

**CONSOLIDATED SERVICE PLANS**

**FOR**

**COLORADO CROSSING METROPOLITAN DISTRICT NO. 1**

**COLORADO CROSSING METROPOLITAN DISTRICT NO. 2**

**COLORADO CROSSING METROPOLITAN DISTRICT NO. 3**

**in the**

**CITY OF COLORADO SPRINGS, COLORADO**

Prepared by

**SUSEMIHL, McDERMOTT & COWAN, P.C.**

**Peter M. Susemihl**

**660 Southpointe Court, Suite 210**

**Colorado Springs, CO 80906**

**(719)579-6500 (F)(719) 579-9339**

**August 1, 2006**

TABLE OF CONTENTS

I.	INTRODUCTION .....	1
A.	Purpose and Intent.....	1
B.	Need for the Districts.....	1
C.	Objective of the City Regarding Districts Service Plans.....	1
II.	DEFINITIONS.....	2
III.	BOUNDARIES.....	4
IV.	PROPOSED LAND USE/POPULATION PROJECTIONS/ASSESSED VALUATION.	4
V.	DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES.....	5
A.	Powers of the Districts and Service Plan Amendment.....	5
1.	Operations and Maintenance Limitation.....	5
2.	City Charter Limitations .....	5
3.	Use of Bond Proceeds and Other Revenues of the Districts Limitation.....	5
4.	Recovery Agreement Limitation.....	6
5.	Construction Standards Limitation .....	6
6.	Privately Placed Debt Limitation.....	6
7.	Inclusion Limitation.....	6
8.	Overlap Limitation.....	6
9.	Initial Debt Limitation .....	7
10.	Total Debt Issuance Limitation.....	7
11.	Monies from Other Governmental Sources .....	7
12.	Consolidation Limitation .....	7
13.	Bankruptcy Limitation .....	7
14.	Service Plan Amendment Requirement.....	7
15.	Eminent Domain Powers Limitation .....	8
B.	Preliminary Engineering Survey.....	8
C.	Multiple District Structure.....	8
VI.	FINANCIAL PLAN.....	9
A.	General.....	9
B.	Maximum Voted Interest Rate and Maximum Underwriting Discount.....	9
C.	No-Default Provisions.....	9
D.	Eligible Bondholders.....	10
E.	Maximum Debt Mill Levy.....	10
F.	Maximum Debt Mill Levy Imposition Term.....	11
G.	Debt Repayment Sources.....	11
H.	Debt Instrument Disclosure Requirement.....	11
I.	Security for Debt.....	12
J.	Maximum Operating Mill Levy.....	12
K.	Developer Financial Assurances.....	12

VII.	ANNUAL REPORT .....	12
A.	General.....	12
B.	Reporting of Significant Events.....	12
VIII.	DISSOLUTION.....	13
IX.	DISCLOSURE TO PURCHASERS.....	13
X.	CONCLUSION.....	14

## **LIST OF EXHIBITS**

<b>EXHIBIT A</b>	Legal Descriptions
<b>EXHIBIT B</b>	Colorado Springs Vicinity Map
<b>EXHIBIT C-1</b>	Initial District Boundary Maps
<b>EXHIBIT D</b>	Description of Permitted Services to be Provided by the Districts
<b>EXHIBIT E</b>	Form of Disclosure to Purchasers of Property within the Districts

## I. INTRODUCTION

### A. Purpose and Intent.

The Districts are independent units of local government, separate and distinct from the City, and, except as may otherwise be provided for by State or local law or this Service Plan, their activities are subject to review by the City only insofar as they may deviate in a material matter from the requirements of the Service Plan. It is intended that the Districts will provide a part or all of the Public Improvements for the use and benefit of all anticipated inhabitants and taxpayers of the Districts. The primary purpose of the Districts will be to finance the construction of these Public Improvements.

The Districts are not being created to provide ongoing operations and maintenance services other than those specifically set forth in Exhibit D to this Service Plan.

### B. Need for the Districts.

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

### C. Objective of the City Regarding Districts Service Plans.

The City's objective in approving the Service Plan for the Districts is to authorize the Districts to provide for the planning, design, acquisition, construction, installation, relocation, and redevelopment of the Public Improvements from the proceeds of Debt to be issued by the Districts. All Debt is expected to be repaid by taxes imposed and collected for no longer than the Maximum Debt Mill Levy Imposition Term for Residential Districts and at a tax mill levy no higher than the Maximum Debt Mill Levy for all Districts. Debt which is issued within these parameters and, as further described in the Financial Plan, will insulate property owners from excessive tax burdens to support the servicing of the Debt and will result in a timely and reasonable discharge of the Debt.

This Service Plan is intended to establish a limited purpose for the Districts and explicit financial constraints that are not to be violated under any circumstances. The primary purpose is to provide for the Public Improvements associated with development and regional needs. Operational activities are allowed, but only as specified in Exhibit D to this Service Plan.

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

The Districts shall be authorized to finance the Public Improvements that can be funded from Debt to be repaid from tax revenues collected from a mill levy which shall not exceed the Maximum Debt Mill Levy in any District and which shall not exceed the Maximum Debt Mill Levy Imposition Term in Residential Districts. It is the intent of this Service Plan to assure to the extent possible that no property in any District bears an economic burden that is greater than that associated with the Maximum Debt Mill Levy in amount, and that no property in a Residential District bears an economic burden that is greater than that associated with the Maximum Debt Mill Levy Imposition Term in duration even under bankruptcy or other unusual situations. Generally, the costs of Public Improvements that cannot be funded within these parameters are not costs to be paid by the Districts.

## II. DEFINITIONS

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

Approved Development Plan: means a Master Plan and other more detailed land use approvals established by the City for identifying, among other things, Public Improvements necessary for facilitating the development of property within the Service Area as approved by the City pursuant to the City Code and as amended pursuant to the City Code from time to time.

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

Bond, Bonds or Debt: means bonds or other obligations for the payment of which any District has promised to impose an *ad valorem* property tax mill levy.

City: means the City of Colorado Springs, Colorado.

City Code: means the City Code of the City of Colorado Springs, Colorado.

