

SERVICE PLAN

FOR

LLA METROPOLITAN DISTRICT NO. 1

TOWN OF HUDSON, WELD COUNTY, COLORADO

Prepared

by

McGeady Sisneros, P.C.
450 E. 17th Avenue, Suite 400
Denver, Colorado 80203

Submitted: December 11, 2014

Approved: January 21, 2015

Initials: mmm

TABLE OF CONTENTS

	Page
I. INTRODUCTION.....	1
A. Purpose and Intent.....	1
B. Need for the District.....	1
C. Objective of the Town Regarding District’s Service Plan.....	1
II. DEFINITIONS.....	2
III. BOUNDARIES.....	5
IV. PROPOSED LAND USE/POPULATION PROJECTIONS/ASSESSED VALUATION.....	5
V. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES	5
A. Powers of the District and Service Plan Amendment.....	5
1. Water System.....	5
2. Operations and Maintenance Limitation.....	6
3. Acquisition of Land for Public Improvements and Easements.....	6
4. Construction Standards Limitation.....	6
5. Privately Placed Debt Limit.....	6
6. Inclusion Limitation.....	7
7. Overlap Limitation.....	7
8. Total Debt Issuance Limitation.....	7
9. Monies from Other Governments/Sources.....	7
10. Consolidation Limitation.....	8
11. Bankruptcy Limitation.....	8
12. Additional Services.....	8
13. Service Plan Amendment Requirement.....	8

14.	Preliminary Engineering Survey.....	9
B.	Multiple District Structure.....	9
C.	Intergovernmental Agreements.....	9
VI.	FINANCIAL PLAN.....	10
A.	General.....	10
B.	Maximum Voted Interest Rate and Maximum Underwriting Discount.....	10
C.	Maximum Debt Mill Levy.....	10
D.	Debt Repayment Sources.....	11
E.	Debt Instrument Disclosure Requirement.....	12
F.	Security for Debt.....	12
G.	Enterprise Financing.....	12
H.	TABOR Compliance.....	12
I.	District’s Administrative and Operating Costs.....	13
VII.	ANNUAL REPORT.....	13
A.	General.....	13
B.	Report Contents.....	13
VIII.	DISSOLUTION.....	14
IX.	DISCLOSURE TO PURCHASERS.....	14
X.	INTERGOVERNMENTAL AGREEMENT.....	14
XI.	CONCLUSION.....	14

LIST OF EXHIBITS

EXHIBIT A-1	Legal Description of Initial District Boundary
EXHIBIT A-2	Legal Description of Inclusion Area
EXHIBIT B-1	Vicinity Map
EXHIBIT B-2	Initial District Boundary Map
EXHIBIT B-3	Inclusion Area Map
EXHIBIT C	Intergovernmental Agreement

**SERVICE PLAN FOR
LLA METROPOLITAN DISTRICT NO. 1**

I. INTRODUCTION

A. Purpose and Intent. The District is an independent unit of local government, separate and distinct from the Town, as hereinafter defined, and, except as may otherwise be provided for by the State, as hereinafter defined, or local law or this Service Plan, its activities are subject to review by the Town only insofar as they may deviate in a material manner from the requirements of the Service Plan or the intergovernmental agreements between the Town and the District. It is intended that the District will provide a part or all of the Public Improvements, as hereinafter defined, for the use and benefit of the inhabitants and taxpayers of the District. The primary purpose of the District will be to finance and construct or acquire these Public Improvements.

B. Need for the District. There are currently no other governmental entities, including the Town, located in the immediate vicinity of the District 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, as hereinafter defined. The District is therefore necessary in order for the Public Improvements required for the Project to be provided in the most economical manner possible.

C. Objective of the Town Regarding District's Service Plan.

The Town's objective in approving the Service Plan for the District is to authorize the District to provide for the planning, design, acquisition, construction, installation, relocation and redevelopment of the Public Improvements from the proceeds of Debt, as hereinafter defined, to be issued by the District, and for the operation and maintenance of certain of the Public Improvements. All Debt is expected to be repaid, and the costs of operating and maintaining certain of the Public Improvements are expected to be paid, by taxes, fees, rates, tolls and charges, and other legally available revenues. No debt service mill levy shall be imposed and collected at a level higher than the Maximum Debt Mill Levy, as hereinafter defined. Debt which is issued within these parameters, as further described in the Financial Plan, as hereinafter defined, 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 both a limited purpose for the District 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, and to provide certain operation and maintenance services related to the Public Improvements, subject to the limitations set forth herein. Additional operational activities are allowed, but only as authorized by an intergovernmental agreement with the Town.

The District shall be authorized to finance the Public Improvements that can be funded from Debt to be repaid, in part, from tax revenues collected from a mill levy which shall

not exceed the Maximum Debt Mill Levy. It is the intent of this Service Plan to assure to the extent possible that no property within the District's boundaries bear a property tax burden for repayment of Debt that is greater than that associated with the Maximum Debt Mill Levy even under bankruptcy or other unusual situations.

II. DEFINITIONS

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

Board: means the board of directors of the District.

Bond, Bonds or Debt: means bonds or other obligations for the payment of which the District has promised to impose an *ad valorem* property tax mill levy. Enterprise Debt shall not be included in the definition of Bond, Bonds or Debt.

C.R.S.: means the Colorado Revised Statutes, as the same may be amended and restated from time to time.

District or District No. 1: means LLA Metropolitan District No. 1.

District No. 2: means LLA Metropolitan District No. 2.

Districts: mean, collectively, the District and District No. 2.

Eastern Corridor Metropolitan District: means the Eastern Corridor Metropolitan District, a quasi-municipal corporation and political subdivision of the State of Colorado.

Enclave Property: means that certain parcel identified as the Enclave Property on Inclusion Area Map.

Enterprise: means a water activity enterprise established by the District.

Enterprise Act: means Title 37, Article 45.1, Part 1, C.R.S., as amended from time to time.

External Financial Advisor: means a consultant that: (i) 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; (ii) shall be an underwriter, investment banker, or individual listed as a public finance advisor in the Bond Buyer's Municipal Market Place; and (iii) is not an officer or employee of the District.

Financial Plan: means the combined Financial Plans of the Districts as described in Section VI, which describes: (i) how the Public Improvements are to be financed; (ii)

how the Debt is expected to be incurred; and (iii) the estimated operating revenue derived from property taxes for the first budget year.

Inclusion Area : means the property depicted in the Inclusion Area Map.

Inclusion Area Map: means the map attached hereto as **Exhibit B-3**, depicting the property proposed for inclusion within the boundaries of one of the Districts, subject to the limitation set forth in Sections V.A.6 and V.A.7 below.

Initial District Boundary: means the boundary of the area legally described in **Exhibit A-1** and depicted in the Initial District Boundary Map.

Initial District Boundary Map: means the map attached hereto as **Exhibit B-2**, depicting the District's initial boundaries.

Intergovernmental Agreement: means the intergovernmental agreement between the District and the Town in the form attached hereto as **Exhibit C**.

Land Use Plan: means the zoning documents approved at the time of annexation of the Property in the Inclusion Area Boundaries either a Sketch Plan, Preliminary Plat and Final Plat, or Planned Unit Development for the Property, together with any required Subdivision Improvement Agreements as approved by the Town pursuant to Town Code, and as amended from time to time with Town approval, which identify, among other things, Public Improvements necessary for facilitating development of property within the Service Area.

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

Project: means the development or property commonly referred to as Lloyd Land Airport.

Property: means the portion of the property depicted on the Inclusion Area Map which is within the City and does not include the portion of the property on the Inclusion Area Map identified as the Enclave Property.

Public Improvements: means a part or all of the improvements, including, without limitation, the Regional 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 the District.

