

CONSOLIDATED SERVICE PLAN
FOR
SWEETGRASS METROPOLITAN DISTRICT NOS. 1, 2 and 3
CITY OF DACONO, COLORADO
(As Approved by the Dacono City Council on September 24, 2001)

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I. INTRODUCTION

A. General Overview. This consolidated service plan (“Service Plan”) for Sweetgrass Metropolitan Districts Nos. 1, 2 and 3 (hereinafter collectively known as “Districts”) constitutes a combined service plan for three special districts proposed to be organized to serve the needs of a new mixed-use development project to be known as “Sweetgrass” (the “Project”). The owner of the property in the area to be developed is Dacono Properties, LLC and the developer of Sweetgrass is Dacono Development Company, Inc., and any successor(s) in interest (collectively referred to as the “Developer”). Sweetgrass Metropolitan District No. 1 shall hereinafter be known as “the Operating District,” and Sweetgrass Metropolitan District Nos. 2 and 3 shall hereinafter be known as “the Taxing Districts.” The proposed Districts are wholly located within the City of Dacono, Colorado (“City” or “Dacono”), and are generally located within the square formed by Interstate 25 on the west, County Road 11 on the east, County Road 10 on the north and County Road 8 on the south.

The Taxing Districts will serve to provide funding to the Operating District for construction, operation and maintenance of those facilities and improvements described and authorized herein. The Operating District will manage the financing and construction of such facilities and improvements, and will be responsible for operation and maintenance for certain facilities and improvements as provided herein, until such facilities and improvements are dedicated and conveyed to Dacono or other public entities, or as otherwise approved by Dacono. Except as provided in this Service Plan, all facilities and improvements of the Districts will be conveyed to Dacono or its designee and operated and maintained by the City or its designee upon acceptance and completion of the Districts’ warranty obligations. Agreements between the Districts will identify the timing, purposes and scope of issuance of bonds by the Taxing Districts to fund those activities, which activities shall be subject to and in compliance with this Service Plan. The “Financing Plan” in Section V contains a consolidated financial plan for the Districts as a result of the inherent financial ties which the Districts will have to each other for the provision of public improvements for the Project and for the payment of debt.

The use of a consolidated Service Plan for the proposed Districts will help ensure proper coordination of the powers and authorities of each respective District, and will help avoid confusion regarding the separate but coordinated purposes of the Districts which could arise if separate service plans were used. Unless otherwise specifically noted herein, all provisions of this Service Plan apply to the Districts collectively, and the obligations of this Service Plan apply to the Districts jointly and severally (such that the City may take action with respect to any or all Districts in the event of a breach by any one District). Where necessary, however, specific reference is made to an individual District to help distinguish the powers and authorities of each District.

The purpose of the proposed Districts is to provide public improvements for the Sweetgrass development which shall be dedicated to Dacono or its designee as provided in this Service Plan or as otherwise required by Dacono. A certain number of limited improvements will be dedicated to other serving districts or retained by the Operating District, as further

provided herein, for the use and benefit of the inhabitants and taxpayers. Improvements to be provided by the Districts shall be limited to the facilities and improvements described in Section II.C. below, consisting of water, wastewater (sanitary sewer and storm drainage), streets, park and recreation facilities and other improvements needed for the Project. This Service Plan addresses the improvements which are to be provided by the Districts and demonstrates how the Districts will work together to provide the necessary public improvements. Except as specified in this Service Plan, the Districts will not construct or own any improvements, will not provide for any maintenance, repair, or operations of any improvements, and will not perform any services, without the consent of Dacono as evidenced by the prior written approval of Dacono which may be granted administratively unless such action is deemed to be a material modification, in which case an amendment to this Service Plan must be granted pursuant to a resolution of approval of the Dacono City Council after a public hearing thereon. In addition, the Districts will not contract with any other governmental entity to receive any services, which are or may become available from Dacono, or to provide any services to or within any other governmental entity. Water and sanitary sewer services within the Districts shall be provided as set forth herein.

The Districts are intended to provide for the financing of public improvements for Sweetgrass development but are not intended to be Districts with perpetual existence. It is intended that the Districts will consist of the 495-acre Sweetgrass project, and no changes in the Districts' external boundaries are anticipated. The Districts will be dissolved when their financial obligations are paid or when the City of Dacono requests dissolution, provided then-applicable statutory requirements are met, all as further described in Article XIV of this Service Plan.

B. Contents of Service Plan. This Service Plan consists of a financial analysis and preliminary engineering information showing how the facilities and services of the Districts can be provided and financed. Numerous items are addressed in this Service Plan in order to satisfy the requirements of law relative to formation of special districts, as further specifically identified in Exhibit E attached hereto. It is believed that each of the requirements of law are satisfied by this Service Plan. The following Organizers and participating consultants have prepared this Service Plan:

Dacono Development Company, Inc.
2500 Arapahoe Avenue, Suite 220
Boulder, Colorado 80302

White and Associates
8500 S. Chester Street, Suite 125
Englewood, Colorado 80112

Hurst & Associates
4999 Pearl East Circle, Suite 106
Boulder, Colorado 80301

C. Modification of Service Plan. This Service Plan has been prepared with sufficient flexibility to enable the Districts to provide required services and facilities to meet the needs of the community under evolving circumstances. While the assumptions upon which this Service Plan are generally based are reflective of current zoning for the property within the proposed Districts, the cost estimates and Financing Plan are sufficiently flexible to enable the Districts to provide the necessary services and facilities without the need for repeated amendments to the Service Plan. Modification of the proposed configuration of improvements, scheduling of construction of such improvements, and the locations and dimensions of various facilities and improvements shall be permitted to accommodate development needs, provided such modifications are consistent with zoning for the property and approved through Dacono land development procedures. Other types of modifications and the procedures for their review and approval are as specified herein. All improvements will be designed and constructed solely in accordance with the standards and specifications established by Dacono and in effect from time to time, and with the applicable standards and specifications of other governing public entities having jurisdiction, unless otherwise approved in advance and in writing by Dacono.

D. Multiple District Structure. This Service Plan defines the powers and authorities of, as well as the limitations and restrictions on, the proposed Districts. The Operating District will be responsible for managing the construction of all facilities and improvements, and for operation and maintenance of any facilities or improvements which are not conveyed to Dacono or its designee. The Taxing Districts will be responsible for providing the funding and tax base need to support the Financing Plan for capital improvements and to fund ongoing operations.

Various agreements are expected to be executed among the Districts clarifying the nature of the functions and services to be provided by each District, and among the Districts, or any one of them, and Dacono to address additional matters regarding the relationships between the Districts and Dacono. A description of such agreements shall be included in the annual report to be provided by the Districts to Dacono, as described in Section VI.B. The agreements will be designed to help assure the orderly development of essential services and facilities resulting in a community which will be both an aesthetic and economic asset to Dacono.

Establishment of the proposed Districts will create several benefits for the inhabitants of the community and Dacono. In general, those benefits are: (a) coordinated administration of construction and operation of public improvements and delivery of those improvements in a timely manner; (b) maintenance of a reasonably uniform mill levy and reasonable tax burden on all residential and commercial areas through controlled management of the financing and operation of public improvements; and (c) assured compliance with state laws regarding taxation which permits the issuance of bonds at the most favorable interest rates possible.

II. PURPOSE OF AND NEED FOR THE PROPOSED DISTRICTS

A. Purpose and Intent. The purpose of the Districts is to finance the construction of public improvements for the Sweetgrass development, which improvements shall be dedicated and conveyed to Dacono or as otherwise required by Dacono. It is intended that the Districts will

also provide certain essential public-purpose facilities for the use and benefit of inhabitants, taxpayers and property owners. The Districts are wholly located within Dacono. The Districts are not to provide ongoing services other than as specifically set forth in Section IV.H. hereof or authorized upon the prior approval and agreement of Dacono. Should the purposes of the Districts change from what is stated herein, it shall be considered to be a material modification of this Service Plan and shall be subject to Dacono's prior approval.

B. Need for Districts. It is acknowledged that Dacono will provide to the Project the same municipal services on the same general terms and conditions as the rest of the City receives. However, due to the special needs of the Project, not all of the needed services are available from Dacono. There are currently no other entities in existence located in the surrounding area of the Districts which have the ability and/or desire to meet the special service needs of the Project within the necessary time frames and on a comparable basis to the manner in which such services will be provided by the Districts for the Project. Therefore, formation of the Districts is necessary for the provision of public improvements required for the Project in the most economic and efficient manner possible.

C. General Powers. The proposed Districts will have power and authority to provide only the services and facilities described in this Service Plan; however, the powers and authorities of each District will be allocated and further refined in a Master Intergovernmental Agreement ("Master IGA"), as referred to in Section I.D. above. The Master IGA shall be subject to review and approval by Dacono prior to its execution by the Districts, and may be voted upon and approved by the Districts' voters. For purposes of applicable state laws and Dacono requirements, the execution and implementation of a Master IGA that is consistent with the provisions of this Service Plan shall not constitute an amendment of this Service Plan, but shall constitute an integral element of the Plan for the Districts and shall be considered a binding agreement between the Districts regarding implementation of the powers contained in this Consolidated Service Plan. Termination or material amendments to the Master IGA shall be deemed a material modification of this Service Plan and shall be subject to the City's prior approval.

1. Powers Regarding Services and Facilities. The Operating District shall have authority to undertake only those activities and to provide only those services and facilities set forth below. The Taxing Districts shall have only the authority to provide the funding to the Operating District necessary for activities to be undertaken by the Operating District. Funding for capital improvements will be provided by the issuance of bonds by the Taxing Districts at the times set forth in this Service Plan. All improvements shall be dedicated and conveyed to the City or its designee. The Operating District is authorized to undertake operation and maintenance activities only for the warranty period and until acceptance of improvements to be dedicated and conveyed to the City or its designee. It is not anticipated that the Districts shall have continuing operations and maintenance responsibilities for the public facilities described herein, except as otherwise specified in Paragraph IV.C.7 of this Service Plan. The following activities shall be permitted and the following services and facilities provided within the boundaries of the Districts:

a. Water; General Facilities. Subject to subsection b, below, the design, acquisition, installation, construction and operation and maintenance of a complete water and irrigation water system, including but not limited to transmission and distribution systems for domestic and other public or private purposes, together with all necessary and proper facilities, equipment and appurtenances incident thereto which may include, but shall not be limited to, transmission lines, distribution mains and laterals, land and easements, together with extensions of and improvements to said systems.

b. Existing Water Systems. The Central Weld County Water District (“Water District”) by contract provides potable water to the City for delivery to City water users. The Water District owns and maintains treatment, distribution, and storage facilities (including pump station(s), elevated tank(s) and master meters and appurtenances) and delivers water to the City water system at certain master meter locations. Under this Service Plan the Districts may provide for the financing of Water District water system improvements and facilities that may be necessary for service to areas within the Districts. The Districts may also provide for the design, acquisition, installation, construction and, during warranty periods only, operation and maintenance of City water system improvements and facilities located within the boundaries of the District. The District shall not exercise authorities to provide for the design, financing, construction, acquisition and installation of water improvements or facilities except upon approval of the City and Water District, with respect to the Water District system, and the City, with respect to the City water system. Any contract between the District and the Water District shall be submitted to the City for review and shall be approved by the City prior to execution by the District.

c. Streets. The design, acquisition, installation, construction, operation and maintenance of street and roadway improvements, including but not limited to curbs, and entry monumentation, as well as sidewalks, bridges, underpasses, emergency access streets, parking facilities, paving, lighting, sleeving, grading, landscaping, snow removal equipment, and other street improvements, together with all necessary, incidental, and appurtenant facilities, land and easements, together with extensions of and improvements to said facilities.

d. Traffic and Safety Controls. The design, acquisition, installation, construction, operation and maintenance of traffic and safety protection facilities and services through traffic and safety controls and devices on streets and highways, as well as other traffic and safety protection facilities and improvements including but not limited to, main entry buildings, access gates, signalization at intersections, traffic signs, area identification signs, directional assistance, and driver information signs, together with all necessary, incidental, and appurtenant facilities, land easements, together with extensions of and improvements to said facilities.

e. Parks and Recreation. The design, acquisition, installation, construction, operation and maintenance of public park and recreation facilities or programs including, but not limited to, swimming pools and spas, tennis courts, exercise facilities, bike paths, hiking trails, pedestrian trails, pedestrian bridges, pedestrian malls, public fountains and sculpture, art, and botanical gardens, equestrian trails and centers, picnic areas, skating areas and

facilities, common area and right-of-way landscaping and irrigation, weed control, outdoor lighting of all types, community events and other facilities, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities or systems. Park and recreation facilities shall, at the option and direction of the City, be either dedicated and conveyed to the City or the Carbon Valley Recreation District for operation and maintenance.

f. Sanitation. The design, acquisition, installation, construction and operation and maintenance of storm or sanitary sewers, or both, flood and surface drainage, gutters, culverts, storm sewers and other drainage facilities, detention ponds, retaining walls and appurtenances, wastewater disposal lines, vaults, lift stations, and related facilities, and all necessary or proper equipment and appurtenances incident thereto, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities or systems.

2. Miscellaneous Powers. The Districts shall have the following miscellaneous powers with respect to activities to be conducted pursuant to this Service Plan.

a. Legal Powers. The powers of the Districts will be exercised by their Boards of Directors only to the extent necessary to provide the services, facilities, and improvements authorized to the Districts in this Service Plan. The foregoing services, facilities, and improvements will be undertaken in accordance with, and pursuant to, the procedures and conditions contained in the Special District Act, other applicable statutes and this Service Plan, as any or all of the same may be amended from time to time.

b. Other. In addition to the powers enumerated above, the Boards of Directors of the Districts shall also have the following authority:

i. With the prior written consent of Dacono, to amend this Service Plan as needed, subject to applicable state and local laws contained in Title 32, C.R.S., and the Dacono Code, as amended and in effect from time to time, and subject to the requirement that a formal service plan amendment shall be required for any material modification. With such prior written consent of Dacono, each District shall have the right to amend this Service Plan independent of participation of the other District on condition that no District shall be permitted to amend those portions of this Service Plan which, in the opinion of the other Districts, affect, impair, or impinge upon the rights or powers of the other Districts without such other Districts' written consent. No District shall be permitted to depart from or attempt to amend this Service Plan in any way which, in the opinion of the other Districts, materially affects the activities of the other District as contemplated herein including, but not limited to, the efforts of the Operating District exclusively to manage the payment, construction, operations and maintenance of facilities as contemplated herein; and

ii. With the prior written consent of Dacono and the Operating District, to forego, materially reschedule or restructure the payment for and construction of certain improvements and facilities in order to better accommodate the pace of growth and

resource availability within the Taxing Districts, or if the development of the improvements and facilities would best be performed by another entity; and

iii. To exercise such additional powers as are expressly or impliedly granted by Colorado law in order to provide the services, facilities and improvements expressly authorized to the Districts in this Service Plan.