City Council: means the City Council of the City of Colorado Springs, Colorado.

Commercial District: means District No. 3, inclusive, containing property classified for assessment as non-residential.

Debt: means any bond, note debenture, contract or other multiple year financial obligation of a District which is payable in whole or in part from, or which constitutes a lien or encumbrance on the proceeds of ad valorem property tax imposed by a District.

Debt to Actual Market Value Ratio: means the ratio derived by dividing the then-outstanding principal amount of all Debt of the District by the actual market valuation of the taxable property of the District, as such actual market valuation is certified from time to time by the appropriate county assessor.

District No. 1: means the Colorado Crossing Metropolitan District No. 1.

District No. 2: means the Colorado Crossing Metropolitan District No. 2, a residential district.

District No. 3: means the Colorado Crossing Metropolitan District No. 3, a commercial district.

District or Districts: means any one or all of the District Nos. 1 through 3 inclusive.

External Financial Advisor: means a consultant that: (1) advises Colorado governmental entities on matters relating to the issuance of securities by Colorado governmental entities, including matters such as the pricing, sales and marketing of such securities and the procuring of bond ratings, credit enhancement and insurance in respect of such securities; (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 of the District.

Financial Plan: means the Financial Plan described in Section VII which describes (a) how the Public Improvements 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.

Inclusion Area Boundaries: means the boundaries of the area described in the Inclusion Area Boundary Map.

Inclusion Area Boundary Map: no inclusions are planned.

Initial District Boundaries: means the boundaries of the area described in the Initial District Boundary Map.

Initial District Boundary Map: means the map attached hereto as Exhibit C-1, describing the District's initial boundaries.

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

Maximum Debt Mill Levy Imposition Term: means the maximum term for imposition of a Debt Service mill levy in Residential Districts as set forth in Section VI.F below.

Maximum Operating Mill Levy: means the maximum mill levy any of the Districts is permitted to impose for payment of operating and maintenance expenses as set forth in Section VI.J below.

Project: means the development or property commonly referred to as Colorado Crossing.

Public Improvements: means a part or all of the improvements authorized to be planned, designed, acquired, constructed, installed, relocated, redeveloped and financed as generally described in the Special District Act, except as specifically limited in Section V

below to serve the future taxpayers and inhabitants of the Service Area as determined by the Board of one or more of the Districts.

Regional Improvements: means Public Improvements and facilities that benefit the Service Area and which are to be financed pursuant to Section VI below.

Residential Districts: means District No. 2, inclusive, containing property classified for assessment as residential.

Service Area: means the property within the Initial District Boundary Map for each District.

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

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

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

State: means the State of Colorado.

### **III. BOUNDARIES**

The area of the District Boundaries for District 1 includes 8.640 acres. The area of the District Boundaries for District 2 includes 37.92 acres. The area of the District Boundaries for District 3 includes 105.811 acres. A legal description of the District Boundaries is attached hereto as Exhibit A. A map of the District Boundaries is attached hereto as Exhibit C-1. No future inclusions are planned. A vicinity map is attached hereto as Exhibit B. It is anticipated that the District's Boundaries may change from time to time as it undergoes inclusions and exclusions pursuant to Section 32-1-401, et seq., C.R.S., and Section 32-1-501, et seq., C.R.S., subject to the limitations set forth in Article V below.

### **IV. PROPOSED LAND USE/POPULATION PROJECTIONS/ASSESSED VALUATION**

The current assessed valuation of the District Boundaries Service Area is \$0.00 for purposes of this Service Plan and, at build out, is expected to be sufficient to reasonably discharge the Debt under the Financial Plan. The population of District No. 2 at build-out is estimated to be approximately 1900 people. District No. 2 is projected to have an assessed valuation at build-out of approximately \$27,000,000 and District No. 3 is projected to have an assessed valuation at build-out of approximately \$57,000,000.

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



**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 within and without the boundaries of the Districts as such power and authority is described in the Special District Act, and other applicable statutes, common law and the Constitution, subject to the limitations set forth herein.

1. Operations and Maintenance Limitation. The purpose of the Districts is to plan for, design, acquire, construct, install, relocate, redevelop, and finance the Public Improvements. The Districts shall dedicate the Public Improvements to the City or other appropriate jurisdiction or owners association in a manner consistent with the Approved Development Plan and other rules and regulations of the City and applicable provisions of the City Code. The Districts shall not be authorized to operate and maintain any part or all of the Public Improvements after such dedication, including park and recreation improvements, unless the provision of such ongoing operation and maintenance is specifically identified in Exhibit D attached hereto. In the City's sole discretion, an IGA between the City and the District may be required in order to better describe the conditions under which these permitted services will be provided by the District. If the Districts are authorized to operate and maintain certain park and recreation improvements set forth in Exhibit D, any fee imposed by the Districts for access to such park and recreation improvements shall not result in non-District residents paying a user fee that is greater than, or otherwise disproportionate to, similar fees and taxes paid by residents of the Districts. However, the Districts shall be entitled to impose an administrative fee as necessary to cover additional expenses associated with non-District residents to ensure that such costs are not the responsibility of the Districts residents. All such fees shall be based upon the determination of the District imposing such fee that such fee does not exceed a reasonable annual market fee for users of such facilities. Notwithstanding the foregoing, all parks and trails shall be open to the general public including non-District residents free of charge.

2. City Charter Limitations. In accordance with Article 7-100 of the City Charter, the Districts shall not issue any Debt instrument for any purpose other than construction of capital improvements with a public purpose necessary for development.

As further set forth in Article 7-100 of the City Charter, the total Debt of any proposed District shall not exceed 10 percent of the total assessed valuation of the taxable property within the District unless approved by at least a two-thirds vote of the entire City Council.

3. Use of Bond Proceeds and Other Revenues of the Districts Limitation. Proceeds from the sale of debt instruments and other revenues of Districts may not be used to pay landowners within the District for any real property required to be dedicated for public use by annexation agreements or land use codes. Examples of ineligible reimbursements include, but are not limited to: the acquisition of rights of way, easements, water rights, land for prudent line drainage, parkland, or open space, unless consent from the City Council is given. Proceeds from the sale of debt instruments and other revenues of Districts also may not be used to pay for the construction of any utility infrastructure except for those categories of utility infrastructure covered by utility tariffs, rules, and regulations. Additionally, if the landowner/developer

constructs the public infrastructure and conveys it to the District in return for a reimbursement obligation from the District, prior to making such reimbursement for such amounts, the District must receive the report of an independent engineer or accountant confirming that the amount of the reimbursement is reasonable.