Regional Improvements: means the specific Public Improvements identified to be funded as set forth in a Regional Improvement IGA.

Regional Improvements IGA: means an intergovernmental agreement to be entered into between the Town, the District and one or more additional special districts to provide a part or all of the funding for one or more of the Regional Improvements.

Regional Mill Levy: means a mill levy to be imposed by the District as imposed pursuant to the terms of a Regional Improvements IGA. The Regional Mill Levy shall not, without the mutual written consent of the Town and the District, exceed ten (10) mills adjusted to account for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement. The Regional Mill Levy limitation set forth herein 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, 2015, 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.

Service Area: means the property within the Initial District Boundary Map and the Inclusion Area Boundary Map, as well as any additional property actually included into the boundaries of the Districts in accordance with Section V.

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

Service Plan Amendment: means an amendment to the Service Plan as approved by the Town Board of Trustees in accordance with the applicable State law.

Special District Act: means Section 32-1-101, *et seq.*, C.R.S., as amended from time to time.

State: means the State of Colorado.

TABOR: means the Taxpayer's Bill of Rights set forth at Article X, Section 20 of the Colorado Constitution.

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

Town: means the Town of Hudson, Colorado.

Town Board of Trustees: means the Board of Trustees of the Town.

Town Code: means the Municipal Code for the Town.

Water Depot shall have the meaning given in Section V.A.1 of this Service Plan.

III. BOUNDARIES

The area within the Initial District Boundary includes approximately 0.9 acre and the total area proposed to be included in the Inclusion Area is approximately Seven Hundred Eighteen (718) acres. Legal descriptions of the Initial District Boundary and the Inclusion Area are attached hereto as **Exhibit A-1** and **Exhibit A-2**, respectively. A vicinity map is attached hereto as **Exhibit B-1**. A map of the Initial District Boundary is attached hereto as **Exhibit B-2**, and a map of the Inclusion Area is attached hereto as **Exhibit B-3**. It is anticipated that the Districts' boundaries will change from time to time as the Districts undergo inclusions and exclusions pursuant to Section 32-1-401, *et seq.*, C.R.S., and Section 32-1-501, *et seq.*, C.R.S., subject to the limitations set forth in Section V below.

IV. PROPOSED LAND USE/POPULATION PROJECTIONS/ASSESSED VALUATION

The Service Area consists of approximately Seven Hundred Eighteen (718) acres of land. The current assessed valuation of the Service Area is approximately \$0 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 day time population of the District at build-out is estimated to be approximately Forty Thousand (40,000) people.

The Land Use Plan for the property in the Initial District Boundary is being approved by the Town as a part of the annexation of the Property in the Inclusion Area Boundaries.

V. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES

A. Powers of the District and Service Plan Amendment.

The District shall have the power and authority to provide the Public Improvements and related operation and maintenance services within and without the boundaries of the District as such power and authority is described in the Special District Act and other applicable statutes, common law and the Colorado Constitution, subject to the limitations set forth herein.

1. Water System. Pursuant to the Special District Act, the District shall be authorized to enter into intergovernmental agreements with the Eastern Corridor Metropolitan District for the design, acquisition, installation, construction, financing, ownership, operation and maintenance of a potable and non-potable water supply, storage, transmission, treatment and distribution system, among other Public Improvements. The water system improvements anticipated to be constructed, operated and maintained by Eastern Corridor Metropolitan District for the purpose of receiving, treating and delivering bulk water service to Customers, as defined in the Eastern Corridor Metropolitan District Service Plan, pursuant to these intergovernmental agreements are, collectively, hereafter referred to as the "Water Depot." Neither the District nor Eastern Corridor Metropolitan District shall be authorized to interconnect with the Town's municipal water system without an intergovernmental agreement with the Town setting forth the terms and conditions for such interconnection, it being the intent that the Water Depot shall be

owned, operated and maintained by Eastern Corridor Metropolitan District subject to the limitations set forth in the service plan for Eastern Corridor Metropolitan District. Neither the District nor Eastern Corridor Metropolitan District shall be authorized to provide municipal water service to any end user without the written consent of the Town (i.e., non-bulk).

2. Operations and Maintenance Limitation. The purpose of the District is to plan for, design, acquire, construct, install, relocate, redevelop and finance the Public Improvements. It is anticipated that all Public Improvements located within the Service Area and financed and constructed by the District, except the Water Depot, will be conveyed to the Town for ongoing operation, maintenance and repair in a manner consistent with the Land Use Plan, applicable rules and regulations of the Town, and other applicable provisions of the Town Code. Except for bulk water service provided through the Water Depot and the financing and construction of Public Improvements, the Districts shall have no right or authority to provide municipal potable water service or sewer service to users in the Town or connect to the Town's municipal water system without an agreement with the Town.

Public Improvements located within the Service Area and not conveyed to the Town may be operated, maintained, repaired or replaced by the District only to the extent authorized in an approved subdivision improvement agreement or other written agreement with the Town. During the period that the District operates any Public Improvements, revenue to pay the expenses of operations may be obtained from fees legally imposed by the District or other legally available revenues of the District. The District shall be authorized to provide covenant enforcement and design review, as provided under Section 32-1-1004(8)(a), C.R.S.

3. Acquisition of Land for Public Improvements and Easements. The District agrees to acquire by easement or plat dedication, or cause the dedication to the Town of all land required by the Town for construction of Public Improvements being provided by the District that will be conveyed to the Town. Exceptions must be approved by the Town in writing.

4. Construction Standards Limitation. The District will ensure that the Public Improvements are designed and constructed to standards and specifications that are comparable to the standards and specifications of the Town or other governmental entities within which the Public Improvements are located. For all Public Improvements constructed within the Town's boundaries for which the Town will assume ownership, operations and maintenance responsibility, the District will obtain the Town's approval of civil engineering plans and will obtain applicable permits for construction and installation of Public Improvements, as required by Town rules and regulations, prior to initiating such construction.

5. Privately Placed Debt Limit. Prior to the issuance of any privately placed Debt, 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.

6. Inclusion Limitation. The District shall not include within its boundaries any property outside of the Inclusion Area or outside of the Town without the prior written consent of the Town Board of Trustees. The District shall be authorized to include within its boundaries property within the Inclusion Area that is also within the Town without prior written consent of the Town Board of Trustees. It is anticipated that the Enclave Property will be annexed within the Town boundaries. It is also anticipated that the Enclave Property will be included within the boundaries of one of the Districts and be subject to the taxes and rates, fees, tolls and charges that are applied and imposed upon all property within the boundaries of such District. Upon annexation of the Enclave Property, the Town shall share and remit to District No. 1 a portion of revenues derived from imposition of the Town property tax on the Enclave Property in accordance with the Intergovernmental Agreement.

7. Overlap Limitation. The District 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 District unless the aggregate mill levy for payment of Debt of such proposed district will not at any time exceed the Maximum Debt Mill Levy of the District; provided, however, the foregoing shall not prohibit the District from consenting to the organization of an overlapping district for the purposes of funding Regional Improvements as described in Section V.C.3 herein.

8. Total Debt Issuance Limitation. The Districts, collectively, shall not issue Debt in excess of Two Hundred Twenty Million Dollars (\$220,000,000); provided, however, such Total Debt Issuance Limitation may be increased in the event and to the extent that the Districts pledge to impose the Regional Mill Levy to finance a portion of the Regional Improvements and such increase in the Total Debt Issuance Limitation shall not constitute a material modification of this Service Plan.

9. Monies from Other Governments/Sources. The District 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 Town is eligible to apply for, except pursuant to an intergovernmental agreement with the Town. This Section shall not apply to specific ownership taxes which shall be distributed to and a revenue source for the District without any limitation.