3. Limitation on Eminent Domain. The Districts shall not exercise any power of dominant eminent domain against Dacono, and shall not exercise any power of eminent domain within Dacono, and outside the Districts, without the prior written consent of Dacono. No exercise of eminent domain by the Districts is contemplated or authorized in this Service Plan, and any proposed use thereof shall be considered a material modification of this Service Plan, and shall be subject to Dacono's prior approval.

III. BOUNDARIES; POPULATION AND ASSESSED VALUATION ESTIMATES

A. General. Sweetgrass will contain approximately 495.582 acres of real property, divided into several development phases planned for residential communities and commercial development. The improvements which are described in this Service Plan are necessary and applicable for the entirety of Sweetgrass.

The service areas of the Districts are described as all real property within the boundaries of the Districts. The Districts' boundaries are more particularly depicted for each of the Districts in the map contained in Exhibit D-1. Legal descriptions of the boundaries of the Taxing Districts are attached as Exhibits B-1 and B-2, respectively. A legal description for the Operating District is attached as Exhibit B-3. The service areas of the Districts are more particularly discussed in Section III.C. which follows.

Exhibit C is a Dacono vicinity map which reflects the Districts' location within current Dacono boundaries. The petitioners assure that the Districts are entirely within the current boundaries of Dacono. The Developer of Sweetgrass, Dacono Development Company, Inc., and any successor(s) in interest, is the proponent of the Districts and represents that it holds title to the property within the Districts' boundaries.

B. Changes in Boundaries. The Districts may adjust their boundaries within the 495-acre Sweetgrass Project area as necessary to match development and product type within their boundaries so that District No. 2 contains only residential properties and District No. 3 contains only commercial properties. Such boundary adjustments within the 495-acre project area shall be permitted upon administrative approval by the City if the proposed adjustment is consistent with the intent of this Section III(B), and the adjustment does not change the assessed valuation or the area of the Operating District by more than ten percent (10%). Other than for such adjustments, the Districts shall be required to obtain written approval from the Dacono City Council prior to seeking any inclusion or exclusion of property to or from the Districts, or any other change in their boundaries. Any such approval may be given by resolution of the Dacono City Council.

Any inclusion - may be on the condition that all property originally in one of the Districts remains in one of the Districts, and on such other conditions as Dacono may impose. Any exclusion may be on the condition that there is no detriment to the remaining residents and taxpayers within the District, or to the Districts' bondholders, and on such other conditions as Dacono may impose.

C. Configuration of Districts. In order to implement the multiple district structure contemplated herein, the boundaries and individual service areas of the Operating District and the Taxing Districts need to be carefully configured. The service area (the area legally permitted to be served) of the Operating District will consist only of the property within the Taxing Districts' and Operating District's legal boundaries as described on Exhibit B. The service area of the Taxing Districts will be the Taxing Districts' legal boundaries as described on Exhibit B. The Operating District will have power to impose taxes consistent with this Service Plan only within its legal boundaries, but will be permitted to provide public services to its entire service area and will be permitted to impose fees and charges consistent with this Service Plan for such services in the areas served. The Taxing Districts will have power to assess taxes and other charges consistent with this Service Plan only within its service area to fund the Taxing Districts' obligations to the Operating District. It is currently anticipated that no residential units will be located within the Operating District. The Taxing Districts are expected to contain residential properties, comprised of single and multi-family homes and commercial properties.

D. Population and Assessed Valuation Estimates. An estimate of projected assessed valuations within the Districts is set forth in Exhibit G which contains the Financing Plan for the Districts.

1. Sweetgrass Metropolitan District No. 1. Sweetgrass Metropolitan District No. 1 is expected to remain undeveloped, and thus unpopulated, throughout the life of the Districts. The current assessed valuation is approximately \$10.00.

2. Sweetgrass Metropolitan District No. 2. At build-out, the population of Sweetgrass Metropolitan District No. 2 is estimated to be 4,250 persons. The current population is zero. The 2001 assessed valuation for all property within the eventual boundaries of Sweetgrass Metropolitan District No. 2 is approximately \$12,460.

3. Sweetgrass Metropolitan District No. 3. Sweetgrass Metropolitan District No. 3 will consist of commercial development only. The 2001 assessed valuation for all property within the boundaries of Sweetgrass Metropolitan District No. 3 is approximately \$10.00.

IV. DESCRIPTION OF PROPOSED FACILITIES AND IMPROVEMENTS

This Section describes the facilities and improvements to be provided by the Districts. Should the types of facilities or improvements, or the estimated costs thereof, materially change from what is stated in Exhibits F and H of this Service Plan, it shall be considered a material modification of this Service Plan and shall be subject to Dacono's prior approval. A material

change in the estimated costs of the improvements shall be deemed to have occurred if the total estimated costs increase by more than ten percent (10%), in 2001 dollars, over the total estimated costs set forth for the public facilities defined in Exhibit H, unless the increase in estimated costs is caused by a change in the construction standards and specifications established by Dacono. No approval shall be required for changes in the cost estimates for any individual improvement, or portion thereof, as long as the total estimated costs do not increase by more than ten percent (10%). Notwithstanding the foregoing, any change in the cost estimates for any individual improvement, or portion thereof, of greater than twenty percent (20%), in 2001 dollars, shall be made only after administrative approval of Dacono.

Exhibits F-1, F-2, F-3, F-4, F-5 and F-6 contain general layouts of the key proposed facilities and improvements to be constructed by the Districts, as well as a Public Improvements Phasing Plan which outlines the estimated begin and complete schedule of each of the public improvements contemplated in this Service Plan. Cost estimates for such improvements, as required by C.R.S. 32-1-202(2)(f), are further depicted in the Financing Plan, as shown in Exhibit G and on Exhibit H. A letter concerning the reasonableness of the cost estimates is set forth in Exhibit H. Notwithstanding the cost estimate allocations set forth on Exhibit H, the Districts shall be permitted to reallocate costs between categories of improvements, as they deem necessary in their discretion. The combined total estimated cost of improvements which the Operating District shall be permitted to construct, total approximately \$12,227,749, exclusive of inflation, but inclusive of contingencies. All materials and supplies acquired for provision of facilities will be exempt from all state, local and other sales, use and other taxes.

The current City-approved zoning classification for the property is Planned Unit Development (PUD). Subdivision, site plan, building code, and other land use and development approvals have not been received for the development of the Project or for any of the facilities or improvements to be constructed by the Districts. No construction shall be commenced until the required approvals have been obtained from Dacono and other applicable jurisdictions for the development of the Project. The Districts shall be subject to all applicable provisions of the Dacono Municipal Code, and to all City rules, regulations and policies with respect to the conduct of its work on the improvements, as in effect from time to time.

A. Water System.

1. Overall Plan. The water system will consist of a water distribution system consisting of buried water mains, fire hydrants, and related appurtenances located predominantly within the Districts' boundaries. Upon prior approval of Dacono, the Districts may finance the construction of Water District water facilities outside the Districts' boundaries if necessary to provide water service to the area within the Districts. The final configuration of the internal water system is yet to be designed. When design and construction are finalized, the system will serve each development tract from adjacent streets and roads. The Districts shall dedicate to Dacono all water system facilities for operations and maintenance. The Water District shall own and maintain any Water District system facilities which are financed by the Districts.

2. Design Criteria. The proposed domestic potable water distribution system shall include pressurized water mains with multiple pressure zones. Water system components will be installed in accordance with the applicable standards of all entities with jurisdiction over the Districts including Dacono. The Drinking Water Design Criteria of the Colorado Department of Health will also be followed where applicable. The water system will also be designed and constructed to meet Dacono fire protection requirements.

System pressure will primarily be controlled by a Dacono pump station. Pressure zones will be created to maintain static water pressures in roadway water mains between 52 psi and 112 psi. Water transmission mains will be installed from a direct connection to Dacono's water distribution system. Treated water will be delivered to the mains by high-pressure pump stations.

3. Water Demand. The individual water system components will be sized based upon the projected potable, irrigation and fire flow requirements of Sweetgrass.

4. Water Distribution System. The water distribution system and all associated water rights will be owned by Dacono, except that the Water District shall own and maintain any Water District system facilities which are financed by the Districts. The system is expected to include main distribution and transmission lines and related appurtenances. At completion, the water distribution system will provide domestic potable water to all platted lots within the Taxing Districts. The mains will provide for normal and peak water demands of the Project as well as the delivery of fire protection water. The Districts will not purchase, own, manage, adjudicate, or develop any water rights or water resources.

5. Cost Estimates. The estimated construction costs for the development of the domestic water system for Sweetgrass are presented in Exhibit H.

B. Street Improvements. The Operating District shall design, construct and install curbs, gutters, culverts, drainage ditches, sidewalks, box culverts, tunnels, paving, lighting, landscaping and other road, street and drainage facility improvements which the Project will require, as well as necessary traffic and safety protection devices and controls.

1. Roadway Infrastructure. All public streets and streets dedicated by plat within the Districts will be maintained by Dacono upon completion and Dacono's acceptance thereof. With the exception of private roads within the Districts, snow removal and other roadway maintenance on roads within the Districts will be Dacono's responsibility upon completion and acceptance.

2. Drainage Facilities. The storm drainage facilities will be owned, operated and maintained by Dacono after dedication and acceptance by Dacono. Notwithstanding the foregoing, Dacono may convey or require the conveyance of such facilities to another governmental or quasi-governmental entity, including but not limited to a regional drainage authority established by IGA or a sanitation district.

3. Cost Estimates. The estimated construction costs for the development of the roadway system for the Project are shown on Exhibit H.

C. Park and Recreation Improvements; Landscaping.

1. Parks. The park improvements to be constructed by the Districts include common area landscaping, an irrigation system, monumentation and trail improvements. Landscaping improvements may consist of irrigated turf, hardscape, walkways, shrubs, mulch beds, and various amenity features.

2. Recreation. Recreation improvements are proposed to be distributed throughout the Project.

3. Trails. Trails are proposed to provide linkage between the major development parcels and other major roadways or other features within the Project or immediately adjacent thereto. The trail system is anticipated to include a combination of concrete walkways, gravel trails, necessary signage and identification markers and other ancillary trail hardscape such as benches and tables.

4. Street Landscaping. The major streets are anticipated to have landscaping along curbing/sidewalk areas and along any medians. This landscaping may consist of required fencing, identification markers, landscape buffers, shrub and flower beds, mulch beds, irrigated and non-irrigated turf and native grasses, subdivision identification markers, trees, and other landscape features commonly associated with streetscape design.

5. Cost Estimates. The estimated construction costs for the development of the park and recreation improvements are shown on Exhibit H.

6. No Duplication. The Districts shall not duplicate any programs, services, facilities, or improvements provided by Dacono or the Carbon Valley Recreation District unless approved by City, and the Districts and the City shall cooperate towards the end of avoiding any such duplication.

7. Operation and Maintenance. Upon the direction of Dacono, the community recreation center and associated amenities shall be owned, operated and maintained by Dacono; by another public entity, as appropriate upon such entity's acceptance of the facility. The Districts shall cooperate to provide for or to facilitate any transfer of ownership, operation and maintenance of the recreation center. Other park and recreation improvements, such as regional trails, will be operated and maintained by an owners' association unless Dacono requests that such facilities be dedicated and conveyed to Dacono. In such event, the park improvements will be operated and maintained by Dacono upon its acceptance. Street landscaping shall be maintained by the Districts or, upon the direction or prior written approval of Dacono, by a successor owners' association. Dacono may require assurances that any owners' association proposed to assume operation and maintenance obligations accepts and has the financial ability to undertake such obligations.

D. Sanitary Sewer Collection System.

1. Overall Plan. The sanitary sewer collection system shall include buried sewer mains, manholes and related appurtenances located predominantly within the Taxing Districts' boundaries. The Districts may finance and construct sanitary sewer facilities outside the Districts' boundaries if necessary to provide sanitary sewer service to the area within the Districts. All wastewater facilities will be owned, operated and maintained under management of the sanitation district serving the property. The serving sanitation district will charge system users for its services in accordance with district policies. The exact configuration of the sanitary sewer collection system is currently being designed.

2. Design Criteria. The proposed sanitary sewer collection system shall include sewer mains designed to collect sewage from the development areas within Sweetgrass. The sewer system components will be designed and installed in accordance with the applicable standards of the sanitation district serving the Project and all entities with jurisdiction over the Districts including the Colorado Department of Health. A sanitary sewer system analysis will be prepared to determine appropriate line sizes and slopes, and shall be subject to approval by Dacono prior to the installation of such improvements. The minimum line size of a sewer main is expected to be eight (8) inches.

3. Wastewater Treatment. Wastewater will be collected and transported to the treatment plant operated by the sanitation district serving the Project. The Districts will not construct, own or operate a wastewater treatment plant.

4. Cost Estimates. The estimated construction costs for development of the sanitary sewer collection system and storm drainage improvements for Sweetgrass are shown on Exhibit H.

E. Description of Cost Estimates. The cost estimates for all improvements summarized in Exhibit H are based on quantities taken from preliminary development plans and preliminary utility and drainage plans. The unit prices, based on recent bids or contracts, were multiplied by the individual quantities. All costs are stated in 2001 dollars.

