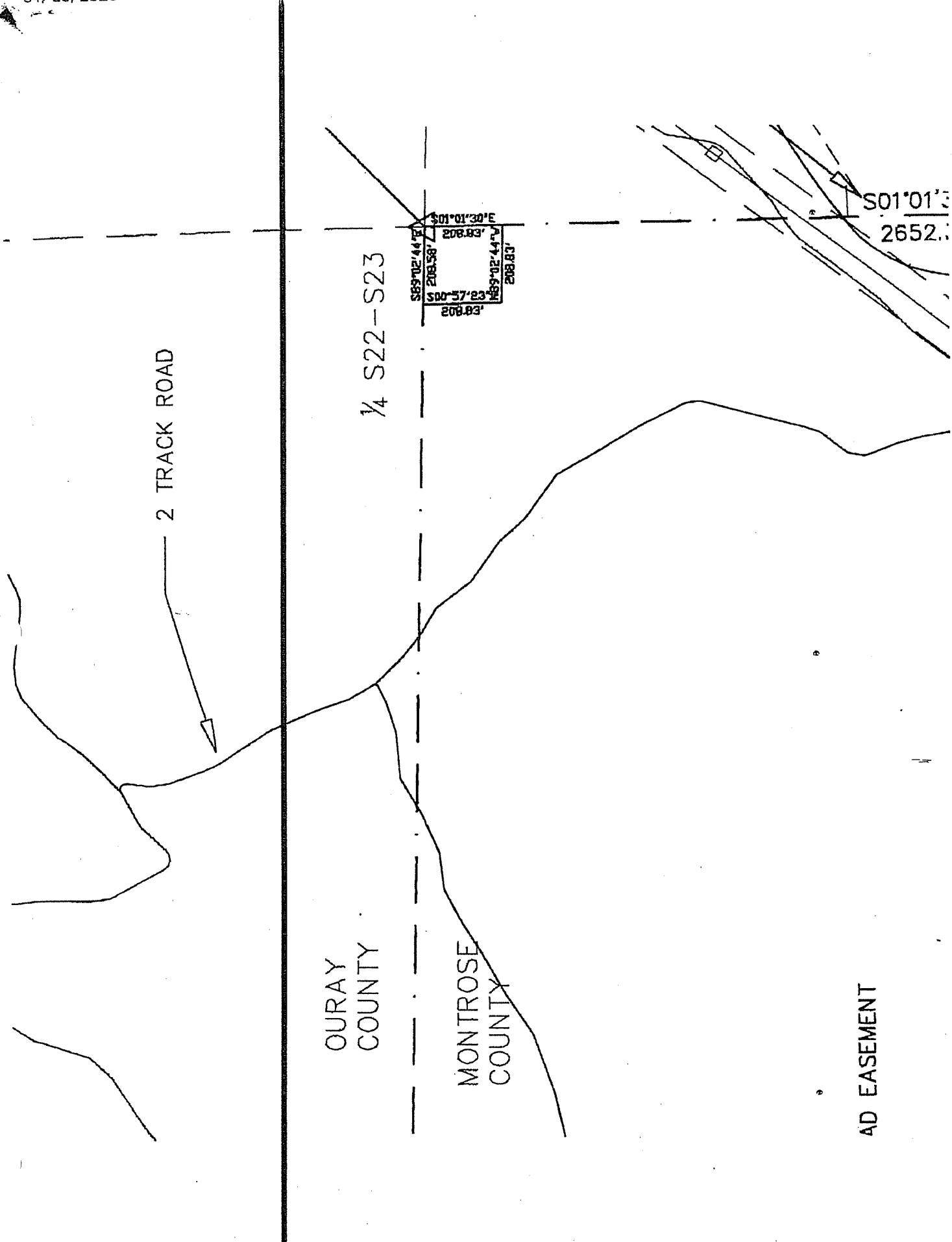


EXHIBIT C

Boundary Maps, Districts 1 and 2



OURAY
COUNTY

MONTROSE
COUNTY

AD EASEMENT

1/4 S22-S23

2 TRACK ROAD

S89°02'44"W 208.83'
 S01°01'30"E 208.83'
 S00°57'23"W 208.83'
 S89°02'44"W 208.83'

S01°01'30"
2652.0

BOUNDARY MAP

EXHIBIT D

KUIJVENHOVEN METROPOLITAN DISTRICT NOS. 1 AND 2