10. Consolidation Limitation. The District shall not file a request with any Court to consolidate with another Title 32 district without the prior written consent of the Town, unless such consolidation is with District No. 2.

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

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

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

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

12. Additional Services. In addition to the other powers of the District set forth in this Section V and subject to the limitations set forth in Section V.A.2, the District shall also have the authority to, but shall not be obligated to, provide any and all of such additional services and exercise such powers as are expressly or impliedly granted by Colorado law, including the power of covenant enforcement, design review and those powers enumerated in Sections 32-1-1101 and 32-1-1101.7, C.R.S. Pursuant to Section 32-1-1101(1)(f)(I), C.R.S., and Section 32-1-1101(1.5)(e), C.R.S., the District shall have the authority to divide the District into one or more areas consistent with the services, programs and facilities to be furnished therein. Pursuant to Section 32-1-1101.7, C.R.S. (the “SID Statute”), the District is authorized to establish a special improvement district within its boundaries to assess property, to provide and finance renewable energy and energy efficient improvements, and to undertake all activities set forth in the SID Statute, as it may be amended from time to time. The exercise of any such powers and authorities shall not be deemed a material modification of this Service Plan.

13. Service Plan Amendment Requirement. The Service Plan has been designed with sufficient flexibility to enable the District to provide required services and facilities under evolving circumstances without the need for numerous amendments. Actions of the District which violate the limitations of this Service Plan or the Intergovernmental Agreement shall be deemed material modifications to this Service Plan and breaches of such Intergovernmental Agreement, and the Town shall be entitled to all remedies available at law or in equity under State and local law.

14. Preliminary Engineering Survey. The District shall have the 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 District, including the extension of water service and road improvements to the Service Area and other Public Improvements which will be more specifically defined in the Land Use 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 is approximately One Hundred Ten Million Dollars (\$110,000,000). It is acknowledged that the foregoing Public Improvements cost estimate does not include the costs of any Regional Improvements the District shall be authorized to finance or construct pursuant to the Regional Improvements IGA.

All of the Public Improvements within the Town boundaries will be designed in such a way as to assure that the Public Improvements standards will be compatible with those of the Town and shall be in accordance with the requirements of the Land Use Plan. All Public Improvements outside the Town boundaries will be designed in accordance with the requirements of the applicable jurisdictions. All construction cost estimates are based on the assumption that construction conforms to applicable local, State and federal requirements.

B. Multiple District Structure.

It is anticipated that the Districts, collectively, will undertake the financing and construction of the Public Improvements contemplated herein. Specifically, the Districts will enter into one or more Intergovernmental Cost Sharing and Recovery Agreements which shall govern the relationship between and among the Districts with respect to the financing, construction and operation of the Public Improvements contemplated herein. The District will establish a mechanism whereby any one or more of the Districts may separately or cooperatively fund, construct, install and operate the Public Improvements.

C. Intergovernmental Agreements.

It is anticipated that the District will undertake the financing and construction of the Public Improvements contemplated herein through intergovernmental agreements, including, but not limited to, the following:

1. Intergovernmental Cost Sharing and Recovery Agreement(s) with District No. 2 to coordinate the provision of services, the design, planning, construction, acquisition and redevelopment of Public Improvements and incurrence of multiple-fiscal year obligations and cost sharing in relation to such activities.

2. Intergovernmental agreements with the Eastern Corridor Metropolitan District and other governmental entities to provide the Public Improvements and services.

3. Regional Improvements IGA at such time as the District and the Town have mutually agreed upon the specific Regional Improvements to be funded and have mutually agreed upon the sources of funding that will be available. The Regional Improvements IGA will

set forth the amount of the Regional Mill Levy and the terms for imposition of the mill levy as the District's contribution towards the funding of the Regional Improvements.

The District will include within its election questions the authority to enter into the Regional Improvements IGA and the authority to impose the Regional Mill Levy to be used to contribute to the funding of specific regional infrastructure as required in the Regional Improvements IGA. One alternative for the funding of the Regional Improvements is the organization of a new district by the Town. If such a district is organized and it overlaps the District, any obligation of the District to impose the Regional Mill Levy will be decreased to the extent the overlapping district is imposing a mill levy for Regional Improvements to assure that there is no double taxation for Regional Improvements.

VI. FINANCIAL PLAN

A. General.

The District 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 District. The Financial Plan for the District shall be to issue such Debt as the District can reasonably pay from revenues derived from the Maximum Debt Mill Levy and other legally available revenues. The total Debt that the District shall be permitted to issue shall not exceed Two Hundred Twenty Million Dollars (\$220,000,000) and shall be permitted to be issued on a schedule and in such year or years as the District determines shall meet the needs of the Financial Plan referenced above and phased to serve development as it occurs, subject to such additional Debt, if any, the District may issue for Regional Improvements in accordance with the Regional Improvements IGA, and the Town's approval of the Regional Improvements IGA shall be deemed authorized for such additional District Debt without the need for modification of this Service Plan. All Debt issued by the District may be payable from any and all legally available revenues of the District, including general *ad valorem* taxes to be imposed upon all taxable property within the District. The District will also rely upon various other revenue sources, including 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.

B. Maximum Voted Interest Rate and Maximum Underwriting Discount.

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

C. Maximum Debt Mill Levy.

The "Maximum Debt Mill Levy" shall be the maximum mill levy the District is permitted to impose upon the taxable property within the District for payment of Debt (not

including Debt, if any, issued to finance Regional Improvements and secured by a pledge of Regional Mill Levy revenues of the District), and shall be determined as follows:

1. For any portion of the District's aggregate Debt which exceeds fifty percent (50%) of the District's assessed valuation, the Maximum Debt Mill Levy for such portion of Debt shall be fifty (50) mills less the number of mills necessary to pay unlimited mill levy Debt described in Section VI.C.2 below; adjusted to account for 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 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, 2015, 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.

2. For any portion of the District's aggregate Debt which is equal to or less than fifty percent (50%) of the District's assessed valuation, either on the date of issuance or at any time thereafter, the mill levy to be imposed to repay such portion of Debt shall not be subject to the Maximum Debt Mill Levy and, as a result, the mill levy may be such amount as is necessary to pay the Debt service on such Debt, without limitation of rate.

3. For purposes of the foregoing, once Debt has been determined to be within Section VI.C.2 above, so that the District is entitled to pledge to its payment an unlimited *ad valorem* mill levy, the District may provide that such Debt shall remain secured by such unlimited mill levy, notwithstanding any subsequent change in the District's Debt to assessed valuation ratio. All Debt issued by the District must be issued in compliance with the requirements of Section 32-1-1101, C.R.S., and all other requirements of State law.

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

D. Debt Repayment Sources.

The District 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 District may also rely upon various other revenue sources authorized by law. At the District's 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 the District exceed the Maximum Debt Mill Levy.

E. 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 creation of 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 District.

F. Security for Debt.

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

G. Enterprise Financing.

Pursuant to the Enterprise Act and TABOR, the District may establish an Enterprise. If established, the purpose of the Enterprise shall be to pursue or continue any and all of the District's water activities, as defined in the Enterprise Act, including, but not limited to, water acquisition and water project or facility activities. Pursuant to the Enterprise Act, the Enterprise shall be wholly owned by the District, and the governing body of the Enterprise shall be the governing body of the District. The Enterprise shall have all powers and authority granted to water activity enterprises by the provisions of the Enterprise Act, including the powers to construct, operate and maintain facilities, and provide water services; the power to contract with any person or entity; the power to impose rates, fees, tolls and charges; the power to collect and spend revenues; and the power to issue revenue bonds, notes or other obligations ("Enterprise Debt") payable from its revenues or from any other available funds of the Enterprise; all without reference or regard to the limitations contained in TABOR.