F. Dacono Construction Standards. All proposed facilities and improvements shall be designed and constructed solely in accordance with the standards and specifications established by Dacono and in effect from time to time, and with the applicable standards and specifications of other governmental entities having jurisdiction. Such other entities include, but are not limited to, the Central Weld Water District, the Dacono and St. Vrain Sanitation Districts, the federal government, and the State of Colorado. The Operating District will obtain approval of civil engineering plans and a permit for construction and installation of improvements from Dacono prior to the installation of any improvements. The Districts shall be subject to all applicable provisions of the Dacono Municipal Code, and to all City rules, regulations and policies with respect to the conduct of its work on the improvements, as in effect from time to time.

G. Dedication of Improvements to Dacono. Other than as specifically set forth within this Service Plan, the Districts shall dedicate and convey to Dacono, or cause to be dedicated and conveyed to Dacono or other public entities, as might be required, all public water and wastewater improvements and facilities; all public streets and street improvements and facilities; all public drainage improvements and facilities, and all public sidewalks, as well as all rights-of-way, fee interests, and easements necessary for access to and operation and maintenance of such improvements and facilities. Dacono may also require the dedication and conveyance of any other facilities and improvements contemplated in this Service Plan, together with necessary rights-of-way, fee interests, and easements. All such improvements, facilities, easements, and rights-of-way shall be conveyed to Dacono upon completion of construction, installation and expiration of the two-year warranty period that commences after Dacono has issued an Initial Acceptance. All improvements, facilities, rights-of-way, fee interests and easements shall be conveyed and dedicated to Dacono by instruments acceptable to Dacono, free and clear of all liens and encumbrances except those which are acceptable to Dacono. Failure to comply with the dedication of improvements set forth in this Section shall be deemed to be a material modification of this Service Plan.

Once a public improvement is constructed and installed, Dacono shall issue an "Initial Acceptance" letter stating that the improvement has been constructed or installed with Dacono standards, or shall issue a letter stating the corrections necessary for the issuance of such an "Initial Acceptance" letter. The Districts shall promptly undertake any necessary corrections. Upon issuance of the "Initial Acceptance" letter, the public improvements shall be warranted for two (2) calendar years from the date of such "Initial Acceptance" during which time the Districts shall maintain the improvements and correct all deficiencies therein as directed by the Town. At the conclusion of such two-year period, Dacono shall issue a "Final Acceptance" letter if the public improvements conform to Dacono specifications and standards, or shall issue a letter stating the correction necessary for the issuance of such a "Final Acceptance" letter. The Districts shall promptly undertake any necessary corrections. A "Final Acceptance" meeting shall then be arranged, at which time Dacono will issue a "Final Acceptance" for all public improvements to be accepted by it, and the District will execute and deliver to Dacono all necessary instruments to dedicate and convey to Dacono the improvements and facilities, and all necessary rights-of-way, fee interests and easements.

H. Ownership/Operation of Facilities by Districts. Except for facilities and improvements described in this Section IV.H., the Districts shall not be authorized to own or operate facilities to be provided pursuant to this Service Plan, other than as necessary to permit the financing and construction thereof, except through approval by Dacono of an amendment to this Service Plan. The Operating District shall have authority to operate and maintain improvements described in this Section IV.H.

The tract landscaping improvements, entry features, and some trail systems located outside Dacono right-of-way may be retained by the Operating District for operations and maintenance; provided, however, that upon request of Dacono, such improvements and facilities shall be dedicated and conveyed to Dacono. If retained by the Operating District, the Operating

District intends to contract with homeowner associations for operation and maintenance of these facilities. Any such contract must be approved by Dacono in advance and Dacono may require assurances that an owners' association accepts the operation and maintenance obligations and has the financial ability to undertake such obligations. If the Operating District elects to operate and maintain the facilities itself, it is anticipated that revenue to pay the expenses of operations and maintenance will be obtained by contract from the associations. In either event, all expenses for operations and maintenance will be the responsibility of the associations. Whether the facilities are operated and maintained directly by the Operating District, or by the associations, it is anticipated that user fees will be obtained by the associations to offset the expenses. Thus, no revenues or expenditures associated with those activities are set forth in the Financing Plan. User fees for use of recreational facilities may be different for residents of the Taxing Districts than for outside users.

I. Acquisition of Land for Public Improvements and Easements. The Districts agree to acquire at no cost to Dacono all lands or interests in land required by Dacono for construction of water, wastewater, street, and other public improvements being provided by the Districts. Such land or interests in land may be acquired by the Districts by instruments of conveyance and/or plat dedication. All such land and interests in land shall be conveyed to Dacono at no cost to Dacono at such times and by such instruments of conveyance as the City may reasonably require, free and clear of all liens and encumbrances except those which are acceptable to Dacono. Exceptions must be approved by Dacono in advance and in writing. Failure to comply with this provision shall be deemed to be a material modification of this Service Plan.

J. Facilities to be Provided by Other Entities. The Districts propose to construct or acquire the public improvements necessary to serve the Districts' residents and taxpayers, but are not authorized and will not provide ongoing water or sanitary sewer services, or ongoing park and recreation services unless approved or directed by Dacono. The City shall provide water services pursuant to arrangements with the Water District. St. Vrain Sanitation District shall provide sanitary sewer services. As directed and approved by the City, the City, the Districts, or the Carbon Valley Recreation District, or any combination of them, shall provide park and recreation services. The Developer is in the process of including the property within the boundaries of the Districts into the Water District, the St. Vrain Sanitation District, and the Carbon Valley Recreation District. The Districts are within and shall receive fire protection services from Mountain View Fire Protection District, and shall receive emergency services from Tri-Area Ambulance District. It is a condition of this Service Plan that petitions for inclusion in the foregoing districts shall be submitted to the respective districts for inclusion of the property within the Districts, with the exception of any portion of the Districts that is already included in another district providing the same type of service, such as the Dacono Sanitation District. Nothing herein shall limit or discharge the Districts' responsibilities for operation, maintenance, and repair of public improvements prior to their acceptance by the City or its designee, or the Districts' warranty obligations.

K. Services of Districts. The Operating District will require operating funds to plan and cause the facilities contemplated herein to be completed. Such costs are expected to include reimbursement of organizational costs, legal, engineering, accounting, bond issuance costs and

compliance with state reporting and other administrative requirements. The first year's operating budget is estimated to be \$100,000. An overall Financing Plan showing the anticipated operating costs, phasing of bond issues, and related matters is attached as Exhibit G.

L. Facilities Outside Boundaries. The Districts shall not construct any facilities outside the boundaries of the Districts except as necessary to connect to the facilities of other entities involved in providing services to the Districts as described in this Service Plan, or as approved or directed by Dacono or other governmental entities having jurisdiction.

M. Integration. All facilities and improvements shall be constructed so as to be integrated with existing and planned facilities and improvements of Dacono and other entities providing service to the Project. The Districts shall obtain from such other serving entities approval of the proposed plans for the facilities and improvements.

V. FINANCIAL PLAN

A. General Plan of Finance. The Operating District shall be responsible for construction of the facilities described herein to the extent the Taxing Districts have the financial resources to provide funding to the Operating District for construction of such facilities. The total estimated cost of the facilities is approximately \$12,227,749, in 2001 dollars, inclusive of costs of issuance, organizational costs, and other similar costs. The Districts' combined debt limitation ("debt limitation") will be \$14,600,000, in 2001 dollars.

Obligations of the Districts in the IGAs discussed herein will not count against the debt limitation, but will be subject to the 50-mill limit set forth below. Any change in the debt limitation, except for inflationary adjustments based on actual inflation as determined by the Denver-Boulder CPI, shall be considered a material modification of the Service Plan. The debt limitation shall not otherwise be increased unless approved by Dacono and as permitted by statute. Except for the payment of sewer revenue debt and other construction financing with the proceeds of general obligation bonds as provided below, any refunding of any District financial obligations shall not extend the maturity of the obligations being refunded nor increase the total debt service thereon.

The Taxing Districts will issue general obligation bonds, in amounts not to exceed the debt limitation, and pay the proceeds to the Operating District under the Master IGA in amounts sufficient to permit the Operating District to construct needed facilities. General obligation debt will be supported by ad valorem mill levies and other available revenues of the Districts. A general obligation bond issue is estimated to occur in 2009 in the approximate amount of \$13,600,000, but in no event shall general obligation bonds exceed the debt limitation set forth above. While the timing of the issuance of bonds may be adjusted from time to time to meet development requirements, no such issuance of general obligation bonds will occur unless both of the following conditions are met:

- (1) The general obligation bonds are either:

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

(b) secured as to the payment of the principal and interest on the debt by a letter of credit, line of credit, or other credit enhancement, any of which must be irrevocable and unconditional, issued by a depository institution (i) with a net worth of not less than ten million dollars in excess of the obligation created by the issuance of the letter of credit, line of credit, or other credit enhancement; (ii) with the minimum regulatory capital as defined by the primary regulator of such depository institution to meet such obligation; and (iii) where the obligation does not exceed ten percent of the total capital and surplus of the depository institution, as those terms are defined by the primary regulator of such depository institution; or

(c) insured as to the payment of the principal and interest on the debt by a policy of insurance issued by an insurance company authorized to do business as an insurance company in Colorado and authorized for such risk by the insurance commissioner appointed pursuant to section 10-1-104, C.R.S.; and

(2) the proposed general obligation bond issue (together with any other outstanding general obligation debt) does not exceed 50% of the valuation for assessment of the taxable property within the issuing District, as certified by the assessor. All financial obligations will be issued in compliance with this Service Plan and applicable state and federal law.

In addition to the general obligation bond funding set forth in the Financing Plan, the Districts shall also be authorized to issue revenue debt for funding of the offsite sanitary sewer and water improvements described herein, to be repaid by tap fees from future connections to the sanitary sewer system. In the event the Districts determine to undertake such financing, the revenue bonds are anticipated to be issued to the Developer as funds are advanced by the Developer to the Districts for construction of the sanitary sewer system, with the security for said revenue bonds being the assignment of future tap fees from the Districts to the Developer. The amount of revenue bonds which the Districts shall be authorized to issue shall not exceed a total of \$3,000,000. The sewer revenue bonds will bear interest at a rate estimated at eight percent (8%), not to exceed twelve percent (12%), shall have a maximum term of nine (9) years, and shall be issued only to the Developer and shall not be transferred, assigned, participated or used as security for any borrowing. All of the then-outstanding sewer revenue bonds will be paid from proceeds of the Districts' general obligation bonds when issued.

Attached to this Service Plan as Exhibit G is a combined Financing Plan of the Districts which shows how the proposed services and facilities are intended to be financed and operated by the Districts. The Financing Plan identifies the proposed debt issuance schedules of the Taxing Districts. A letter in support of the market projections and absorption rates contained in this Service Plan is attached as Exhibit K.

The general obligation bonds shown in the Financing Plan, and any other securities of the Districts, including the revenue bonds and other construction financing, will be sold in accordance with the requirements of Section 32-1-1101(6), Colorado Revised Statutes. All other financial obligations of any District shall be issued only to the Developer and shall not be transferred, assigned, participated or used as security for any borrowing. The Developer represents that it is an accredited investor as that term is defined under sections 3(b) and (4)(2) of the federal "Securities Act of 1933" by regulation adopted thereunder by the Securities and Exchange Commission. All general obligation bonds issued by the Districts will be payable from general ad valorem taxes to be imposed upon all taxable property within the Taxing Districts, at a level which is anticipated to be approximately thirty-five (35) mills pursuant to the Financing Plan. The mill levy of the Districts shall be limited to a total of fifty (50) mills, which shall be the limitation of the total of all District mill levies, including without limitation all debt service mill levies, all mill levies for all obligations under the Master IGA, and any mill levies for administration, maintenance and other operating expenses, subject to adjustment only to the extent necessary to compensate for changes in the ratio of valuation for assessment of residential real property pursuant to Article X, section 3(1)(b) of the Colorado Constitution, and legislation implementing such constitutional provision. In these events, the foregoing limit shall be automatically adjusted so that the tax liability of individual property owners neither increases nor decreases as a result of any such changes thereby maintaining a constant level of tax receipts of the Financing District and overall tax payments from property owners. This structure places the risk of development on the Developer and creates enforceable limits on the mill levies. It is anticipated that mill levies will not exceed the amounts estimated in the Financing Plan, but in no event will total mill levies exceed 50 mills, except as adjusted as allowed above.

The Financing Plan demonstrates the method that is intended to be used by the Districts to finance the cost of infrastructure. At the time bonds are proposed to be issued, alternative financing plans may be employed and be utilized by the Districts subject to prior administrative approval by Dacono. Such alternative financing plans shall be submitted to Dacono in advance for administrative review regarding overall consistency of the plan with this Service Plan. Any material economic deviation of such proposed plans from the scope of this Service Plan shall be deemed a material modification hereof and shall be subject to Dacono's prior approval all applicable laws governing approval of material modifications. The Districts shall be required to pay an administrative fee for administrative reviews and for further Dacono review required in case of material modifications.

The Developer will advance to the Districts all funds necessary for infrastructure construction, interest on construction financing, interest on revenue bonds, and operating costs. These advances will be subject to, and evidenced by, the issuance of promissory notes by the Districts to the Developer in the aggregate principal amount not to exceed \$14,600,000. The promissory notes will bear interest at an initial rate estimated at eight percent (8%), not to exceed twelve percent (12%), and will be payable to the Developer from the future receipts of the Districts. The Developer will advance such funding, as needed, from the inception of the Districts in 2001 until approximately 2007, and will not receive any return of principal until 2008. Such Developer advances shall be repaid from the proceeds of a general obligation bond issue in approximately 2009, when the assessed valuation of the Districts will support general

obligation bonds. Due to the initial advance funding to be received from the Developer under this Financing Plan for construction of the public facilities, the Financing Plan demonstrates that the cost of infrastructure described herein can be provided with reasonable mill levies assuming reasonable increases in assessed valuation and assuming the rate of build-out estimated in the Financing Plan. Until the general obligation bonds are issued, the promissory notes are essentially unsecured, and the Developer solely assumes the risk of default. The promissory notes shall be issued only to the Developer and shall not be transferred, assigned, participated or used as security for any borrowing.