4. Recovery Agreement Limitation. Should the Districts construct infrastructure subject to a recovery agreement with the City or other entity, the Districts shall retain all benefits under the recovery agreement. Any subsequent reimbursement for public improvements installed or financed by the Districts will remain the property of the Districts to be applied toward repayment of their Debt, if any. Any reimbursement revenue not necessary to repay the Districts Debt may be utilized by the District to construct additional public improvements permitted under the approved Service Plan.

5. Construction Standards Limitation. The Districts will ensure that the Public Improvements are designed and constructed in accordance with the standards and specifications of the City and of other governmental entities having proper jurisdiction. The Districts will obtain the City's approval of civil engineering plans and will obtain applicable permits for construction and installation of Public Improvements prior to performing such work.

6. Privately Placed Debt Limitation. Prior to the issuance of any privately placed Debt for capital related costs, the District shall obtain the certification of an External Financial Advisor substantially as follows:

We are [I am] an External Financial Advisor within the meaning of the District's 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 high yield 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.

7. Inclusion Limitation. The Districts shall not include within any of their boundaries any property outside the Service Area without the prior written consent of the City Council.

8. Overlap Limitation. The boundaries of the Districts shall not overlap unless the aggregate mill levy for payment of Debt of the overlapping Districts will not at any time exceed the Maximum Debt Mill Levy of the Districts. Additionally, the Districts shall not consent to the organization of any other district organized under the Special District Act within the Service Area which will overlap the boundaries of the Districts unless the aggregate mill levy for payment of Debt of such proposed districts will not at any time exceed the Maximum Debt Mill Levy of the Districts.

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

10. Total Debt Issuance Limitation. The issuance of all bonds or other debt instruments of Districts shall be subject to the approval of the City Council. The Districts shall not issue Debt in an aggregate principal amount in excess of \$35,000,000, provided that the foregoing shall not include the principal amount of Debt issued for the purpose of refunding or refinancing lawfully issued Debt.

11. Monies from Other Governmental Sources. The Districts shall not apply for or accept Conservation Trust Funds, Great Outdoors Colorado Funds, or other funds available from or through governmental or non-profit entities that the City is eligible to apply for, except pursuant to an intergovernmental agreement with the City. This Section shall not apply to specific ownership taxes which shall be distributed to and a revenue source for the Districts without any limitation.

12. Consolidation Limitation. The Districts shall not file a request with any Court to consolidate with another Title 32 district without the prior written consent of the City.

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

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

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

Any Debt, issued with a pledge or which results in a pledge, that exceeds the Maximum Debt Mill Levy or, for Residential Districts, the Maximum Debt Mill Levy Imposition Term, shall be deemed a material departure from this Service Plan pursuant to Section 32-1-207, C.R.S. and the City shall be entitled to all remedies available under State and local law to enjoin such actions of the Districts.

14. Service Plan Amendment Requirement. This Service Plan has been designed with sufficient flexibility to enable the Districts to provide required services and facilities under evolving circumstances without the need for numerous amendments. While the assumptions upon which this Service Plan are generally based are reflective of an Approved

Development Plan 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 development plans change. Modification of the general types of services and facilities, and changes in proposed configurations, locations, or dimensions of various facilities and improvements shall be permitted to accommodate development needs consistent with then-current Approved Development Plans for the property. Actions of the Districts which violate the limitations set forth in V.A.1-12 above or in VI.B-F. shall be deemed to be material departures from this Service Plan and the City shall be entitled to all remedies available under State and local law to enjoin such actions of the Districts.

15. Eminent Domain Powers Limitation. Currently, the District does not expect to use the power of eminent domain. The District shall not exercise the power of eminent domain except upon the prior written consent of the City.

B. Preliminary Engineering Survey.

The Districts shall have authority to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment, maintenance, and financing of the Public Improvements within and without the boundaries of the Districts, to be more specifically defined in an Approved Development Plan. An estimate of the costs of the Public Improvements which may be planned for, designed, acquired, constructed, installed, relocated, redeveloped, maintained or financed was prepared based upon a preliminary engineering survey and estimates derived from the Approved Development Plan on the property in the Service Area and is approximately \$35,000,000.

The Districts shall be permitted to allocate costs between such categories of the Public Improvements as deemed necessary in their discretion.

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 the City and shall be in accordance with the requirements of the Approved Development Plan. All descriptions of the Public Improvements to be constructed, and their related costs, are estimates only and are subject to modification as engineering, development plans, economics, the City's requirements, and construction scheduling may require. Upon approval of this Service Plan, the Districts will continue to develop and refine cost estimates contained herein and prepare for issuance of Debt. All cost estimates will be inflated to then-current dollars at the time of the issuance of Debt and construction. All construction cost estimates assume construction to applicable local, State or Federal requirements.

C. Multiple District Structure.

It is anticipated that the Districts, collectively, will undertake the financing and construction of the Public Improvements. The nature of the functions and services to be provided by each District shall be clarified in an IGA between and among the Districts. The maximum term of such intergovernmental agreement shall be forty (40) years from its effective date. All such agreements will be designed to help assure the orderly development of the Public Improvements and essential services in accordance with the requirements of this Service Plan.

Implementation of such IGA is essential to the orderly implementation of this Service Plan. Accordingly, except as may be otherwise provided in such IGA, any determination of any one of the Board of Directors to set aside at the Agreement without the consent of all of the Board of Directors of the other Districts shall be a material modification of the Service Plan. Said IGA may be amended by mutual agreement of the Districts without the need to amend this Service Plan.