H. TABOR Compliance.

The District will comply with the provisions of TABOR. In the discretion of the Board, the District may set up other qualifying entities to manage, fund, construct and operate facilities, services, and programs. To the extent allowed by law, any entity created by the District will remain under the control of the District's Board. Pursuant to and in accordance with the Enterprise Act and TABOR, the Enterprise shall be excluded from the provisions of TABOR.

I. District's Administrative and Operating Costs.

The estimated cost of acquiring land, engineering services, legal services and administrative services, together with the estimated costs of the District's organization and initial operations, is part of the estimated cost of Public Improvements, which will be eligible for reimbursement from Debt proceeds.

In addition to the capital costs of the Public Improvements, the District 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 for the District is anticipated to be approximately Fifty Thousand Dollars (\$50,000) and will be derived from property taxes, developer advances and other revenues.

The Maximum Debt Mill Levy for the repayment of Debt shall not apply to the District's ability to increase its mill levy as necessary for provision of administrative and, to the extent authorized herein, operation and maintenance services to its taxpayers and service users.

The District's costs for administration shall include, but not be limited to, the authority to pay Director's compensation in amounts no greater than those amounts allowed under the Special District Act.

VII. ANNUAL REPORT

A. General.

The District shall be responsible for submitting an annual report to the Town Attorney's office no later than August 1st of each year.

B. Report Contents.

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 31st of the prior year.
2. Agreements with other governmental entities, either entered into or proposed as of December 31st of the prior year.
3. A list of all facilities and improvements constructed or acquired by the District and those that have been dedicated to and accepted by the Town as of December 31st of the prior year.
4. Audit of the District's financial statements, for the year ending December 31st of the previous year, prepared in accordance with generally accepted accounting principles or audit exemption, if applicable.

5. Notice of continuing disclosure undertaking for events of default by the District, which continue beyond a ninety (90) day period, under any Debt instrument.

6. Any inability of the District to pay its obligations as they come due in accordance with the terms of any Debt instruments, which continue beyond a ninety (90) day period.

VIII. DISSOLUTION

Upon an independent determination of the Town Board of Trustees that the purposes for which the District was created have been accomplished, the District agrees to file a petition in the appropriate District Court for dissolution, pursuant to the applicable State statutes. In no event shall a dissolution occur until the District has provided for: (a) the payment or discharge of all its outstanding indebtedness; (b) assumption by some other appropriate entity of its essential services and operation and maintenance responsibilities for the Public Improvements; and (c) other financial obligations as required pursuant to State statutes.

IX. DISCLOSURE TO PURCHASERS

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

X. INTERGOVERNMENTAL AGREEMENT

The form of the Intergovernmental Agreement is attached hereto as **Exhibit C**. The District shall approve the Intergovernmental Agreement in the form attached as **Exhibit C** within ninety (90) days of the date of organization. Failure of the District to execute the Intergovernmental Agreement as required herein shall constitute a material modification and shall require a Service Plan Amendment. The Town Board of Trustees shall approve the Intergovernmental Agreement in the form attached as **Exhibit C** at the public hearing approving the Service Plan. The Intergovernmental Agreement may be amended by mutual agreement of the Town and District, which amendment shall not require this Service Plan to be amended. In the event of conflict between the Intergovernmental Agreement and this Service Plan, the Intergovernmental Agreement shall govern.

XI. CONCLUSION

It is submitted that this Service Plan for the District, 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 serviced by the District;

2. The existing service in the area to be served by the District is inadequate for present and projected needs;
3. The District is capable of providing economical and sufficient service to the area within its proposed boundaries;
4. The area to be included in the District does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis;
5. Adequate service is not, and will not be, available to the area through the Town or 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 Town 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 Town Code;
8. The proposal is in compliance with any duly adopted Town, regional or State long-range water quality management plan for the area; and
9. The creation of the District is in the best interests of the area proposed to be served.

EXHIBIT A-1

Legal Description of Initial District Boundary



DAVID E. ARCHER & ASSOCIATES, INC.
PROFESSIONAL LAND SURVEYORS & ENGINEERS

105 Wilcox Street * Castle Rock, CO 80104

PHONE (303) 688-4642 * FAX (303) 688-4675 * karcher@davidearcher.com

Job No. 14-1117
December 5, 2014

LLA METROPOLITAN DISTRICT No. 1 INITIAL DISTRICT BOUNDARY

PROPERTY DESCRIPTION

The North 200.00 feet of the West 200.00 feet of the Northeast $\frac{1}{4}$ of Section 31,
Township 2 North, Range 64 West of the 6th Principal Meridian, Weld County, Colorado.
Containing 0.92 acres, more or less.

EXHIBIT A-2

Legal Description of Inclusion Area



DAVID E. ARCHER & ASSOCIATES, INC.
PROFESSIONAL LAND SURVEYORS & ENGINEERS

105 Wilcox Street * Castle Rock, CO 80104
PHONE (303) 688-4642 * FAX (303) 688-4675 * karcher@davidearcher.com

Job No. 14-1117
December 8, 2014
Page 1 of 2 Pages

LLA Metropolitan District No. 1 Inclusion Area

PROPERTY DESCRIPTION:

A tract of land situated in Section 31, Township 2 North, Range 64 West and in Section 6, Township 1 North Range 64 West of the 6th Principal Meridian, Weld County, Colorado, described as follows:

Beginning at the Northeast corner of said Section 31 and considering the East line of the Northeast $\frac{1}{4}$ of Section 31 to bear S $00^{\circ}05'33''$ W with all bearings contained herein relative thereto;

Thence S $00^{\circ}05'33''$ W a distance of 2665.09 feet to the East $\frac{1}{4}$ corner of said Section 31;

Thence S $00^{\circ}05'17''$ W a distance of 2654.87 feet to the Southeast corner of said Section 31;

Thence S $88^{\circ}08'19''$ W a distance of 2650.28 feet to the South $\frac{1}{4}$ corner of said Section 31;

Thence S $88^{\circ}08'11''$ W along the South line of the Southwest $\frac{1}{4}$ of said Section 31 a distance of 405.51 feet;

Thence S $00^{\circ}37'21''$ E a distance of 1305.20 feet;

Thence N $88^{\circ}27'56''$ E a distance of 13.61 feet;

Thence S $01^{\circ}31'30''$ E a distance of 60.00 feet;

Thence S $88^{\circ}27'56''$ W a distance of 220.00 feet;

Thence S $01^{\circ}31'30''$ E a distance of 1241.58 feet;

Thence S $01^{\circ}31'25''$ E a distance of 2504.38 feet to the North Right of Way line of State Highway No. 52;

Thence S $89^{\circ}19'51''$ W along said North Right of Way line a distance of 30.00 feet;

Thence N $01^{\circ}31'25''$ W a distance of 2504.07 feet;

Thence S $88^{\circ}45'13''$ W a distance of 1245.62 feet;

Thence N $01^{\circ}04'59''$ W a distance of 1295.21 feet;

Thence S $88^{\circ}27'59''$ W a distance of 543.52 feet to the East Right of Way line of County Road 49;

Thence N $00^{\circ}37'11''$ W along said East Right of Way line a distance of 1293.65 feet to the South line of said Section 31;

Thence N $00^{\circ}25'59''$ W along said East Right of Way line a distance of 1691.17 feet;

LLA Metropolitan District No. 1 Inclusion Area (continued)

Thence S 89°34'01"W a distance of 30.00 feet to the West line of the Southwest ¼ of said Section 31;
Thence N 00°25'59"W a distance of 1001.58 feet to the West ¼ corner of said Section 31;
Thence N 00°29'19"W along the West line of the Northwest ¼ of said Section 31 a distance of 2076.94 feet to the Southeasterly Right of Way line of the Burlington Northern Railroad;
Thence Northeasterly along said Southeasterly Right of Way line along the arc of a curve to the right a distance of 1019.35 feet, said curve has a radius of 6255.32 feet, a central angle of 09°20'12" and a chord that Bears N 51°41'23"E a distance of 1018.23 feet to the North line of the Northwest ¼ of said Section 31;
Thence N 88°53'15"E a distance of 1706.08 feet to the North ¼ corner of said Section 31;
Thence N 88°53'31"E a distance of 2641.01 feet to the Point of Beginning.