B. Operating Costs. In addition to showing the anticipated bond issues of the Taxing Districts discussed in the preceding Section, the Financing Plan includes the proposed operating revenue to be used by the Operating District for the first budget year and thereafter. As discussed herein, it is anticipated that the Districts will enter into a Master IGA which is expected to provide that the obligation of the Taxing Districts to pay the Operating District for operating expenses incurred for the provision of services shall constitute "debt" of the Taxing Districts. Accordingly, mill levies certified to make necessary payments to the Operating District will be characterized as debt service mill levies notwithstanding that they are imposed to pay contractual obligations for operations and maintenance services provided by the Operating District. The Operating District anticipates borrowing its initial operating funds from the Developer until such time as it is able to generate operating revenues from the Taxing Districts.

C. Other Financial Information. Upon approval of this Service Plan, the Districts will continue to develop and refine cost estimates contained herein and prepare for bond issues. Updated financial information, if any, shall be provided to the City in the annual report referred to in Section VI.B, and shall be approved in advance by Dacono only as required by this Service Plan. All cost estimates will be inflated to then-current dollars at the time of bond issuance and construction. All construction cost estimates assume construction to applicable local, state or federal requirements.

In addition to ad valorem property taxes, and in order to offset the expenses of the anticipated construction as well as operations and maintenance, the Districts will also utilize the power to assess fees, rates, tolls, penalties, or charges as provided in Section 32-1-1001(l), C.R.S., as amended from time to time, subject to the prior administrative approval of the City. A system for user charges, together with interest earnings on retained amounts may be established for recreation improvements and other improvements not owned and operated by Dacono, except that no user charges may be imposed for use by any member of the public for any trail systems or facilities. The Financing Plan assumes various sources of revenue, including ad valorem property taxes, specific ownership taxes, reimbursements attributable to the construction of water and sanitary sewer improvements and certain cost sharing revenues.

The estimated costs of the facilities and improvements to be constructed and installed by the Operating District, including the costs of engineering services, legal services, administrative services, initial proposed indebtedness, and other major expenses related to the facilities and improvements to be constructed and installed, are set forth in Exhibit H of this Service Plan. The maximum voted interest rate on bonds will be eighteen percent (18%) per annum. The

maximum underwriting discount will be five percent (5%) of bond principal. The general obligation bonds, when issued, will mature not more than thirty (30) years from date of issuance. Any proposed increase in this maximum interest rate, discount or bond term shall be considered a material modification of this Service Plan, and shall be subject to Dacono's prior approval. The estimated costs of the organization and initial operation of the Districts through December 31, 2001, including legal, engineering, administrative and financial services, are expected to be approximately \$100,000. Organizational costs will be reimbursed to the Developer by the Districts out of their initial revenue sources including bond issue proceeds. The Operating District may acquire completed improvements from the Developer with bond proceeds (other than improvements financed through District promissory notes to the Developer as described in V.A, above). Certain of those improvements will then be conveyed by the Operating District to Dacono as provided in this Agreement.

D. Debt Issuance. The Districts acknowledge that when they actually incur indebtedness within the total debt limitation, such debt will be included in the overlapping debt analysis of Dacono made by bond rating agencies. The Districts shall submit information regarding issuance of debt to Dacono as part of the annual report required by Section VI.B. below. No general obligation debt issued by the Districts shall provide for acceleration as a remedy upon default. The general obligation bonds of the Districts shall be structured utilizing a commercial bank with trust powers as trustee to hold the bond proceeds and debt service funds and to pursue remedies on behalf of the bondholders. Any financial obligations issued by the Districts shall be in compliance with all legal requirements, and the general obligation bonds shall be approved by nationally recognized bond counsel. As to all District financial obligations, an opinion shall also be obtained from bond counsel or counsel to the Districts that the financial obligations comply with all requirements of this Service Plan.

E. Type of Debt Instruments and Debt Issuance Restriction. The Districts will not pledge any Dacono funds or assets as security for the indebtedness set forth in the Financing Plan of the Districts.

F. Elections and Conditions on Exercise of Financial Powers. The Districts may obtain authorization from their electorate at elections to be scheduled for November 6, 2001, or on other legally permitted dates for general obligation bonds and for other matters summarized below.

G. Quinquennial Review. Pursuant to C.R.S. 32-1-1101.5, the Districts shall submit application for a quinquennial finding of reasonable diligence in every fifth calendar year after the calendar year in which the Districts' ballot issue to incur general obligation indebtedness was approved by their electorate. Upon such application, the City Council may accept such application or hold a public hearing thereon and take such actions as are permitted by law. The Districts shall be responsible for payment of Dacono consultant and administrative costs associated with such review, and Dacono may require a deposit of the estimated costs thereof. Dacono shall have all powers concerning the quinquennial review as provided by statutes in effect from time to time.

H. Letters and Disclaimers. There is attached hereto as Exhibit M an underwriter's letter stating its intention to serve, if requested, as underwriters for the Districts in the issuance of voter authorized general obligation bonds, as described in this Service Plan, subject to final due diligence at the appropriate time. There is attached hereto as Exhibit M a letter from Counsel for the Districts stating that the petition for organization of the Districts, this consolidated Service Plan, and notice and hearing procedures in connection therewith, meet the requirements of title 32, and title 11, C.R.S. There is attached hereto as Exhibit N a form of disclaimer statement; the Districts shall conspicuously include this disclaimer statement, or any modified or substitute statement hereafter furnished by Dacono, in all offering materials used in connection with any Districts' financial obligations, and to any purchaser of any District financial obligations. No changes shall be made to the disclaimer except as directed by Dacono.

VI. GENERAL MATTERS

A. Elections. Following approval of this Service Plan by Dacono, and after acceptance of the organizational petition and issuance of orders from the district court, elections on the questions of organizing the Districts and approving bonded indebtedness and various agreements described herein will be scheduled. All elections will be conducted as provided in the Court orders, the Uniform Election Code of 1992 (as substantially amended by House Bill 93-1255 and as otherwise amended from time to time), and the TABOR Amendment, and are currently planned for November 6, 2001, but may be held on any legally permitted date. The election questions are expected to include whether to organize the Operating District and the Taxing Districts, election of initial directors, and TABOR Amendment ballot issues and questions. Thus, the ballot may deal with the following topics (in several questions, but not necessarily using the exact divisions shown here):

1. Whether to organize the Districts,
2. Membership and terms of the initial board members,
3. Approval of new taxes,
4. Approval of maximum operational mill levies,
5. Approval of bond and other indebtedness limits,
6. Approval of an initial property tax revenue limit,
7. Approval of an initial total revenue limit,
8. Approval of an initial fiscal year spending limit, and
9. Approval of a four-year delay in voting on ballot issues.

Ballot issues may be consolidated as approved in Court orders. The petitioners intend to follow both the letter and the spirit of the Special District Act, the Uniform Election Code, and the TABOR Amendment during organization of the Districts. Future elections to comply with the TABOR Amendment are anticipated and may be held as determined by the elected Boards of Directors of the Districts.

The following persons are intended as nominees for the initial Boards of Directors of the Districts:

Charles R. Bellock
Jon R. Lee
Lewis G. Holtsclaw
Thomas D. Metzger
Michael J. Burns

B. Annual Report; Other Information Requests. The Districts shall be responsible for submitting an annual report to Dacono within one hundred and twenty (120) days from the conclusion of the Districts' fiscal year. Failure of the Districts to submit such report shall not constitute a material modification hereof unless the Districts refuse to submit such report within thirty (30) days after a written request from Dacono to do so. The Districts' fiscal year shall end on December 31st of each year. The content of the annual report shall include information as to the following matters which occurred during the year:

1. Boundary changes made (with the prior written approval of Dacono) or proposed for the upcoming year.
2. Intergovernmental Agreements with other governmental bodies entered into or proposed.
3. Changes or proposed changes in the proposed Districts' policies.
4. Changes or proposed changes in the proposed Districts' operations.
5. Any changes in the financial status of the proposed Districts including revenue projections, or operating costs.
6. A summary of any litigation and notices of claim which involve the proposed Districts.
7. Proposed plans for the year immediately following the year summarized in the annual report.
8. Status of Public Improvement Construction Schedule.
9. Submission of current assessed valuation in the Districts.

10. A schedule of all fees, charges, and assessments imposed in the report year and proposed to be imposed in the following year, and the revenues raised or proposed to be raised therefrom.

The annual report shall be signed by the President and attested by the Secretary of the District. Along with the annual report, and at any more frequent intervals as reasonably requested by Dacono, the District shall provide to Dacono a currently dated and written certificate, signed by the President and Secretary of the District, certifying that the District is in full compliance with this Service Plan. If the District is not in full compliance with this Service Plan, the certificate shall include a detailed statement describing such noncompliance, and the District shall cooperate fully with the Dacono in providing further information as to, and promptly remedying, any such noncompliance. The City reserves the right, pursuant to C.R.S. Section 32-1-207(3)(c), to request reports from the District beyond the mandatory statutory five-year reporting report.

In addition to the foregoing, the Districts shall cooperate with the City by providing prompt responses to all reasonable requests by the City for information, and the Districts shall permit the City to inspect all public improvements and facilities and all books and records of the Districts.

VII. CONSERVATION TRUST FUND

The Districts shall not apply for or claim any entitlement to funds from the Conservation Trust Fund which is derived from lottery proceeds, or other funds available from or through governmental or nonprofit entities for which Dacono is eligible to apply. The Districts shall remit to Dacono any and all conservation trust funds which they receive.

VIII. CONSOLIDATION

The Districts shall not file a request with the district court to consolidate with another district without the prior written approval of Dacono.

IX. MODIFICATION OF SERVICE PLAN

The Districts shall obtain the prior written approval of Dacono before making any material modifications to this Service Plan. Material modifications requiring a Service Plan amendment include modifications of a basic or essential nature as set forth in Title 32, including but not limited to the following:

A. Any issuance by any District of financial obligations not authorized by this Service Plan or under circumstances inconsistent with such District's financial ability to discharge such obligations as shown in the buildout, assessed valuation and other forecasts

contained in Exhibit G; or any change in the stated purposes of the Districts or additions to the types of services provided by the Districts;

B. Any change in debt limit, change in revenue type, or change in maximum mill levy;

C. Termination or material amendments to the Master IGA;

D. Any change in the types of improvements from what is stated in Exhibit H of this Service Plan, or any change in the estimated costs thereof that exceeds the amounts which may be approved administratively pursuant to this Service Plan;

E. Failure to comply with the requirements of this Plan concerning the dedication of improvements or the acquisition and conveyance of lands or interests in land;

F. Default in the payment of principal or interest of any of the Districts' bonds, notes, certificates, debentures, contracts or other evidences of indebtedness or borrowing issued or incurred by the District;

G. The institution of a proceeding for debt adjustment or the confirmation of a plan for adjustment of debt under Chapter 9 of the Bankruptcy Code;

H. The failure of the Districts to develop any capital facility proposed in its Service Plan when necessary to service approved development within the Districts as evidenced by the initial granting of certificates of occupancy for such development;

I. With the specific exception of reimbursements that may be come due for offsite sanitary sewer and water improvements, failure of the Districts to realize at least seventy-five percent (75%) of the development revenues (including developer contributions, loans or advances) at the times projected in the Financial Plan;

J. The occurrence of any event or condition which is defined under the Service Plan or intergovernmental agreement as necessitating a service plan amendment;

K. The default by the Districts under any intergovernmental agreement with the Town;

L. Any of the events or conditions enumerated in Section 32-1-207(2) of the Special District Act;

M. Any proposed use of the powers set forth in C.R.S. sections 32-1-1101(1)(f) and – 1101(1.5) respecting division of the Districts.

N. Any action or proposed action by the Districts which would interfere with or delay the planned dissolution of the Districts as provided in Article XIV.

The examples above are only examples and are not an exclusive list of all actions which may be identified as a material modification. Dacono approval shall not be required for mechanical modifications to this Service Plan necessary for the execution of the Financing Plan for public improvements previously outlined herein. The Districts will pay all reasonable expenses of the City, its attorneys and consultants, as well as the City's reasonable processing fees, in connection with any request by the Districts for modification of this Service Plan or administrative approval by the City of any request hereunder.

X. FAILURE TO COMPLY WITH SERVICE PLAN

In the event it is determined that the District undertake any act or omission which violates the Service Plan or constitutes a material departure from the Service Plan, Dacono may utilize the remedies set forth in the statutes to seek to enjoin the actions of the Districts, may withhold issuance of any permit, authorization, acceptance or administrative approval for the Sweetgrass development, and may exercise any other rights available to it at law or in equity. The Districts shall pay any and all costs, including attorney's fees, incurred by the City in enforcing any provision of the Service Plan. To the extent permitted by law, the Districts hereby waive the provisions of Section 32-1-207(3)(b) and agrees they will not rely on such provisions as a bar to the enforcement by the City of any provisions of this Service Plan.

XI. RESOLUTION OF APPROVAL

The proposed Districts agree to incorporate the Dacono City Council's Resolution of Approval, including any conditions on such approval, into the Service Plan presented to the appropriate District Court. Such resolution shall be attached as Exhibit A.

XII. DISCLOSURE; NO THIRD PARTY RIGHTS

In addition to the disclosure statement required by Section V.H., the petitioners for organization of the Districts will make best efforts to ensure that the developers of the property located within the Districts provide adequate written notice to purchasers of land in the Districts regarding the existence of, and additional taxes, charges, or assessments which may be imposed in connection with, the Districts. The petitioners shall make and record a written disclosure of the same, in addition to any disclosures required by law. The form of disclosure shall be submitted to the City for administrative approval within ninety (90) days of the Districts' organization. The disclosure shall include, but not necessarily be limited to the following matters: (1) the Districts' authorized debt, anticipated issuance schedule and terms therefore; (2) facilities and services to be operated and maintained by the Districts; (3) maximum mill levy and the procedure for any adjustment thereto; (4) any applicable District fees and a statement that such fees are separate from any applicable homeowners' association fees. Upon approval of the

disclosure by Dacono, the Districts shall record the disclosure in the real property records of the County of Weld, State of Colorado.

Neither this Service Plan, the Intergovernmental Agreement set forth in Exhibit L hereto, nor any other related agreements, shall be construed to impose upon the City any duties to, nor confer any rights against the City upon, any bondholders or other third parties.