## VI. FINANCIAL PLAN

### A. General.

The Districts shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment of the Public Improvements from its revenues and by and through the proceeds of Debt to be issued by the Districts. The Financial Plan for the Districts shall be to issue such Debt as the Districts can reasonably pay from revenues derived from the Maximum Debt Mill Levy and other legally available revenues, within the Maximum Debt Mill Levy Term for Residential Districts. The total Debt that the Districts shall be permitted to issue shall not exceed the total Debt issuance limitation set forth in Section V.A.10 hereof, and shall be permitted to be issued on a schedule and in such year or years as the Districts determine shall meet the needs of the Financial Plan referenced above and phased to serve development as it occurs. All bonds and other Debt issued by the Districts may be payable from any and all legally available revenues of the Districts, including general ad valorem taxes to be imposed upon all taxable property of the Districts. The Districts will also rely upon various other revenue sources authorized by law. These will include the power to assess fees, rates, tolls, penalties, or charges as provided in the Special District Act or other state statutes. No Districts will be allowed to impose a sales tax.

### B. Maximum Voted Interest Rate and Maximum Underwriting Discount.

The interest rate on any Debt is expected to be the market rate at the time the Debt is issued. The proposed maximum interest rate on any Debt is not expected to exceed 18%. The proposed maximum underwriting discount will be 5%. Debt, when issued, will comply with all relevant requirements of this Service Plan, State law and Federal law as then applicable to the issuance of public securities.

### C. No-Default Provisions.

Debt issued by a District shall be structured so that failure to pay debt service when due shall not of itself constitute an event of default or result in the exercise of remedies. The foregoing shall not be construed to prohibit events of default and remedies for other occurrences including, without limitation, (1) failure to impose or collect the Maximum Debt Mill Levy or such portion thereof as may be pledged thereto, or to apply the same in accordance with the terms of the Debt, (2) failure to impose or collect other revenue sources lawfully pledged to the payment thereof or to apply the same in accordance with the terms of the Debt, (3) failure to abide by other covenants made in connection with such Debt, or (4) filing by a District as a debtor under any bankruptcy or other applicable insolvency laws. Notwithstanding the foregoing, Debt will not be structured with a remedy which requires the District to increase the

Maximum Debt Mill Levy in any District or, in Residential Districts, the Maximum Debt Mill Levy Imposition Term.

D. Eligible Bondholders.

All District bonds or other debt instruments, if not rated as investment grade, must be issued in minimum denominations of \$100,000 and sold only to either accredited investors as defined in Rule 501 (a) promulgated under the Securities Act of 1933 or to the developer(s) of property within the District.

E. Maximum Debt Mill Levy.

The "Maximum Debt Mill Levy" shall be the maximum mill levy a District is permitted to impose upon the taxable property of the Districts for payment of Debt, and shall be determined as follows:

1. For Residential Districts the Maximum Debt Mill Levy shall be calculated as follows:

(a) The Maximum Debt Mill Levy shall be thirty (30) mills; provided that if, on or after January 1, 2006 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, such increases or decreases to be determined by the Board of the issuing District 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 for changes occurring after January 1, 2006, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

(b) At such time as the Debt to Actual Market Value Ratio within a Residential District is equal to or less than three percent (3%), the Board of that Residential District may request City Council approval for the right to pledge such mill levy as is necessary to pay the Debt service on such Debt, without limitation of rate. At the time of such request, a majority of the members of the Board must consist of homeowners owning property within the District. Once Debt has been determined to meet the above criterion, so that the District is entitled to pledge to its payment an unlimited ad valorem mill levy, such District may provide that such Debt shall remain secured by such unlimited mill levy, notwithstanding any subsequent change in such District's Debt to assessed ratio.

2. For Commercial Districts the Maximum Debt Mill Levy shall be calculated as follows:

(a) The Maximum Debt Mill Levy shall be fifty (50) mills; provided that if, on or after January 1, 2006, 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, such increases or decreases to be determined by the Board of the issuing District 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 for changes occurring after January 1, 2006, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

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

F. Maximum Debt Mill Levy Imposition Term.

Residential Districts shall not impose a Debt Service mill levy which exceeds 40 years after the year of the initial imposition of such Debt Service mill levy unless: (1) a majority of the Board of Directors of the District imposing the mill levy are residents of such District and (2) such Board has voted in favor of issuing Debt with a term which requires or contemplates the imposition of a Debt service mill levy for a longer period of time than the limitation contained herein. There shall be no Maximum Debt Mill Levy Imposition Term in Commercial Districts.

G. Debt Repayment Sources.

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

H. Debt Instrument Disclosure Requirement.

In the text of each Bond and any other instrument representing and constituting Debt, the District shall set forth a statement in substantially the following form:

By acceptance of this instrument, the owner of this Bond agrees and consents to all of the limitations in respect of the payment of the principal of and interest on this Bond contained herein, in the resolution of the District authorizing the issuance of this Bond and in the Service Plan for the District.

Similar language describing the limitations in respect of the payment of the principal of and interest on Debt set forth in this Service Plan shall be included in any document used for the offering of the Debt for sale to persons, including, but not limited to, a developer of property within the boundaries of the Districts.

I. Security for Debt.

No Debt or other financial obligation of any Districts will constitute a debt or obligation of the City in any manner. The faith and credit of the City will not be pledged for the repayment of any Debt or other financial obligation of any Districts. This will be clearly stated on all offering circulars, prospectuses, or disclosure statements associated with any securities issued by any Districts. Districts shall not utilize the City of Colorado Springs' name in the name of the District.

J. Maximum Operating Mill Levy

In addition to the capital costs of the Public Improvements, the Districts will require operating funds for administration and to plan and cause the Public Improvements to be constructed and maintained. The first year's operating budget is estimated to be \$25,000 which is anticipated to be derived from property taxes and other revenues.

The Maximum Operating Mill Levy for the payment of the Districts operating and maintenance expenses shall be ten (10) mills; provided that if, on or after January 1, 2006, 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 operating and maintenance expenses 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 for changes occurring after January 1, 2006, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

K. Developer Financial Assurances.

The mere existence of the District will not be considered a substitute for financial assurances required under applicable City land use ordinances and regulations.