EXCEPTING THEREFROM the Covarrubias Parcel described as follows:

Commencing at the North ¼ corner of Section 6, Township 1 North, Range 64 West of the 6th Principal Meridian;
Thence S 37°02'47"W a distance of 761.62 feet to the Point of Beginning;
Thence S 00°37'21"E a distance of 712.08 feet;
Thence S 88°27'56"W a distance of 305.20 feet;
Thence N 00°37'21"W a distance of 716.67 feet;
Thence N 89°19'38"E a distance of 305.16 feet to the Point of Beginning

The LLA Metropolitan District No.1 Inclusion Area contains a net area of 718.21 Acres, more or less

EXHIBIT B-1

Vicinity Map

VICINITY MAP

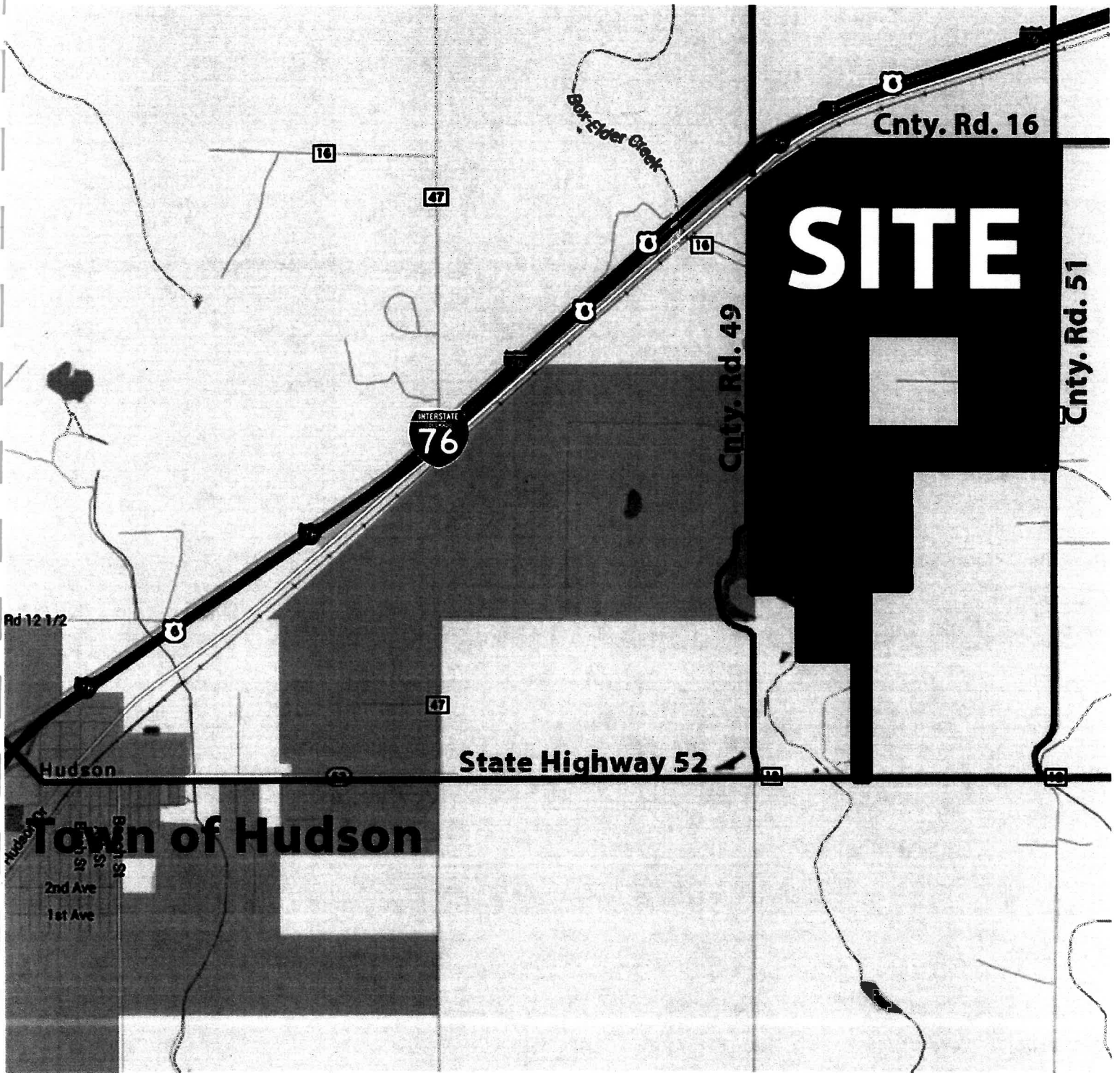
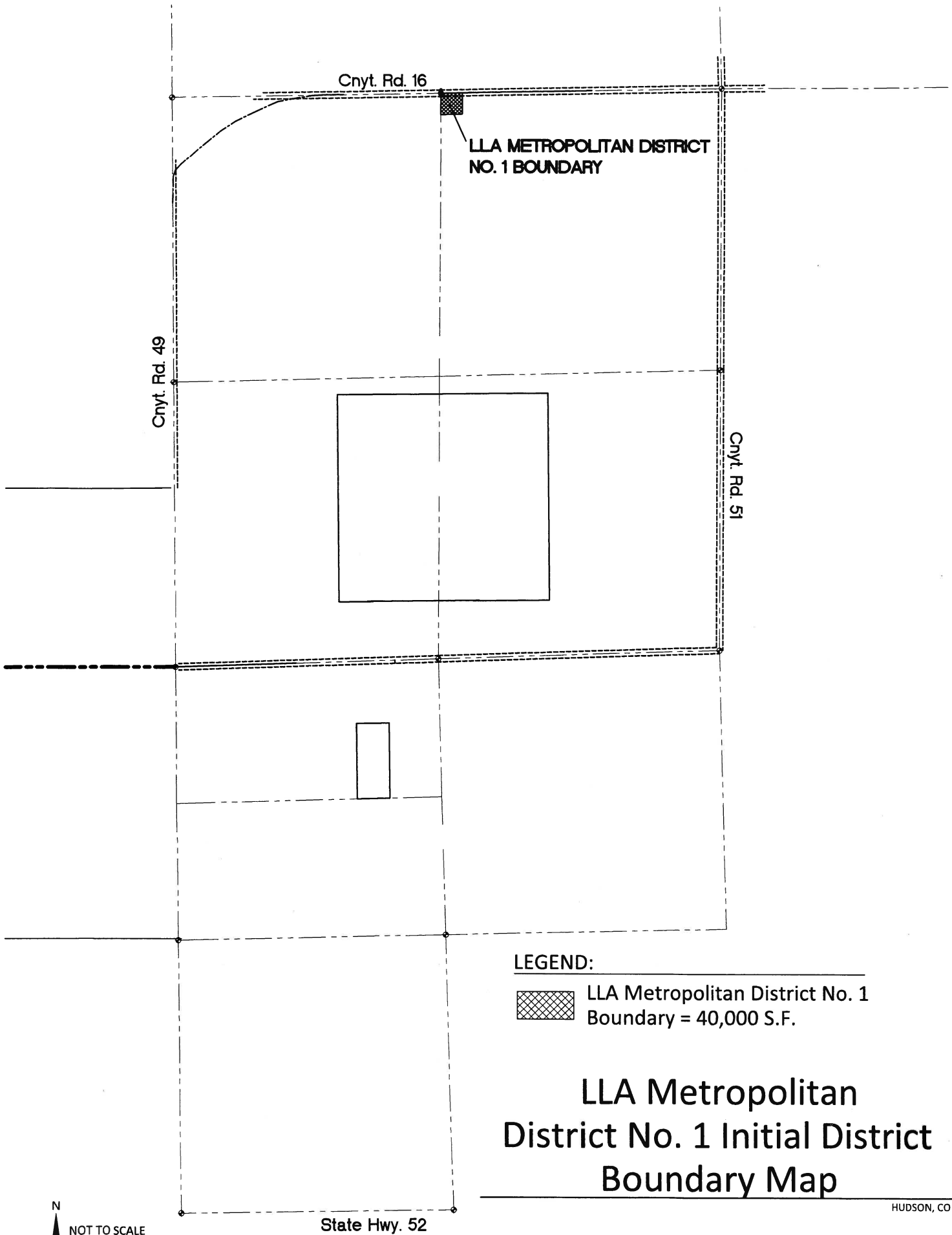