XIII. INDEMNITIES; INTERGOVERNMENTAL AGREEMENT WITH DACONO

The fully executed Dacono Development Company, Inc., and any successor(s) in interest Indemnity Letter attached hereto as Part 1 of Exhibit L is submitted by the Developer to the City as part of this Service Plan. The form of Sweetgrass Metropolitan District Nos. 1, 2 and 3 Indemnity Letter attached hereto as Part 2 of Exhibit L shall be executed by the Districts and delivered to Dacono immediately upon formation of the Districts. The Districts shall enter into an intergovernmental agreement with the City which shall be in substantially the form set forth in Exhibit J, which agreement shall be executed by the Districts and delivered to the City promptly upon the Districts' formation. The execution of such Indemnity Letters and Agreement are material considerations in Dacono's approval of this Service Plan, and the City has relied thereon in approving this Plan. No other proposed intergovernmental agreements are included in this Service Plan, but such agreements are anticipated between the Districts and the Water District, the Carbon Valley Recreation District and potentially other entities providing service to the Sweetgrass project. Any intergovernmental agreements proposed regarding the subject matter of this Service Plan shall be subject to review and approval by the City prior to their execution of the Districts. Failure of the Districts to obtain such approval shall constitute a material modification of this Service Plan.

XIV. TERMINATION/DISSOLUTION OF THE DISTRICTS

Promptly when all of the financial obligations to be issued by the Districts as described in Article V hereof have been paid (or when provision for payment thereof has been made through establishment of an escrow as provided by Section 32-1-702(3)(b), C.R.S.), the Districts will so notify the City and will cooperate fully with the City in taking all steps necessary under then applicable law to dissolve the Districts (including, without limitation: formulating a plan of dissolution; executing the Districts' consent to dissolve pursuant to 32-1-704(3)(b); making any necessary agreements as to continuation or transfer of maintenance and other services, if any, which are then being provided by the Districts; submitting a petition for dissolution to the district court; and conducting any required dissolution election).

In addition, at any time after issuance of the Districts' general obligation bonds, upon the City's request, the Districts will cooperate fully with the City to dissolve the Districts (without such payment of outstanding financial obligations of the Districts or establishment of an escrow therefor) as provided in Section 32-1-702(3)(c) and 32-1-707(2)(c), C.R.S.

To the maximum extent permitted by law, the above-stated agreements to cooperate in dissolution of the Districts shall be binding on the undersigned Developer (constituting the owner of 100% of the land in the District), and shall also be binding on its successors in title to any and all land in the District (including the nominees for the initial board of directors listed in Article VI hereof and succeeding directors who own land within the Districts); and such agreements shall obligate all such persons to cooperate fully with the City as described above, including without limitation the signing of petitions, execution of consents and voting in favor of dissolution in any required election.

XV. OTHER AGREEMENTS

The approval of this Service Plan by Dacono, and the creation of the Districts, in no way releases or relieves the Developer, or the landowner or any subdivider of the property, or any of their respective successors or assigns of the obligation to construct public improvements for the Sweetgrass development or of the obligation to provide to the City financial guarantees to ensure the completion of such public improvements, or of any other obligations to Dacono under City ordinances, rules, regulations or policies, or under the Annexation Agreement, subdivision improvement agreement, or other agreements affecting the Project property, or any other agreement between Dacono and the Developer.

XVI. CERTIFICATION

This Service Plan is submitted to Dacono by the undersigned Developer, which is the Districts' proponent and the sole owner of all property within the boundaries of the proposed Districts. The undersigned has caused written notice of Dacono's hearing on the proposed Service Plan to be duly given, on or prior to the initial hearing date of August 27, 2001, to all "interested parties" within the meaning of C.R.S., Section 32-1-204. The information contained in this Service Plan is true and correct as of this date.

DACONO PROPERTIES, LLC, AND ANY
SUCCESSOR(S) IN INTEREST

By: 
Title: AUTHORIZED REPRESENTATIVE

DACONO DEVELOPMENT COMPANY, INC.,
AND ANY SUCCESSOR(S) IN INTEREST

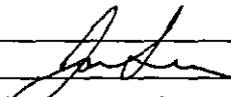
By: 
Title: AUTHORIZED REPRESENTATIVE
Date: September 24, 2001

EXHIBIT A
City Council Resolution of Approval

CITY OF DACONO, COUNTY OF WELD, STATE OF COLORADO

IN RE THE ORGANIZATION OF SWEETGRASS METROPOLITAN DISTRICT NO. 1, SWEETGRASS METROPOLITAN DISTRICT NO. 2, AND SWEETGRASS METROPOLITAN DISTRICT NO. 3 IN THE CITY OF DACONO, COUNTY OF WELD, STATE OF COLORADO

RESOLUTION NO. 01-40

R E S O L U T I O N O F A P P R O V A L

WHEREAS, pursuant to the provisions of Title 32, Article 1, Part 2, C.R.S. as amended, the City Council of the City of Dacono, County of Weld, State of Colorado, following due notice, held a public hearing on the Consolidated Service Plan of the proposed Sweetgrass Metropolitan District No. 1, Sweetgrass Metropolitan District No. 2 and Sweetgrass Metropolitan District No. 3 (hereinafter collectively referred to as "Sweetgrass Metropolitan District Nos. 1, 2 and 3" or the "Districts") on the 27th day of August and the 10th and 24th days of September, 2001; and

WHEREAS, the City Council has considered the Consolidated Service Plan and all other testimony and evidence presented at the hearing; and

WHEREAS, based upon the testimony and evidence presented at the hearing, it appears that the Consolidated Service Plan should be approved by the City Council, subject to certain conditions set forth below, in accordance with Section 32-1-204.5(1)(c), C.R.S.

THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DACONO, COLORADO:

Section 1. That the City Council, as the governing body of the City of Dacono, Colorado, does hereby determine, based on representations by and on behalf of Dacono Development Company, LLC (the "Developer"), that all of the requirements of Title 32, Article 1, Part 2, C.R.S., as amended, relating to the filing of a Consolidated Service Plan for the proposed Sweetgrass Metropolitan District Nos. 1, 2 and 3 have been fulfilled and that notice of the hearing was given in the time and manner required by the City.

Section 2. That, based on representations by and on behalf of the Developer, the City Council of the City of Dacono, Colorado, has jurisdiction over the subject matter of these proposed special Districts pursuant to Title 32, Article 1, part 2, C.R.S.. as amended.

Section 3. That, pursuant to Section 32-1-204.5, C.R.S., Section 32-1-202(2), C.R.S., and Section 32-1-203(2), C.R.S., the City Council of the City of Dacono, Colorado, does hereby find and determine, based on the Consolidated Service Plan and other evidence presented by and on behalf of the Developer, that:

- (a) There is sufficient existing and projected need for organized service in the area to be serviced by the proposed Districts;
- (b) The existing service in the area to be served by the proposed Districts is inadequate for present and projected needs;
- (c) The proposed special Districts are capable of providing economical and sufficient service to the area within their proposed boundaries;
- (d) The area to be included in the proposed Districts has, or will have, the financial ability to discharge the proposed indebtedness on a reasonable basis; and
- (e) The creation of the proposed Districts will be in the best interests of the area proposed to be served.

Section 4. That pursuant to Section 32-1-204.5(1)(c), C.R.S., the City Council hereby imposes the following conditions upon its approval of the Consolidated Service Plan:

- (a) The Developer agrees that the City Attorney will be given reasonable notice of all proceedings in the District Court of Weld County relating to the organization of the Districts (including notice as described in Section 32-1-304, C.R.S.).
- (b) The Developer agrees that, prior to the hearing date set by the District Court of Weld County pursuant to Section 32-1-304, C.R.S., all fees and expenses which have been submitted to the Developer for payment by or on behalf of the City or its attorneys or financial or other advisors shall have been paid in full.
- (c) Prior to the entry of an order for organization by the District Court of Weld County pursuant to Section 32-1-304, C.R.S., the Districts shall fully comply with the provisions of Section 32-1-107(3), C.R.S. with respect to the overlapping of service areas. The Districts' authorization to provide services or facilities within any overlapping area is expressly conditioned upon the Districts first obtaining the written consent of each and every

district whose service area is so overlapped.

- (d) Prior to the Mayor's execution of this Resolution, the fully executed originals of the underwriter's letter, legal counsel letter, and the Developer's indemnity letter that are required under the Service Plan and set forth in Exhibits L and M, and Part 1 of Exhibit K thereto, shall be provided to the City.
- (e) At its organizational meeting, the Districts shall execute the Districts indemnity letter and intergovernmental agreement with the City that are required under the Service Plan and set forth in Part 2 of Exhibit K and Exhibit I thereto, and shall provide the fully executed originals of such documents to the City.

If any of the above-stated conditions (a) through (d) are not met, the City may file a motion with the District Court of Weld County requesting that the hearing on the organization of the Districts be delayed until such conditions are met, and Developer has represented that it will not oppose such motion. Further, if any of the above-stated conditions (a) through (e) are not met, the City may pursue all legal and equitable remedies available to it for failure of compliance with such conditions of approval.

Section 5. That the Service Plan of the proposed Sweetgrass Metropolitan District Nos. 1, 2 and 3, as set forth in Exhibit A to this Resolution and dated September 24, 2001, is hereby approved subject to the conditions stated in Section 4 above, in accordance with Section 32-1-204.5(1)(c), C.R.S., and subject to the revisions set forth in Exhibit A.

Section 6. That a certified copy of this Resolution be filed in the records of the City of Dacono and submitted to the Developer for the purpose of filing in the District Court of Weld County for further proceedings concerning the Districts.

RESOLVED, ADOPTED AND APPROVED this 24th day of September, 2001.

CITY COUNCIL,
CITY OF DACONO, COLORADO


Wade Carlson
Mayor



ATTEST:

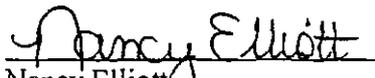

Nancy Elliott
City Clerk

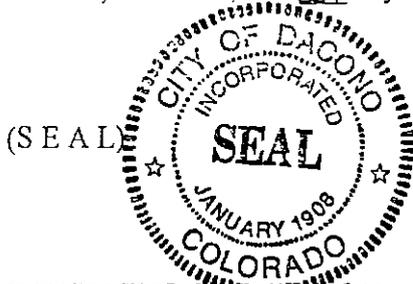
EXHIBIT A
REVISIONS TO SWEETGRASS METROPOLITAN DISTRICTS SERVICE PLAN
(Dacono City Council Meeting, September 24, 2001)

1. Page 15, Section V.A, second paragraph, insert “on” between “based” and “actual” in second sentence.
2. Page 16, Section V.A(2), delete “,unless otherwise permitted by state law.”
3. Page 17, final paragraph, substitute “\$14,600,000” for “\$3,000,000” in second sentence.
4. Page 17, final paragraph, insert “not to exceed twelve percent (12%),” after “(8%),” in third sentence.
5. Exhibit K, Part 2, paragraph number 1 of indemnity letter, re-insert “the City” in line 9.

C E R T I F I C A T E

I, Nancy Elliott, do hereby certify that the above and foregoing is a true, correct and complete copy of a resolution adopted by the City Council of the City of Dacono, Colorado, at a public meeting held on the 24th day of September, 2001.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the City of Dacono, Colorado, this 24 day of September, 2001.



Nancy Elliott
City Clerk

EXHIBIT B
Legal Descriptions
(B-1; B-2; and B-3)

LEGAL DESCRIPTION

DISTRICT 2 PARCEL

A PARCEL OF LAND LOCATED IN SECTION 14, TOWNSHIP 1 NORTH, RANGE 68 WEST OF THE 6TH PRINCIPAL MERIDIAN DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF SAID SECTION 14;

THENCE S89°37'09"W, 30.00 FEET ALONG THE NORTH LINE OF THE NORTHEAST QUARTER OF SECTION 14;

THENCE S00°05'11"E, 30.00 FEET PARALLEL WITH AND 30.00 FEET WEST OF THE EAST LINE OF THE NORTHEAST QUARTER OF SECTION 14 TO THE POINT OF BEGINNING;

THENCE CONTINUING S00°05'11"E, 2,578.64 FEET;

THENCE S00°12'00"E, 2,572.40 FEET PARALLEL WITH AND 30.00 FEET WEST OF THE EAST LINE OF THE SOUTHEAST QUARTER OF SECTION 14;

THENCE S88°56'56"W, 1,676.45 FEET PARALLEL WITH AND 30.00 FEET NORTH OF THE SOUTH LINE OF THE SOUTHEAST QUARTER OF SECTION 14 TO THE NORTHERLY RIGHT OF WAY LINE OF THE UNION PACIFIC RAILROAD;

THENCE ALONG SAID RIGHT OF WAY LINE THE FOLLOWING THREE COURSES:

1. 692.13 FEET ALONG THE ARC OF A NON-TANGENT CURVE TO THE RIGHT, SAID ARC SUBTENDED BY A RADIUS OF 2,802.76 FEET, A CENTRAL ANGLE OF 14°08'56" AND A CHORD BEARING N42°44'04"W, 690.37 FEET;

2. N35°39'36"W, 674.84 FEET;

3. 1,536.01 FEET ALONG THE ARC OF A TANGENT CURVE TO THE LEFT, SAID ARC SUBTENDED BY A RADIUS OF 1,939.60 FEET, A CENTRAL ANGLE OF 45°22'25" AND A CHORD BEARING N58°20'49"W, 1,496.18 FEET TO THE WESTERLY LINE OF AN EASEMENT GRANTED TO WYCO PIPELINE COMPANY RECORDED NOVEMBER 01, 1947 IN BOOK 1214 AT PAGE 213;

THENCE ALONG SAID EASEMENT LINE THE FOLLOWING THREE COURSES:

1. N02°28'50"W, 73.42 FEET;

2. N03°27'10"E, 2,985.70 FEET;

3. N00°43'10"E, 263.93 FEET;

THENCE N89°38'21"E, 1,030.11 FEET PARALLEL WITH AND 30.00 FEET SOUTH OF THE NORTH LINE OF THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER OF SECTION 14;

THENCE N89°37'09"E, 2,588.83 FEET PARALLEL WITH AND 30.00 FEET SOUTH OF THE NORTH LINE OF THE NORTHEAST QUARTER OF SECTION 14 TO THE POINT OF BEGINNING,

EXCEPTING THE PORTION DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF SAID SECTION 14;

THENCE ALONG THE EAST LINE OF THE NORTHEAST QUARTER OF SECTION 14
S00°05'11"E, 1352.85 FEET;

THENCE S89°54'49"W, 1314.43 FEET TO A POINT, SAID POINT BEING THE CENTER OF A
CIRCULAR PARCEL WITH A RADIUS OF 150 FEET.