VII. ANNUAL REPORT

A. General.

Each of the Districts shall be responsible for submitting an annual report to the Director of the City's Budget Department no later than August 1<sup>st</sup> of each year following the year in which the Order and Decree creating the District has been issued. The Districts may cooperate in the creation and submittal of the report, provided the presentation of information in the report clearly identifies the applicable information pertaining to each District.

B. Reporting of Significant Events.

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

1. Boundary changes made or proposed to the District's boundary as of December 31 of the prior year.



2. Intergovernmental agreements with other governmental entities, either entered into or proposed as of December 31 of the prior year.
3. Copies of the Districts' rules and regulations, if any as of December 31 of the prior year.
4. A summary of any litigation which involves the any District's 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 the City as of December 31 of the prior year.
7. The assessed valuation of the Districts for the current year.
8. Current year budget including a description of the Public Improvements to be constructed in such year.
9. Audit of the Districts financial statements, for the year ending December 31 of the previous year, prepared in accordance with generally accepted accounting principles or audit exemption, if applicable.
10. Notice of any uncured events of non-compliance by the District under any Debt instrument, which continue beyond a ninety (90) 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 ninety (90) day period.
12. Copies of any Certifications of an External Financial Advisor provided as required by the Privately Placed Debt Limitation provision.

#### **VIII. DISSOLUTION**

Upon an independent determination of the City Council that the purposes for which the Districts were created have been accomplished, the Districts agree to file petitions in the appropriate District Court for dissolution, pursuant to the applicable State statutes. In no event shall a dissolution occur until the Districts have provided for the payment or discharge of all of their outstanding indebtedness and other financial obligations as required pursuant to State statutes.

#### **IX. DISCLOSURE TO PURCHASERS**

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

substantially in the form of Exhibit E hereto; provided that such form may be modified by the District so long as a new form is submitted to the City prior to modification. Within 90 days of District formation, the District will record the approved Disclosure form with the El Paso County Clerk and Recorder against all property included in the District and a copy to the City Clerk's Office.

**X. CONCLUSION**

It is submitted that this Service Plan for the Districts, as required by Section 32-1-203(2), C.R.S., and Section 122-35 of the City Code, establishes that:

1. There is sufficient existing and projected need for organized service in the area to be serviced by the Districts;
2. The existing service in the area to be served by the Districts is inadequate for present and projected needs;
3. The Districts are capable of providing economical and sufficient service to the area within its proposed boundaries; and
4. The area to be included in the Districts does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis.
5. Adequate service is not, and will not be, available to the area through the City or County or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis.
6. The facility and service standards of the District are compatible with the facility and service standards of the City within which the special district is to be located and each municipality which is an interested party under Section 32-1-204(1), C.R.S.
7. The proposal is in substantial compliance with a comprehensive plan adopted pursuant to the City Code.
8. The proposal is in compliance with any duly adopted City, regional or state long-range water quality management plan for the area.
9. The creation of the District is in the best interests of the area proposed to be served.

Susemihl, McDermott & Cowan, P.C.

**EXHIBIT "A"**

A tract of land being a portion of Lot 1, FAIRLANE TECHNOLOGY PARK FILING NO. 1 in the City of Colorado Springs, El Paso County, Colorado, as recorded in Plat Book E-5 at Page 216 of the records of said county, located in a portion of the Southeast quarter of Section 20 and in the Southwest quarter of Section 21, Township 12 South, Range 66 West of the 6th P.M., El Paso County, Colorado, being more particularly described as follows:

COMMENCING at the Southeast corner of said Lot 1, Fairlane Technology Park Filing No. 1; thence N53° 01'52"E a distance of 634.71 feet to the POINT OF BEGINNING, thence N00°26'10"W a distance of 199.34 feet; thence N89°33'50"E a distance of 173.51 feet; thence N54°33'50"E a distance of 756.31 feet; thence S35°26'10"E a distance of 25.00 feet; thence N54°33'50"E a distance of 920.35 feet; thence S35°26'10"E a distance of 166.00 feet; thence S54°33'50"W a distance of 1387.81 feet to a point on a curve; thence on said curve to the right having a central angle of 13°39'41" a radius of 206.04 feet for an arc distance of 49.13 feet, whose chord bears S10°15'09"E; thence S00°26'10"E a distance of 160.27 feet; thence S89°33'50"W a distance of 528.03 feet to the POINT OF BEGINNING and containing 8.640 acres of land, more or less.

Park

**EXHIBIT "A"**

A tract of land being a portion of Lot 1, FAIRLANE TECHNOLOGY PARK FILING NO. 1 in the City of Colorado Springs, El Paso County, Colorado, as recorded in Plat Book E-5 at Page 216 of the records of said county, located in a portion of the Southeast quarter of Section 20, in the Southwest quarter of Section 21, in the Northwest quarter of Section 28 and in the Northeast quarter of Section 29, Township 12 South, Range 66 West of the 6th P.M., El Paso County, Colorado, being more particularly described as follows:

BEGINNING at the Southernmost corner of said Lot 1 being on the Northerly right-of-way line of Federal Drive, as platted on said Fairlane Technology Park Filing No. 1; the following two (2) courses are on the northerly right-of-way line of said Federal Drive, (1) thence N82°54'39"W a distance of 664.86 feet; (2) thence N79°30'20"W a distance of 148.99 feet; thence N10°29'40"E a distance of 44.81 feet to a point of curve; thence on said curve to the left having a central angle of 10°55'50" a radius of 200.00 feet for an arc distance of 38.15 feet, whose chord bears N05°01'45"E; thence N00°26'10"W a distance of 342.95 feet; thence N89°33'50"E a distance of 528.03 feet; thence N00°26'10"W a distance of 160.27 feet; to a point of curve; thence on said curve to the left having a central angle of 13°39'41" a radius of 206.04 feet for an arc distance of 49.13 feet, whose chord bears N10°15'09"W; thence N54°33'50"E a distance of 1387.81 feet; thence S35°26'10"E a distance of 510.00 feet; thence S58°54'39"E a distance of 161.90 feet to a point on the northwesterly right-of-way line of said Federal Drive; thence the following four (4) courses along said right-of-way line; (1) thence S31°05'21"W a distance of 315.21 feet to a point of curve; (2) thence on said curve to the right having a central angle of 18°00'00" a radius of 1568.00 feet for an arc distance of 492.60 feet, whose chord bears S40°05'21"W; (3) thence S49°05'21"W a distance of 380.00 feet to a point of curve; (4) thence on said curve to the right having a central angle of 48°00'00" a radius of 668.00 feet for an arc distance of 559.62 feet, whose chord bears S73°05'21"W to the Point of Beginning and containing 37.92 acres of land, more or less.