EXHIBIT B-2

Initial District Boundary Map



LEGEND:

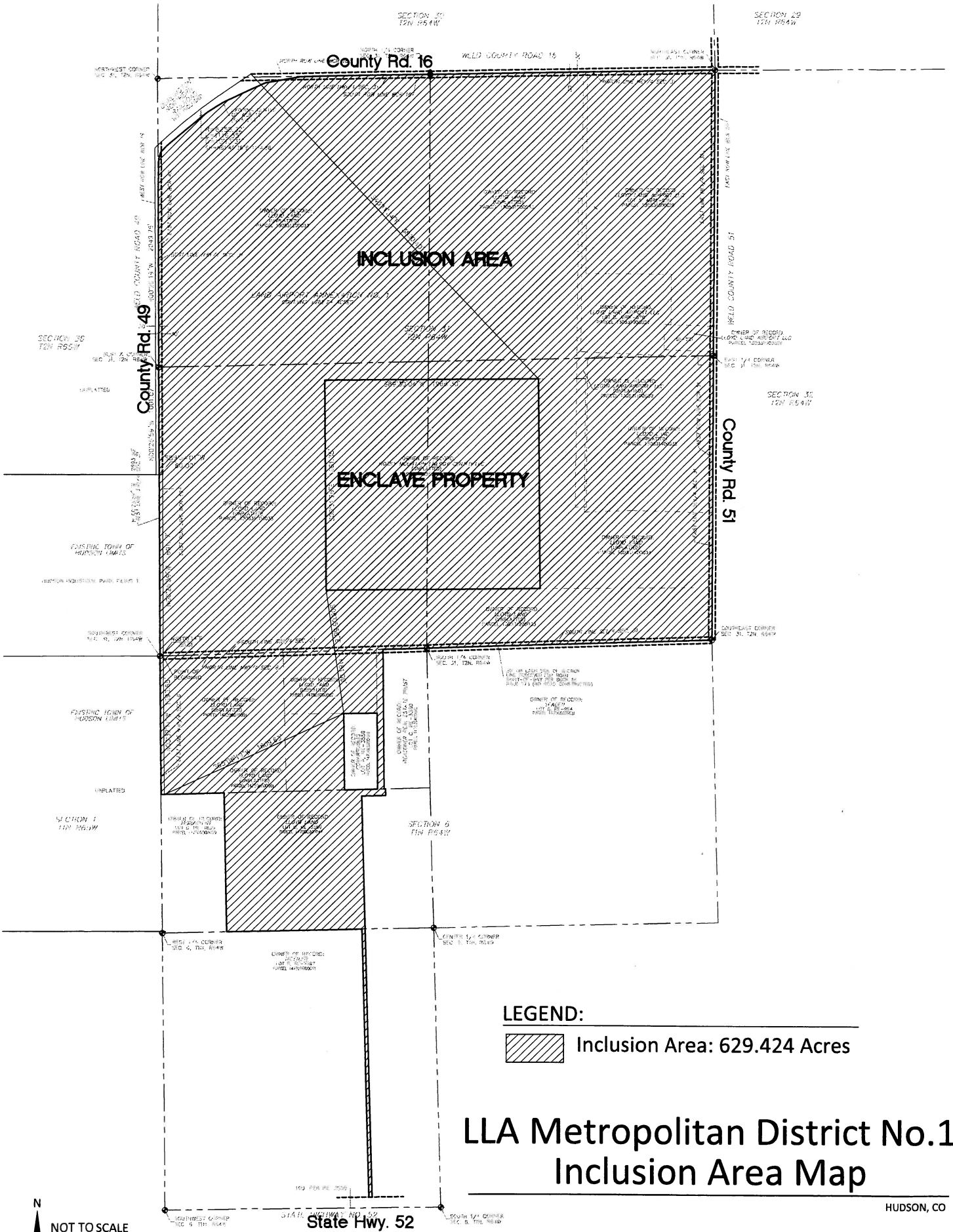


LLA Metropolitan District No. 1
Boundary = 40,000 S.F.

**LLA Metropolitan
District No. 1 Initial District
Boundary Map**


N
▲
NOT TO SCALE

EXHIBIT B-3
Inclusion Area Map



INCLUSION AREA

ENCLAVE PROPERTY

LEGEND:
 Inclusion Area: 629.424 Acres

LLA Metropolitan District No.1 Inclusion Area Map

N
NOT TO SCALE

HUDSON, CO

EXHIBIT C
Intergovernmental Agreement

INTERGOVERNMENTAL AGREEMENT BETWEEN

TOWN OF HUDSON, COLORADO AND LLA METROPOLITAN DISTRICT NO. 1

THIS AGREEMENT is made and entered into as of this ____ day of _____, 20 __, by and between the TOWN OF HUDSON, COLORADO (the "Town"), and LLA METROPOLITAN DISTRICT NO. 1, a quasi-municipal corporation and political subdivision of the State of Colorado (the "District"). The Town and the District are collectively referred to as the Parties.

RECITALS

WHEREAS, the District was organized to provide those services and to exercise powers as are more specifically set forth in the District's Service Plan approved by the Town on _____, 20__ (the "Service Plan"); and

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

WHEREAS, the Town and the District have determined it to be in the best interests of their respective taxpayers, residents and property owners to enter into this Intergovernmental Agreement (the "Agreement").

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

COVENANTS AND AGREEMENTS

1. Definitions. All of the defined terms used in this Agreement shall have the meanings set forth in the Service Plan.

2. Operations and Maintenance. The purpose of the District is to plan for, design, acquire, construct, install, relocate, redevelop and finance the Public Improvements. It is anticipated that all Public Improvements located within the Service Area and financed and constructed by the District, except the Water Depot, will be conveyed to the Town for ongoing operation, maintenance and repair in a manner consistent with the Land Use Plan, applicable rules and regulations of the Town, and other applicable provisions of the Town Code. Except for bulk water service provided through the Water Depot and the financing and construction of Public Improvements, the Districts shall have no right or authority to provide municipal potable water service or sewer service to users in the Town or connect to the Town's municipal water system without an agreement with the Town.

Public Improvements located within the Service Area and not conveyed to the Town may be operated, maintained, repaired or replaced by the District only to the extent authorized in an approved subdivision improvement agreement or other written agreement with the Town. During the period that the District operates any Public Improvements, revenue to pay the expenses of operations may be obtained from fees legally imposed by the District or other legally available revenues of the District. The District shall be authorized to provide covenant enforcement and design review, as provided under Section 32-1-1004(8)(a), C.R.S.