NET ACREAGE OF PARCEL IS 386.83 ACRES.

LEGAL DESCRIPTION PREPARED BY:
HURST & ASSOCIATES, INC.
4999 PEARL EAST CIRCLE, SUITE 106
BOULDER CO 80301 303-449-9105
08/15/01 BO
I:\202038\LEGAL\DIST2.RTF

LEGAL DESCRIPTION

DISTRICT 3 PARCEL

A PARCEL OF LAND LOCATED IN THE WEST HALF OF SECTION 14, TOWNSHIP 1 NORTH, RANGE 68 WEST OF THE 6TH PRINCIPAL MERIDIAN DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID SECTION 14;

THENCE S00°21'25"W 30.00 FEET ALONG THE WEST LINE OF THE NORTHWEST QUARTER OF SECTION 14;

THENCE N89°38'07"E, 207.05 FEET PARALLEL WITH AND 30.00 FEET SOUTH OF THE NORTH LINE OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF SECTION 14 TO THE POINT OF BEGINNING;

THENCE CONTINUING N89°38'07"E, 1,103.58 FEET;

THENCE N89°38'21"E, 280.17 FEET PARALLEL WITH AND 30.00 FEET SOUTH OF THE NORTH LINE OF THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER OF SECTION 14 TO THE WESTERLY LINE OF AN EASEMENT GRANTED TO WYCO PIPELINE COMPANY RECORDED NOVEMBER 01, 1947 IN BOOK 1214 AT PAGE 213;

THENCE ALONG SAID EASEMENT LINE THE FOLLOWING THREE COURSES:

1. S00°43'10"W, 263.93 FEET;
2. S03°27'10"W, 2,985.70 FEET;
3. S02°28'50"E, 73.42 FEET TO THE NORTHERLY RIGHT OF WAY LINE OF THE UNION PACIFIC RAILROAD;

THENCE ALONG SAID RIGHT OF WAY LINE THE FOLLOWING FOUR COURSES:

1. 322.16 FEET ALONG THE ARC OF A NON-TANGENT CURVE TO THE LEFT, SAID ARC SUBTENDED BY A RADIUS OF 1,939.60 FEET, A CENTRAL ANGLE OF 09°31'00" AND A CHORD BEARING N85°47'31"W, 321.79 FEET;
2. S89°26'58"W, 467.86 FEET;
3. 366.41 FEET ALONG THE ARC OF A TANGENT CURVE TO THE RIGHT, SAID ARC SUBTENDED BY A RADIUS OF 1,786.98 FEET, A CENTRAL ANGLE OF 11°44'53" AND A CHORD BEARING N84°40'36"W, 365.76 FEET;
4. N78°48'08"W, 181.41 FEET TO THE EASTERLY RIGHT OF WAY LINE OF INTERSTATE HIGHWAY 25;

THENCE ALONG SAID RIGHT OF WAY LINE THE FOLLOWING SIX COURSES:

1. N00°21'29"E, 879.44 FEET;
2. N09°06'31"W, 304.10 FEET;
3. N00°21'29"E, 746.10 FEET;
4. S89°38'31"E, 66.16 FEET;

5. N00°22'37"E, 1,275.85 FEET;

6. N77°58'44"E, 92.59 FEET TO THE POINT OF BEGINNING, CONTAINING 4,665,274 SQUARE FEET (107.10 ACRES).

LEGAL DESCRIPTION PREPARED BY:
HURST & ASSOCIATES, INC.
4999 PEARL EAST CIRCLE, SUITE 106
BOULDER CO 80301 303-449-9105
08/15/01 BO
I:\202038\LEGAL\DIST3.RTF

LEGAL DESCRIPTION

DISTRICT 1 AND DIRECTOR PARCEL

A PARCEL OF LAND LOCATED IN THE NORTHEAST QUARTER OF SECTION 14,
TOWNSHIP 1 NORTH, RANGE 68 WEST OF THE 6TH PRINCIPAL MERIDIAN DESCRIBED
AS FOLLOWS:

COMMENCING AT THE NORTHEAST CORNER OF SAID SECTION 14 FROM WHENCE THE
EAST QUARTER CORNER OF SECTION LIES S00°05'11"E, 2608.77 FEET;

THENCE ALONG THE EAST LINE OF THE NORTHEAST QUARTER OF SECTION 14
S00°05'11"E, 1352.85 FEET;

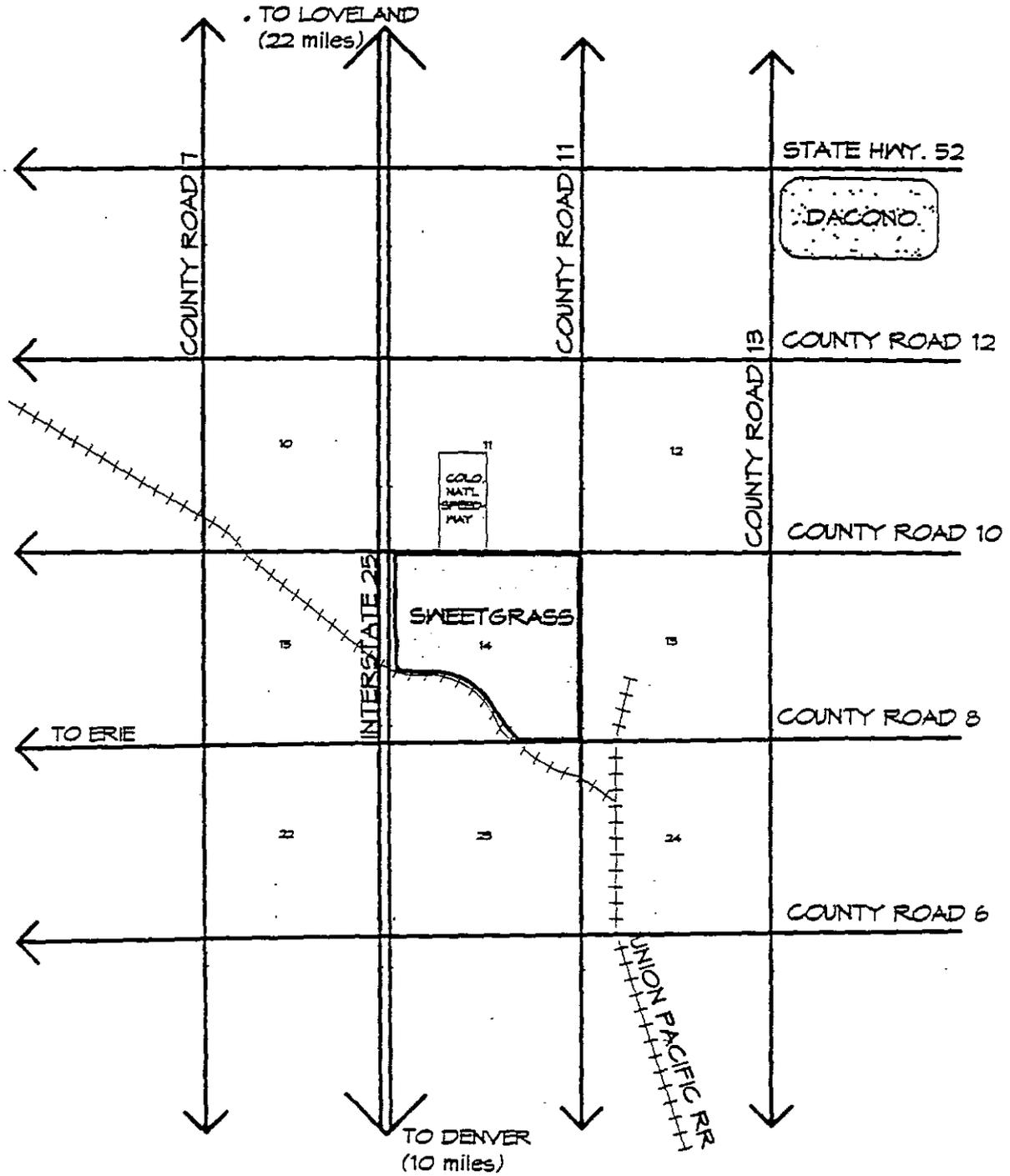
THENCE S89°54'49"W, 1314.43 FEET TO A POINT, SAID POINT BEING THE CENTER OF A
CIRCULAR PARCEL WITH A RADIUS OF 150 FEET, CONTAINING 70,686 SQUARE FEET
(1.63 ACRES).

LEGAL DESCRIPTION PREPARED BY:
HURST & ASSOCIATES, INC.
4999 PEARL EAST CIRCLE, SUITE 106
BOULDER CO 80301 303-449-9105
08/14/01 BO
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EXHIBIT C
Dacono Vicinity Map

VICINITY MAP

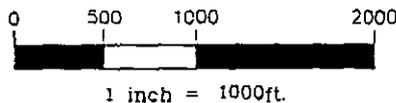
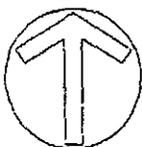
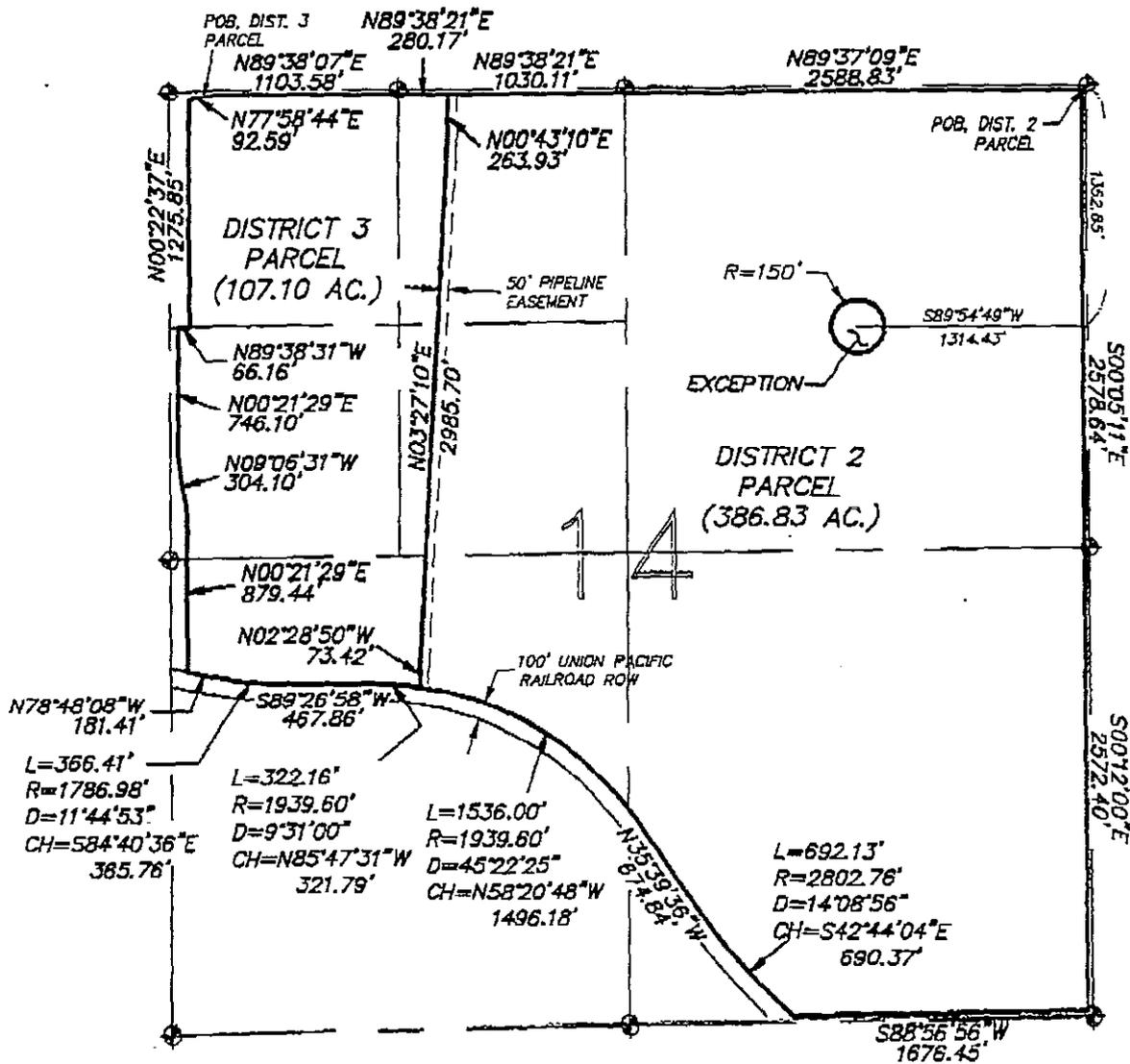
(Figure 1)



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EXHIBIT D
Boundary Map (D-1)

EXHIBIT



DISTRICTS 2 & 3 PARCELS
 SEC. 14, T1N, R68W
 WELD COUNTY
 COLORADO

SCALE HOR. 1"=1000'
 VERT. N/A
 DESIGN/APPR. JB
 DRAWN BY BO
 DATE 08/15/01
 FILE I:\202038\1FGAI\DISTPCL.S.DWG



HURST & ASSOCIATES, INC.
 CONSULTING ENGINEERS
 4809 Pearl East Circle, Suite 108
 Boulder, Colorado 80501 (303) 449-9105