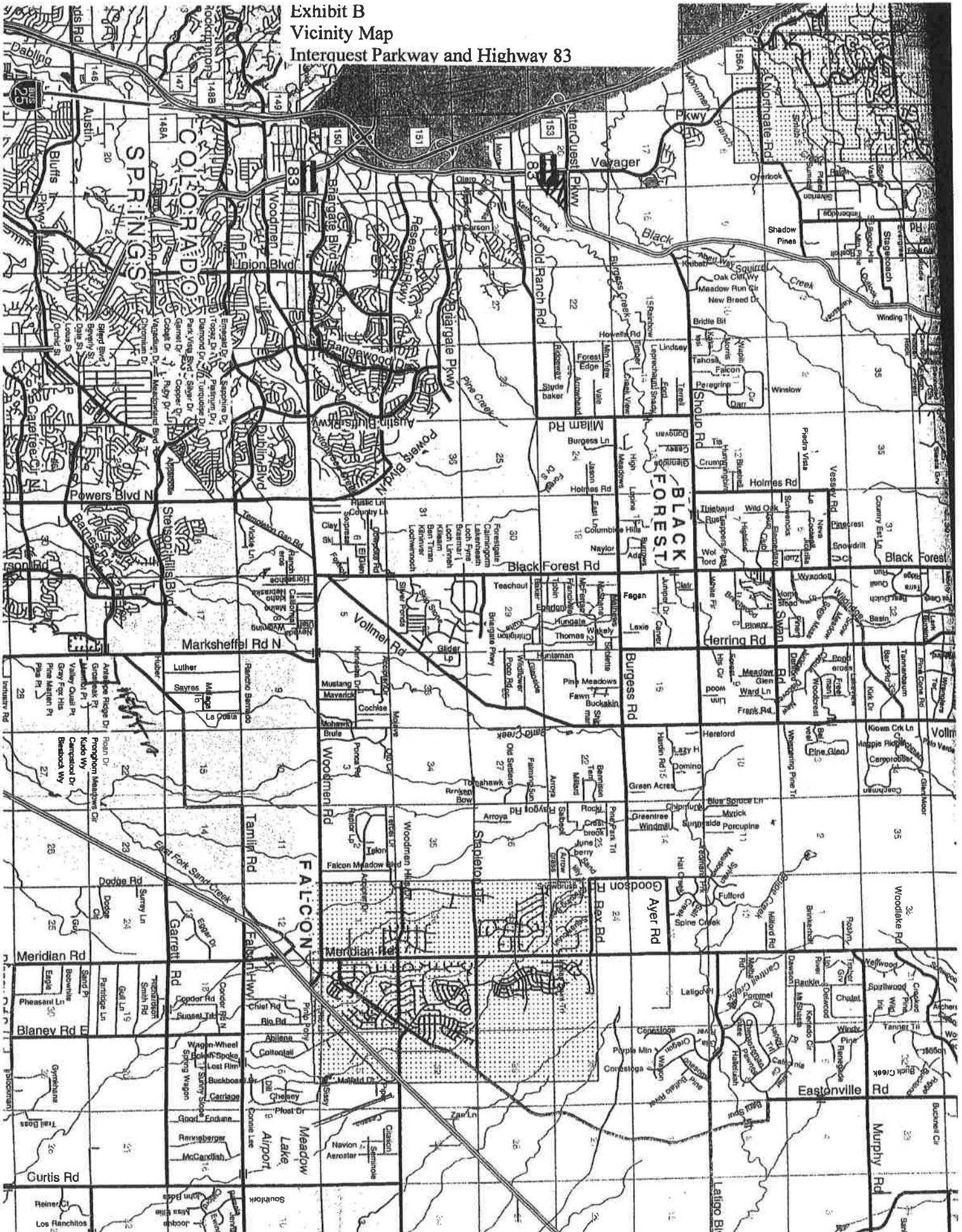
### EXHIBIT "A"

A tract of land being being a portion of Lot 1, FAIRLANE TECHNOLOGY PARK FILING NO. 1 in the City of Colorado Springs, El Paso County, Colorado, as recorded in Plat Book E-5 at Page 216 of the records of said county, located in a portion of the Southeast quarter of Section 20, in the Southwest quarter of Section 21 and in the Northeast quarter of Section 29, Township 12 South, Range 66 West of the 6th P.M., El Paso County, Colorado, being more particularly described as follows:

Beginning at the Southwest corner of said Lot 1, Fairlane Technology Park Filing No. 1 said point being on the East right-of-way line of Colorado State Highway No. 83, the following four (4) courses are on said East right-of-way line; thence: 1) N00°26'11"W a distance of 98.48 feet; 2) thence N00°26'10"W a distance of 817.94 feet; 3) thence N00°25'50"W a distance of 1301.27 feet; 4) thence N00°24'24"W a distance of 181.56 feet to a point of curve; thence on said curve to the right having a central angle of 91°20'45" a radius of 150.00 feet for an arc distance of 239.14 feet, whose chord bears N45°15'58"E; thence S89°03'39"E a distance of 250.00 feet; thence N88°33'12"E a distance of 180.16 feet; thence S89°03'39"E a distance of 1611.22 feet; thence S86°40'30"E a distance of 180.16 feet; thence S89°03'39"E a distance of 250.00 feet to a point of curve; thence on said curve to the right having a central angle of 90°09'46" a radius of 19.00 feet for an arc distance of 29.90 feet, whose chord bears S43°58'46"E; thence S01°06'07"W a distance of 131.53 feet to a point of curve; thence on said curve to the left having a central angle of 31°00'00" a radius of 932.00 feet for an arc distance of 504.26 feet, whose chord bears S14°23'53"E; thence S29°53'53"E a distance of 80.13 feet to a point of curve; thence on said curve to the right having a central angle of 41°59'14" a radius of 317.48 feet for an arc distance of 232.65 feet, whose chord bears S08°54'16"E; thence S12°05'21"W a distance of 231.15 feet; to a point of curve; thence on said curve to the right having a central angle of 19°00'00" a radius of 1468.00 feet for an arc distance of 486.81 feet, whose chord bears S21°35'21"W; thence S31°05'21"W a distance of 6.79 feet; thence N58°54'39"W a distance of 161.90 feet; thence N35°26'10"W a distance of 676.00 feet; thence S54°33'50" W a distance of 920.35 feet; thence N35°26'10"W a distance of 25.00 feet; thence S54°33'50"W a distance of 756.31 feet; thence S89°33'50" W a distance of 173.51 feet; S00°26'10"E a distance of 542.29 feet to a point of curve; thence on said curve to the right having a central angle of 10°55'50" a radius of 200.00 feet for an arc distance of 38.15 feet, whose chord bears S05°01'45"W; thence S10°29'40"W a distance of 44.81 feet; thence N79°30'20"W a distance of 99.55 feet to a point of curve; thence on said curve to the left having a central angle of 10°54'19" a radius of 1549.50 feet for an arc distance of 294.92 feet, whose chord bears N84°57'30"W; thence S89°35'21"W a distance of 106.99 feet to the POINT OF BEGINNING and containing 105.811 acres of land, more or less.

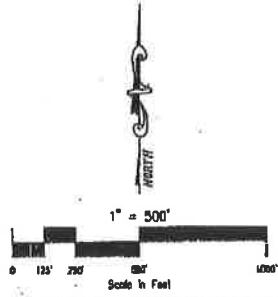
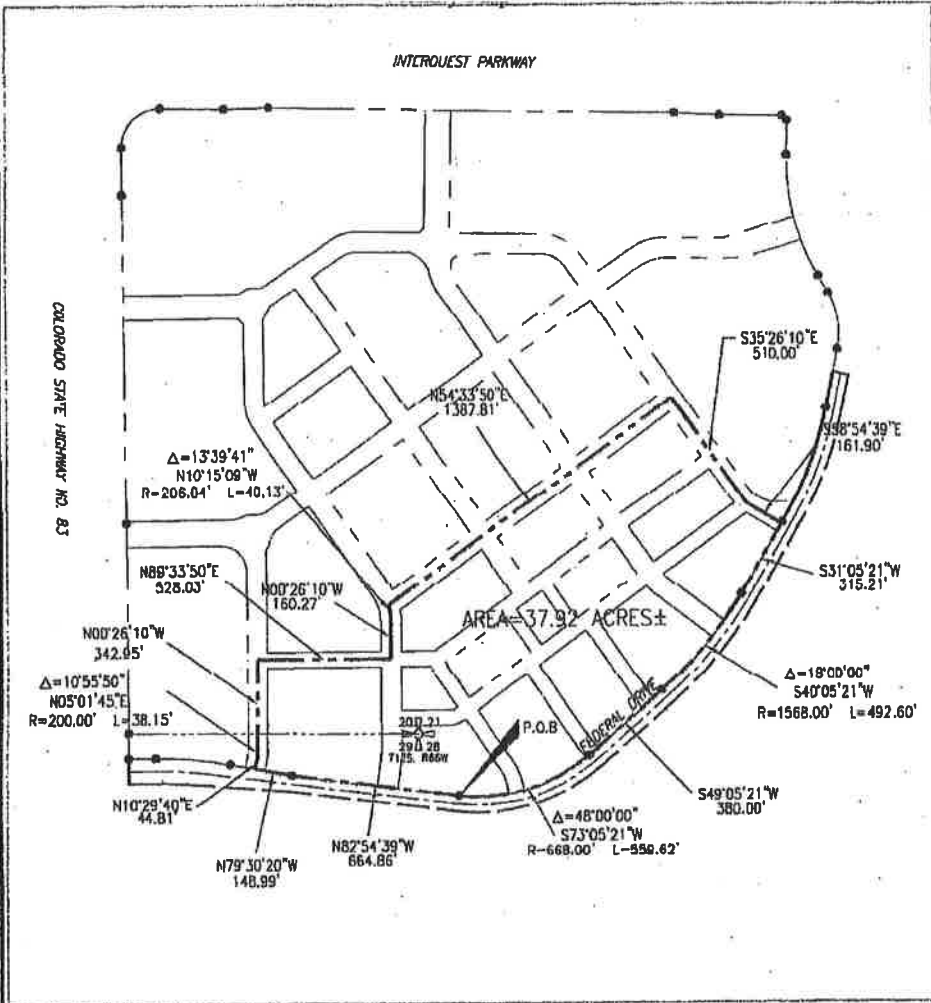
Comm