The District's costs for administration shall include, but not be limited to, the authority to pay Director's compensation in amounts no greater than those amounts allowed under the Special District Act.

3. Acquisition of Land for Public Improvements and Easements. The District agrees to acquire by easement or plat dedication, or cause the dedication to the Town, of all land required by the Town for construction of Public Improvements being provided by the District that will be conveyed to the Town. Exceptions must be approved by the Town in writing.

4. Construction Standards. The District will ensure that the Public Improvements are designed and constructed to standards and specifications that are comparable to standards and specifications of the Town or other governmental entities within which the Public Improvements are located. For all Public Improvements constructed within the Town's boundaries for which the Town will assume ownership, operations and maintenance responsibility, or which are located within Town easements or rights-of-way, or which are connected to or influence the operation of Town-owned facilities, the District will obtain the Town's approval of civil engineering plans and applicable permits for construction and installation of Public Improvements, as required by Town rules and regulations, prior to performing such work.

5. Issuance of Privately Placed Debt. Prior to the issuance of any privately placed Debt, 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.

6. Inclusion. The District shall not include within its boundaries any property outside the Town without the prior written consent of the Town Board of Trustees. The District

shall be authorized to include within its boundaries property within the Inclusion Area without prior written consent of the Town Board of Trustees. The Town acknowledges that the Service Plan contemplates, upon annexation, one of the Districts shall, in its discretion, include the Enclave Property without the prior written consent of the Town Board of Trustees and hereby agrees that such inclusion shall not constitute a material modification of the Service Plan.

7. Overlap Limitation. The District 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 District 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 District; provided, however, the foregoing shall not prohibit the Districts from consenting to the organization of an overlapping district for the purposes of funding Regional Improvements if so authorized or required in the Regional Improvements IGA, and the Town hereby agrees that any obligation of the District to impose the Regional Mill Levy will be decreased to the extent such overlapping district imposes a mill levy for Regional Improvements to assure that there is no double taxation for the Regional Improvements.

8. Total Debt Issuance. The District shall not issue Debt in excess of Two Hundred Twenty Million Dollars (\$220,000,000), together with such additional Debt, if any, as may be authorized in the Regional Improvements IGA.

9. Monies from Other Governments/Sources. The District 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 Town is eligible to apply for, except pursuant to an intergovernmental agreement with the Town. This section shall not apply to specific ownership taxes which shall be distributed to and a revenue source for the District without any limitation.

10. Town Property Tax Revenue Sharing. The annexation of the Property will create an enclave property which is depicted and labeled as the Enclave Property on **Exhibit B-3** of the Service Plan. The Town agrees that if the Town elects to annex the Enclave Property into the Town, upon the Town receiving revenue from its levy of the Town's property tax in any year following annexation of the Enclave Property, the Town shall thereafter annually budget and appropriate fifty percent (50%) of the gross revenues derived from said mill levy on the Enclave Property for payment to District No. 1 to fund or reimburse costs incurred to finance and construct Public Improvements (the "Enclave Revenue Share"), it being hereby acknowledged that such Public Improvements will benefit the Town and the Enclave Property. The Town further agrees that it shall distribute the Enclave Revenue Share to District No. 1 annually on or before November 30th of each year beginning with the first occurring November 30th after the first anniversary date of the annexation of the Enclave Property. District No. 1 shall be responsible for preparing and processing plans for construction of the Public Improvements. It is the intent of the Parties that the Enclave Revenue Share be first expended in Public Improvements within seven (7) years from the date of the first distribution of the Enclave Revenue Share and that the Enclave Revenue Share received in any one year after that date be expended on Public Improvements within seven (7) years of deposit with District No. 1 (the

“Consecutive 7 Year Expenditure Cycles”). District No. 1 shall return to the Town within thirty (30) days after the expiration of any one Consecutive 7 Year Expenditure Cycle any amounts not expended or encumbered for funding of Public Improvements within that Consecutive 7 Year Expenditure Cycle. The Enclave Revenue Share shall be paid by the Town as set forth herein for thirty-five (35) years from the date of execution by the Town of the Enclave Property Tax Sharing Agreement, defined below. The Town further acknowledges and agrees that, as required by that certain Land Airport Annexation Agreement by and among the Town, Lloyd Land and Lloyd Land Airport, LLC (collectively, the “Property Owner”), dated as of November 5, 2014, and recorded in the real property records of Weld County, Colorado, on December 8, 2014, at Reception No. 4066757 (the “Annexation Agreement”), it shall execute an agreement (the “Enclave Property Tax Sharing Agreement”) with the Districts and the Property Owner by June 30, 2015, which Enclave Property Tax Sharing Agreement shall set forth the terms and conditions pursuant to which the Town will remit the Enclave Revenue Share which terms and conditions shall be consistent with the terms set forth in this Agreement unless otherwise agreed by the Parties in writing.

a. The distribution by the Town of the Enclave Revenue Share shall be contingent upon the Districts imposing a mill levy of no less than fifteen (15) mills and requiring the Enclave Revenue Share to pay for the costs of Public Improvements, including, but not limited to, reimbursement and financing costs for funding advanced for Public Improvements or to be used for payment of principal and interest on Bonds issued to fund Public Improvements. In addition, the Enclave Revenue Share shall not be paid to District No. 1 for any costs associated with the pumps or risers installed as a part of the Water Depot to be constructed, operated and maintained by Eastern Corridor Metropolitan District.

b. District No. 1 shall account for any Enclave Revenue Share expended on the costs of the Public Improvements related to the Water Depot which are located outside of the Town, including, but not limited to, the cost of the acquisition of rights-of-way or easements and the cost of installation of water pipelines (the “Offsite Water Depot Expenditures”), and shall expend an amount from revenue sources other than the Enclave Revenue Share, equal to or in excess of the Offsite Water Depot Expenditures, prior to the expiration of the term of the Enclave Property Tax Sharing Agreement, on Public Improvements located within the Inclusion Area of District No. 1 as set forth in its Service Plan.

c. Subject only to applicable constitutional and statutory limitations on the imposition, collection and expenditure of tax revenues, the Town may increase, but shall not decrease, the rate of ad valorem property tax levied during the term of the Enclave Property Tax Sharing Agreement and shall covenant not to take any action that would constitute a pledge or otherwise encumber the Enclave Revenue Share on a basis senior to the obligation to remit same to District No. 1 or adversely affect the amount or duration of the Enclave Revenue Share payable to District No. 1 as contemplated in the Enclave Property Tax Sharing Agreement.

d. Notwithstanding any provision to the contrary herein, the Town’s obligation to remit the Enclave Revenue Share shall be subject to applicable limitations, if any, in the documents (the “Bond Documents”) pursuant to which the Town issued its 1995 General

Obligation Bonds and Limited Tax General Obligation Bonds, Series 2009 (collectively, the “Town Bonds”); provided, however, that any amendments to the Bond Documents and/or refunding, refinancing or other restructuring of the Town Bonds shall be subject to the prior review by and written consent of District No. 1, which review may be limited to ensure that the contemplated action with respect to the Town Bonds will not adversely affect the ability of the Town to perform its obligations under the Enclave Property Tax Sharing Agreement and which consent shall not be unreasonably withheld.

11. Urban Renewal. If the Town elects to establish one or more urban renewal plan areas which include all or any portion of the property within the Districts and/or the Enclave Property, the Town hereby agrees that it shall enter into a cooperation agreement with the Districts that, at a minimum, will provide:

a. One hundred percent (100%) of the incremental revenues received by the Urban Renewal Authority derived from the levy of *ad valorem* property tax of the Districts shall be pledged and remitted to the Districts; and

b. Fifty percent (50%) of the incremental revenues received by the Urban Renewal Authority derived from the one hundred percent (100%) of the *ad valorem* property tax levied by the Town against the Enclave Property shall be pledged and remitted to the Districts or as otherwise required under the Enclave Property Tax Sharing Agreement.