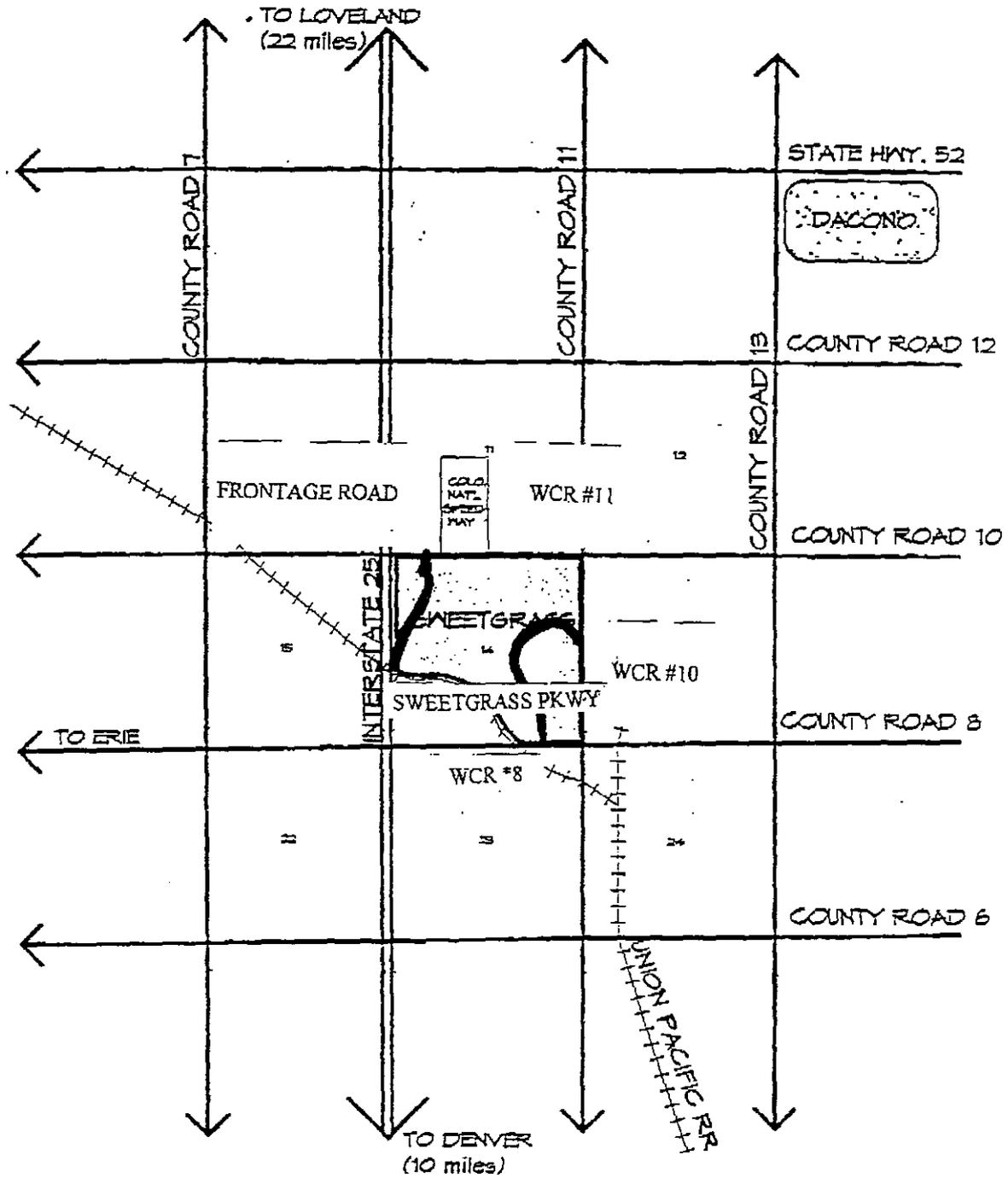
SHEET 1 OF 1

EXHIBIT E
Statutory Contents of Service Plan

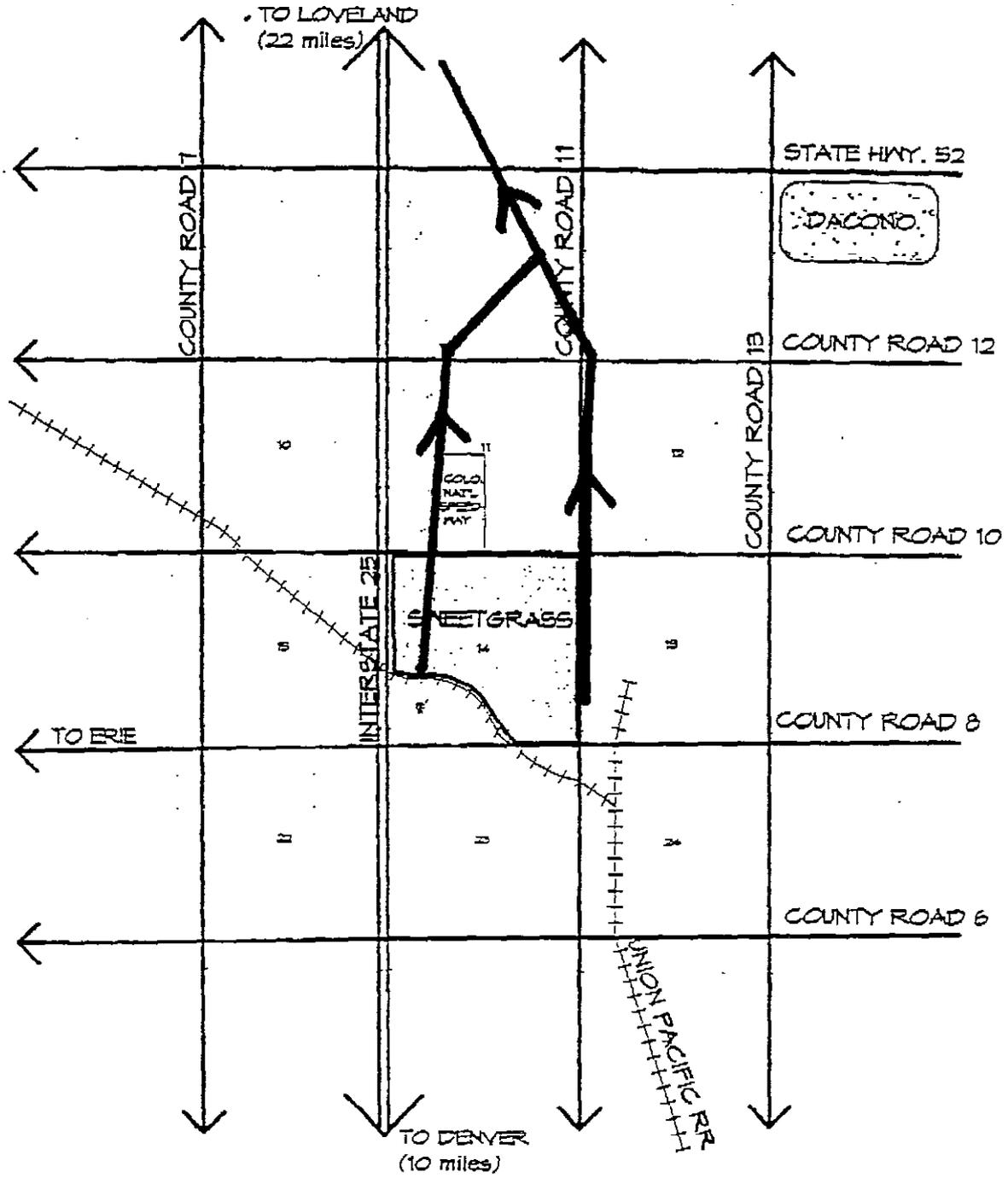
1. A description of the proposed services;
2. A financial plan showing how the proposed services are to be financed;
3. A preliminary engineering or architectural survey showing how the proposed services are to be provided;
4. A map of the District's boundaries and an estimate of the population and valuation for assessment of the District;
5. A general description of the facilities to be constructed and the standards of such construction, including a statement of how the facility and service standards of District are compatible with facility and service standards of Dacono and of municipalities and special districts which are interested parties pursuant to § 32-1-204(1), C.R.S.;
6. A general description of the estimated cost of acquiring land, engineering services, legal services, administrative services, initial proposed indebtedness and estimated proposed maximum interest rates and discounts, and other major expenses related to the organization and initial operation of the District;
7. A description of any arrangement or proposed agreement with any political subdivision for the performance of any services between District and such other political subdivision;
8. Information satisfactory to establish that each of the following criteria as set forth in §32-1-203, C.R.S., has been met:
 - (a) That there is sufficient existing and projected need for organized service in the area to be serviced by the District;
 - (b) That the existing service in the area to be served by the District is inadequate for the present and projected needs;
 - (c) That District is capable of providing economical and sufficient service to the area within their proposed boundaries;
 - (d) That the area included in the District has, or will have, the financial ability to discharge the proposed indebtedness on a reasonable basis.

EXHIBIT F
Facilities Diagrams
(F-1, F-2, F-3; F-4; F-5; F-6)