Exhibit B  
Vicinity Map  
Interquest Parkway and Highway 83





**EXHIBIT C-1**  
**Colorado Crossing Metropolitan District No. 2**



RFS

JOB NO. 04-087

FILE: 04087EXB.DWG  
 DATE: 07/28/06

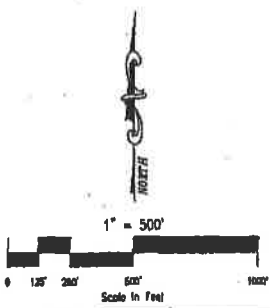
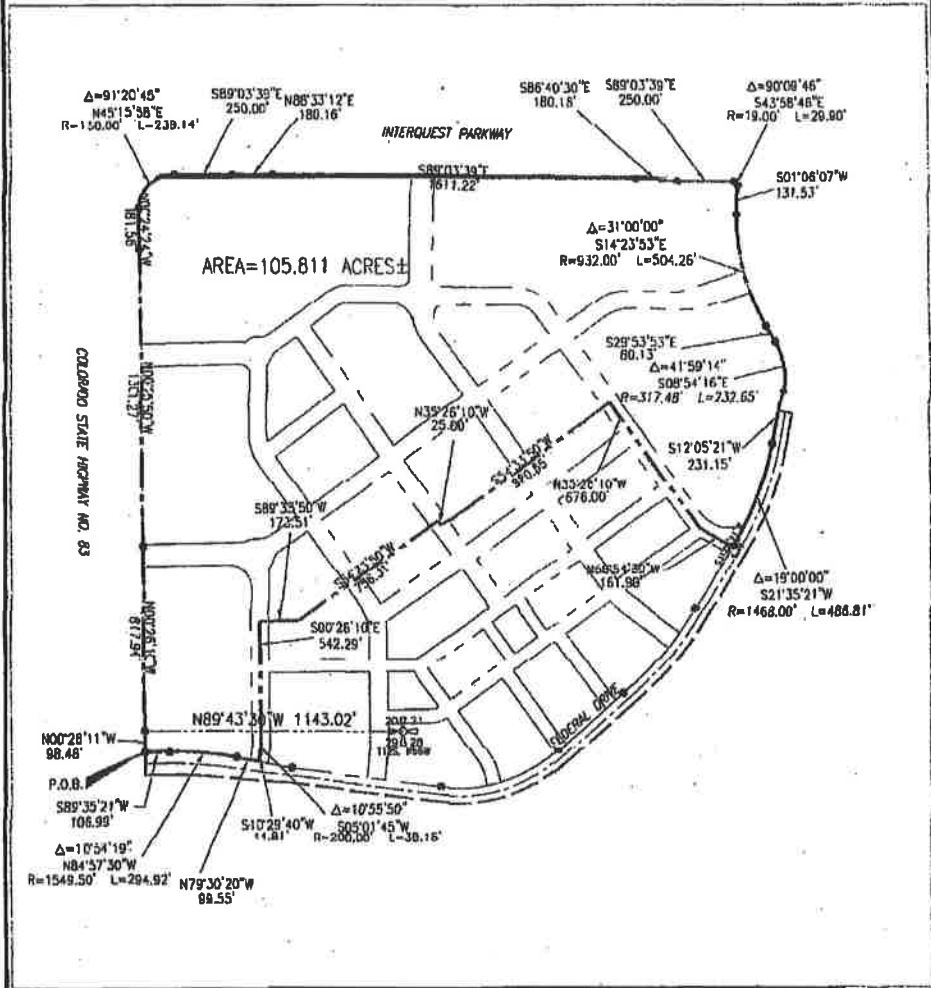


**ROCKWELL CONSULTING, Inc.**

ENGINEERING • SURVEYING  
 1855 N. LINCOLN BLVD., SUITE 200  
 COLORADO SPRINGS, CO 80909  
 (719) 435-2575 • FAX (719) 475-9233



**EXHIBIT C-1**  
**Colorado Crossing Metropolitan District No. 3**



COMM

JOB NO. 04-087

FILE: D4087EXB.DWG  
 DATE: 07/28/06

**ROCKWELL CONSULTING, Inc.**

ENGINEERING - SURVEYING  
 1855 N. UNION BLVD., SUITE 200  
 COLORADO SPRINGS, CO 80908  
 (719) 475-2875 • FAX (719) 475-2225

**EXHIBIT D**

**Description of Permitted Services to be Provided by the Districts**

Description of Services

IGA Required(Yes or No)

Operation and maintenance services relate to recreational facilities.

No

Operation and maintenance related to entrance features, landscaped areas, pocket parks, street trees, streetscape, and all parks

No

**EXHIBIT E**

**NOTICE OF SPECIAL DISTRICT DISCLOSURE**

**(to be provided to every purchaser of real property within the boundaries of the District)**

Name of District(s):	Colorado Crossing Metropolitan District No. 1 Colorado Crossing Metropolitan District No. 2 Colorado Crossing Metropolitan District No. 3
Contact Information for District:	Peter M. Susemihl Susemihl, McDermott & Cowan, P.C. 660 Southpointe Suite 210 Colorado Springs, Colorado 80906 (719) 579-6500
Type of District(s): (i.e. if dual or three districts concept - insert language regarding limited rights of property owners)	District 1 is a management district that provides services to both District 2 and District 3. District 1 will be controlled by the developers. District 2 and 3 will be controlled by the residents/property owners but are obligated to impose mill levies and/or issue bonds in order to satisfy debt.
Identify District(s) Improvements Financed by Proposed Bonds (List by major categories, i.e. Roads – Powers Blvd):	\$15,000,000 in streets and drainage \$ 8,000,000 in water infrastructure \$ 8,000,000 in wastewater infrastructure \$ 1,000,000 for traffic safety control \$ 1,000,000 in park and recreation \$ 500,000 for mosquito control \$ 1,000,000 for television relay \$ 500,000 for transportation
Identify Services/Facilities Operated/Maintained by District(s):	Park and recreation facilities.
Mill Levy Cap: (Describe Procedure for any Adjustments to Mill Levy Cap) <i>(Note: This District may or may not be certifying a mill levy at the time of your purchase. Please verify by contacting the District.)</i>	The mill levy cap for District 2 is 30 mills for debt service and 10 mills for operating. The mill levy cap for District 3 is 50 mills for debt service and 10 mills for operating.
Authorized Debt of the District(s) per Operating or Service Plan:	\$35,000,000
Voter Authorized Debt per Election:	Twice the amounts set forth above

**EXHIBIT E (continued)**

## NOTICE OF SPECIAL DISTRICT DISCLOSURE

(to be provided to every purchaser of real property within the boundaries of the District)

District Boundaries:	See attached map
----------------------	------------------

### Sample Calculation of Mill Levy Cap for a Residential Property

**Assumptions:**

Market value is \$250,000

Mill levy cap is 40 mills

**Calculation:**

$\$250,000 \times .0796 = \$19,900$  (Assessed Valuation)

$\$19,900 \times .040 = \$796.00$  per year in taxes owed solely to the Special District

### Sample Calculation of Mill Levy Cap for a Commercial, Office or Industrial Property

**Assumptions:**

Market value is \$750,000

Mill levy cap is 60 mills

**Calculation:**

$\$750,000 \times .29 = \$217,500$  (Assessed Valuation)

$\$217,500 \times .060 = \$13,050.00$  per year in taxes owed solely to the Special District