12. Consolidation. The District shall not file a request with any Court to consolidate with another Title 32 district without the prior written consent of the Town, unless such consolidation is with District No. 2.

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

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

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

Any Debt, issued with a pledge or which results in a pledge, that would cause the District to impose a mill levy for repayment of Debt (not including Debt, if any, issued to finance Regional Improvements and secured by a pledge of Regional Mill Levy revenues of the District) that exceeds the Maximum Debt Mill Levy, shall be deemed a material modification of the Service Plan pursuant to Section 32-1-207, C.R.S., and shall not be an authorized issuance of

Debt unless and until such material modification has been approved by the Town as part of a Service Plan Amendment.

14. Additional Services. In addition to the other powers of the District set forth in the Service Plan and subject to the limitations set forth in Section 2 of this Agreement, the District shall also have the authority to, but shall not be obligated to, provide any and all of such additional services and exercise such powers as are expressly or impliedly granted by Colorado law, including the power of covenant enforcement, design review and those powers enumerated in Sections 32-1-1101 and 32-1-1101.7, C.R.S. Pursuant to Section 32-1-1101(1)(f)(I), C.R.S., and Section 32-1-1101(1.5)(e), C.R.S., the District shall have the authority to divide the District into one or more areas consistent with the services, programs and facilities to be furnished therein. Pursuant to Section 32-1-1101.7, C.R.S. (the "SID Statute"), the District is authorized to establish a special improvement district within its boundaries to assess property, to provide and finance renewable energy and energy efficient improvements, and to undertake all activities set forth in the SID Statute, as it may be amended from time to time. The exercise of any such powers and authorities shall not be deemed a breach of this Agreement.

15. Dissolution. Upon an independent determination of the Town Board of Trustees that the purposes for which the District was created have been accomplished, the District agrees to file a petition in the appropriate District Court for dissolution pursuant to the applicable State statutes. In no event shall a dissolution occur until the District has provided for: (a) the payment or discharge of all of its outstanding indebtedness; (b) assumption by some other appropriate entity of its essential services and operation and maintenance responsibilities for the Public Improvements; and (c) other financial obligations as required pursuant to State statutes.

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

17. Service Plan Amendment Requirement. Actions of the District which violate the limitations set forth in the Service Plan or this Agreement shall be deemed to be material modifications to the Service Plan and breaches of this Agreement and the Town shall be entitled to all remedies available at law or in equity under State and local law.

18. Annual Report. The District shall be responsible for submitting an annual report to the Town Attorney's office no later than August 1st of each year.

a. Report Contents.

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

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

ii. Agreements with other governmental entities, either entered into or proposed as of December 31st of the prior year;

iii. A list of all facilities and improvements constructed or acquired by the District and those that have been dedicated to and accepted by the Town as of December 31st of the prior year;

iv. Audit of the District's financial statements for the year ending December 31st of the previous year prepared in accordance with generally accepted accounting principles or audit exemption, if applicable;

v. Notice of continuing disclosure undertaking for events of default by the District, which continue beyond a ninety (90) day period, under any Debt instrument; and

vi. Any inability of the District to pay its obligations as they come due in accordance with the term of any Debt instruments, which continue beyond a ninety (90) day period.

19. Maximum Debt Mill Levy. The "Maximum Debt Mill Levy" shall be the maximum mill levy the District is permitted to impose upon the taxable property within the District for payment of Debt (not including Debt, if any, issued to finance Regional Improvements and secured by a pledge of Regional Mill Levy revenues of the District), and shall be determined as follows:

a. For any portion of the District's aggregate Debt which exceeds fifty percent (50%) of the District's assessed valuation, the Maximum Debt Mill Levy for such portion of Debt shall be fifty (50) mills less the number of mills necessary to pay unlimited mill levy Debt described in Section VI.C.2 of the Service Plan; adjusted to account for 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 are 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, 2015, 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. For any portion of the District's aggregate Debt which is equal to or less than fifty percent (50%) of the District's assessed valuation, either on the date of issuance or at any time thereafter, the mill levy to be imposed to repay such portion of Debt shall not be subject to the Maximum Debt Mill Levy and, as a result, the mill levy may be such amount as is necessary to pay the Debt service on such Debt, without limitation of rate.

c. For purposes of the foregoing, once Debt has been determined to be within Section VI.C.2 of the Service Plan, so that the District is entitled to pledge to its payment an unlimited *ad valorem* mill levy, the District may provide that such Debt shall remain secured by

such unlimited mill levy, notwithstanding any subsequent change in the District's Debt to assessed valuation ratio. All Debt issued by the District must be issued in compliance with the requirements of Section 32-1-1101, C.R.S., and all other requirements of State law.

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

20. Debt Repayment Sources. The District 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 District may also rely upon various other revenue sources authorized by law. At the District's 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 the District exceed the Maximum Debt Mill Levy.

21. 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 creation of the District.

Similar language describing the limitations in respect to 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 District.

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

23. Enterprise Financing. Pursuant to Title 37, Article 45.1, Part 1, C.R.S. (the "Enterprise Act"), and Article X, Section 20 of the Colorado Constitution ("TABOR"), the District may establish a water activity enterprise (an "Enterprise"). If established, the purpose of the Enterprise shall be to pursue or continue any and all of the District's water activities, as defined in the Enterprise Act, including, but not limited to, water acquisition and water project or

facility activities. Pursuant to the Enterprise Act, the Enterprise shall be wholly owned by the District, and the governing body of the Enterprise shall be the governing body of the District. The Enterprise shall have all powers and authority granted to water activity enterprises by the provisions of the Enterprise Act, including the powers to construct, operate and maintain facilities and provide water services; the power to contract with any person or entity; the power to impose rates, fees, tolls and charges; the power to collect and spend revenues; and the power to issue revenue bonds, notes or other obligations (“Enterprise Debt”) payable from its revenues or from any other available funds of the Enterprise, all without reference or regard to the limitations contained in TABOR.

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

To the District: LLA Metropolitan District No. 1
c/o McGeady Sisneros, P.C.
450 E. 17th Avenue, Suite 400
Denver, CO 80203
Attention: MaryAnn M. McGeady

With a copy to: McGeady Sisneros, P.C.
450 E. 17th Avenue, Suite 400
Denver, CO 80203
Attention: MaryAnn M. McGeady

To the Town: Town of Hudson
c/o Town Clerk
557 Ash Street
P.O. Box 351
Hudson, CO 80642

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

25. Amendment. This Agreement may be amended, modified, changed or terminated in whole or in part only by a written agreement duly authorized and executed by the Parties hereto and without amendment to the Service Plan.

26. Assignment. Neither Party hereto shall assign any of its rights nor delegate any of its duties hereunder to any person or entity without having first obtained the prior written consent of the other Party, which consent will not be unreasonably withheld. Any purported assignment or delegation in violation of the provisions hereof shall be void and ineffectual.

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

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

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

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

31. Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any person other than the District and the Town any right, remedy, or claim under or by reason of this Agreement or any covenants, terms, conditions or provisions thereof, and all the covenants, terms, conditions and provisions in this Agreement by and on behalf of the District and the Town shall be for the sole and exclusive benefit of the District and the Town.

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

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

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

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

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

[SIGNATURE PAGE FOR INTERGOVERNMENTAL AGREEMENT]

LLA METROPOLITAN DISTRICT NO. 1

By: _____
President

Attest:

Secretary

TOWN OF HUDSON

By: _____
Its: _____

Attest:

By: _____
Its: _____

APPROVED AS TO FORM: _____