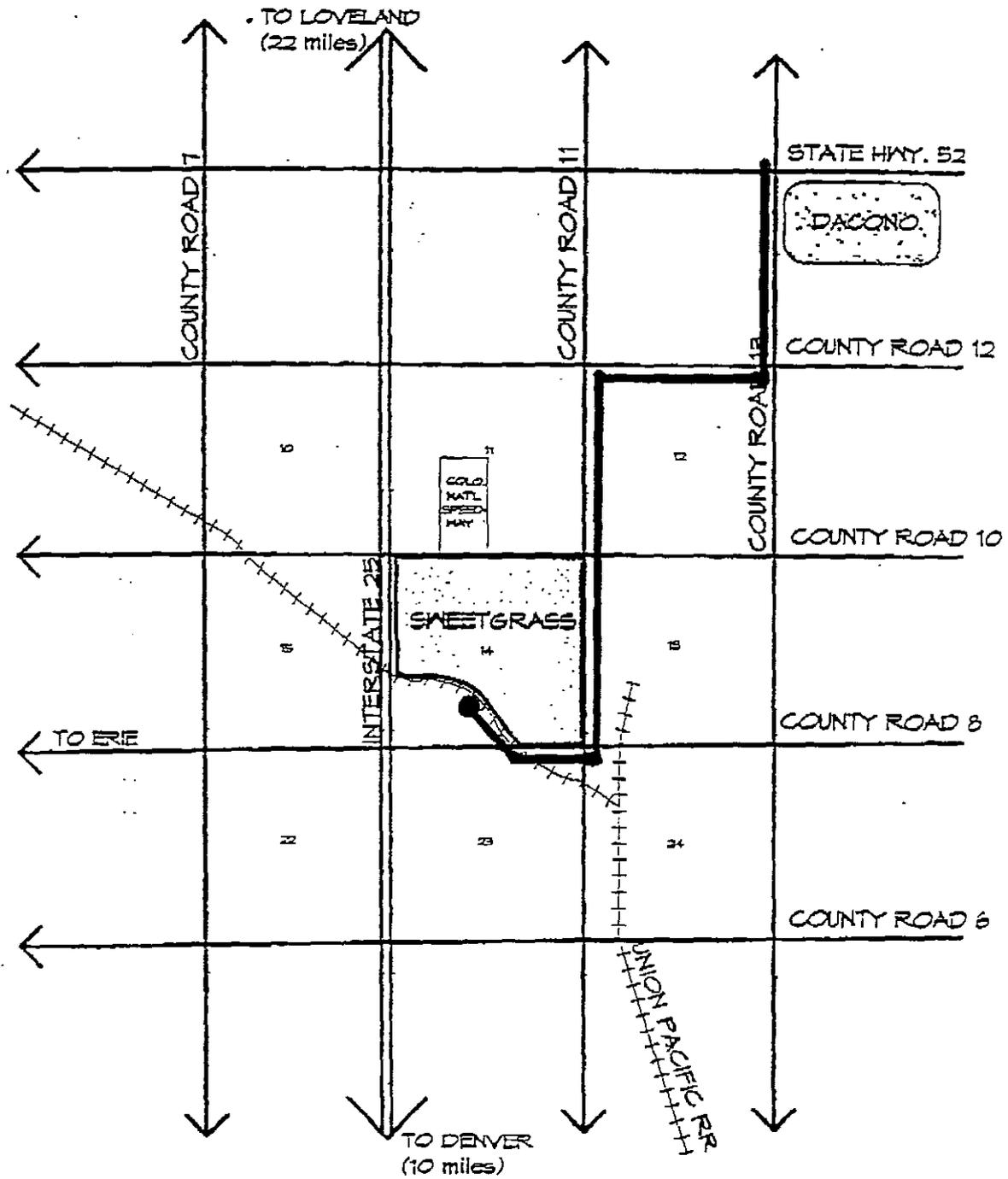
SWEETGRASS ROADWAYS



SWEETGRASS ST VRAIN - SEWER OUTFALL

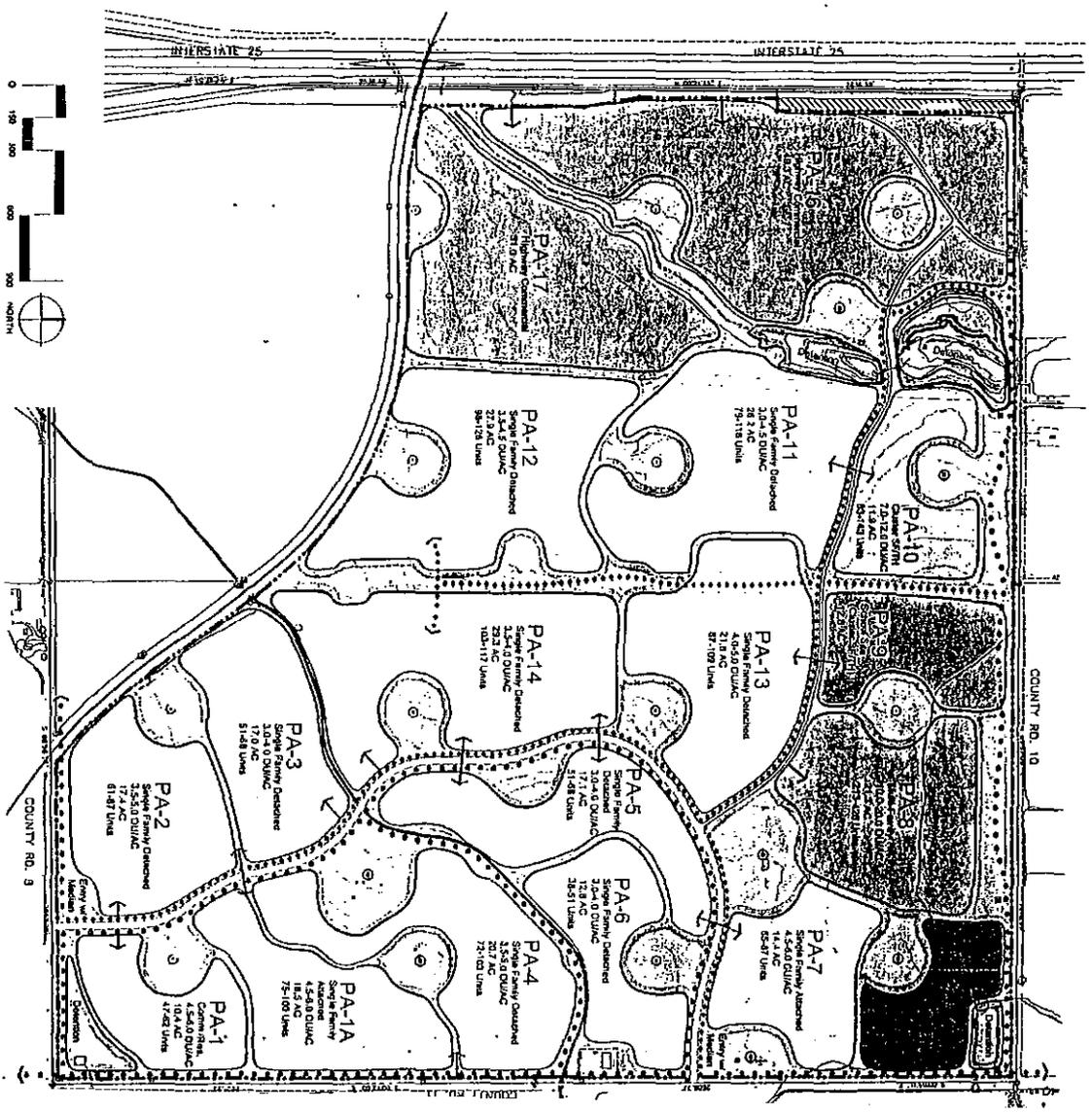


SWEETGRASS CWCWD - WATER SYSTEM

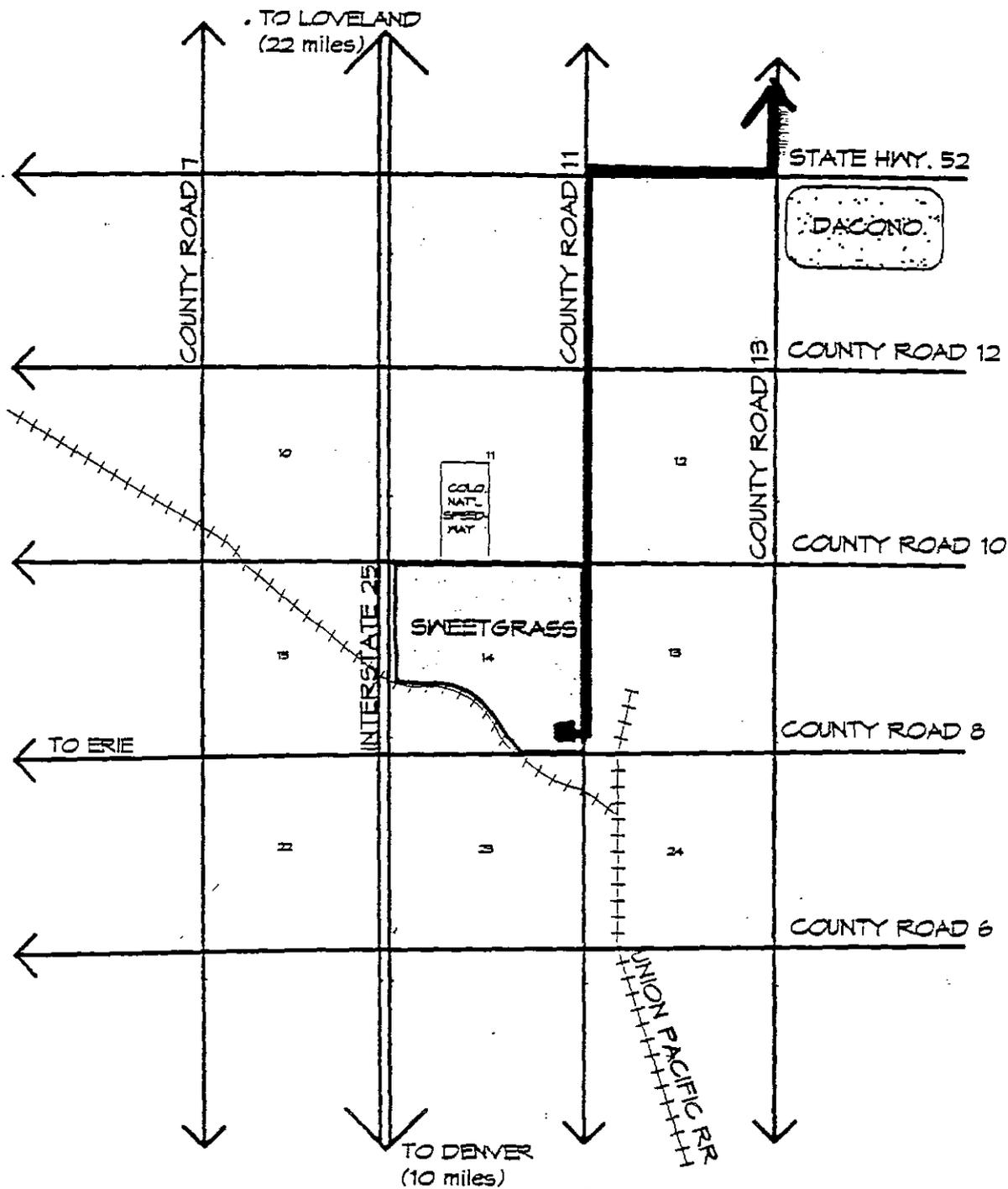


Masterplan / P.U.D Sweetgrass

Dacono, Colorado
 LOCATED IN A PORTION OF SECTIONS 11, 13, 14, TOWNSHIP 1 NORTH, RANGE
 CITY OF DACONO, COUNTY OF WELD, STATE OF



VICINITY MAP
(Figure 1)



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**SWEETGRASS METROPOLITAN DISTRICTS NOS. 1,2 AND 3
PUBLIC IMPROVEMENTS PHASING**

1.0 PUBLIC LANDS

1.1 Improvements Of Public Park Land, Major Neighborhood Commons, And Major Trails

1.1 (a) Community Park. The Developer shall improve a community park area adjacent to PA 5. Said improvements shall include, as a minimum: grading, soil preparation, sprinkler system, seeding or sodding, trees, shrubs, playground equipment, and one gazebo. The completion schedule for the public park area shall be negotiated between the Developer and the City provided, however, that such improvements shall be completed prior to the City's issuance of Certificates of Occupancy for 30% of the approved number of residential units within the Sweetgrass PUD.

1.1 (b) Other Neighborhood Commons Areas. The Developer shall improve all Neighborhood Commons Areas as defined on the Final Plats for each parcel prior to the City's issuance of 50% of the approved number of building permits in the applicable parcel. Said improvements shall be completed concurrently with development of adjacent areas within Sweetgrass.

1.1 (c) Open Space Trail. The Open Space Trail System, adjacent to The Stanley Bull Ditch from WCR #11 to Sweetgrass Parkway, shall be completed by the Developer prior to the City's issuance of building permits for 50% of the approved number of residential units adjacent to the applicable parcels (PA 4, 5 and 6).

1.1 (d) Other Trails. All other trails within the Sweetgrass PUD shall be improved by the Developer concurrently with adjacent subdivision development within the Sweetgrass PUD.

1.2 Parcel 15 - Public Recreation Center. The Developer shall improve the Public Recreation Center shown as PA 15. Said improvements shall include, or as specified through negotiations with the Carbon Valley Recreation District and The City, as a minimum: grading, soil preparation, sprinkler, seeding or sodding, trees, shrubs, two (2) acres of active playfields, an outdoor swimming pool, pool equipment room, men's and women's bathrooms, a parking lot, and an in-line hockey rink. The Developer's total contribution for the aforementioned improvements shall not exceed \$1,000,000. The completion schedule the public recreation center area shall be negotiated between the Developer and the City provided, however, that such improvements shall be completed prior to the City's issuance of Certificates of Occupancy for 50% of the approved number of residential units within the Sweetgrass PUD.

2.0 ROADWAYS

2.1 Summary - Schedule for Improvements of Major Streets

Improvement	Begin Construction	Complete Construction
Sweetgrass Parkway – Phase 1 From WCR #8 to the southern boundary of the Stanley Ditch	After the City’s approval of the construction plans and final plats for the 1 st Phase of the Sweetgrass PUD	Prior to the City’s issuance of any Certificates of Occupancy within Sweetgrass
Sweetgrass Parkway – Phase 2 From the southern boundary of the Stanley Ditch to WCR #11	After the City’s approval of the construction plans and final plats for PA 5, 6, 13, or 14	Prior to the City’s issuance of Certificates of Occupancy for residential units in PA 5, 6, 13, or 14
WCR #8 - Construction of a 24’ wide asphalt surface with accel and decel lanes as delineated as part of the Sweetgrass Traffic Study along the entire southern boundary of the Sweetgrass PUD and a 24’ asphalt section from the existing paved road east of the existing I-25 interchange to the western limits of Sweetgrass	After the City’s approval of the construction plans and final plat for the 1 st Phase of the Sweetgrass PUD	Prior to the City’s issuance of Certificates of Occupancy for any of the units in PA 1, 1A, 2, 3 and 4
WCR #11 – Phase 1 Construction of a 24’ wide asphalt surface with accel and decel lanes as delineated as part of the Sweetgrass Traffic Study from the southern limits of WCR #8 asphalt thru the northern limits of the access point in Parcel PA 4	After the City’s approval of the construction plans and final plats for the 1 st Phase of the Sweetgrass PUD	Prior to the City’s issuance of Certificates of Occupancy for 50% of the approved number of residential units within the Sweetgrass PUD south of Stanley Ditch in PA 1A, 2, 3, and 4.
WCR #11 – Phase 2 Construction of a 24’ wide asphalt surface with accel and decel lanes as delineated as part of the Sweetgrass Traffic Study completing the section from the access point in Parcel PA 3/4 thru the northern limits of Sweetgrass Parkway – Phase 2	After the City’s approval of the construction plans and final plats for PA 5, 6, 13, or 14	Prior to the City’s issuance of Certificates of Occupancy for more than 50% of the residential units in PA 5, 6, 13, or 14

<p>WCR 11 – Phase 3 Construction of a 24’ wide asphalt surface with accel and decel lanes as delineated as part of the Sweetgrass Traffic Study completing the section from the access point in Parcel PA 3/4 thru the northern limits of the improved WCR #10</p>	<p>Prior to the City’s issuance of Certificates of Occupancy for 75% of the approved number of residential units within the Sweetgrass Master Plan/PUD.</p>	<p>Prior to the City’s issuance of Certificates of Occupancy for 90% of the approved number of residential units within the Sweetgrass PUD, or prior to the completion of the Community Recreation Facility (PA 15).</p>
<p>WCR #10 - Construction of a 24’ wide asphalt surface with accel and decel lanes as delineated as part of the Sweetgrass Traffic Study along the entire northern property line of Sweetgrass</p>	<p>Prior to the City’s issuance of Certificates of Occupancy for 75% of the approved number of units within PA 8, 9, 10, 15 and 16.</p>	<p>Prior to the City’s issuance of Certificates of Occupancy for 90% of the approved number of units within PA 8, 9, 10, 15 or prior to the issuance of co’s for commercial development (PA 16 or17).</p>
<p>Highway Commercial Frontage Road Construction of the portion of the frontage road within PA 16</p>	<p>After the City’s approval of the construction plans and final plat for PA 16</p>	<p>Prior to the City’s issuance of any Certificates of Occupancy within the Sweetgrass Highway Commercial (PA 16)</p>

All homes shall have at least one paved access and meet Mountain View Fire District criteria for access prior to issuance of co.

2.2 New Traffic Signals. The traffic signals shall be required as warranted by the development. Cost estimates for traffic signals determined to be necessary will be included in estimates for street improvement costs, included in the SIA concurrent with the development of said road improvements. If any properties adjacent to Sweetgrass are under development concurrent with the traffic warrants necessary for the installation of traffic signals, said development shall contribute one-half the cost of said traffic signal.

2.3 Landscaping Along Weld County Roads #8, #10, and #11. The Landscaping shall be installed concurrently with roadway construction. Upon completion of each phase of construction of any of the above described roadways and after the City's acceptance of the construction thereof for maintenance, the City shall thereafter maintain, at the City's cost, all landscaping within such rights-of-way and the additional setbacks immediately adjacent to rights-of-way, excluding the manicured landscaping at the Sweetgrass Parkway access points off of WCR #8 and #11 and the commercial access points.

3.0 SANITARY SEWER IMPROVEMENTS

3.1 Summary. The developer shall under separate agreement with the applicable sanitary sewer provider fund their portion of the trunk line extensions. The sanitary sewer system shall be constructed in phases to serve the applicable development parcels and must be fully operational prior to the issuance of C.O.'s for any units served by the extension.

4.0 WATER SYSTEM IMPROVEMENTS

4.1 Summary. The developer shall under separate agreement with the City or Central Weld County Water District fund their portion of the water system. The water system shall be constructed in phases to serve the applicable development parcels and be fully operational providing the required fire protection prior to the issuance of framing permits for any units served by the extension.

5.0 STORM DRAINAGE IMPROVEMENTS

5.1 Summary. All storm drainage improvements shall be completed concurrently with development of tributary areas within Sweetgrass.

EXHIBIT G
Financing Plan

Sweetgrass Metropolitan Districts Nos. 1, 2 and 3

Forecasted Statements

Sources and Uses of Funds

For the Years Ending

December 31, 2001 through 2028

Sweetgrass Metropolitan Districts Nos. 1, 2 and 3
Dacono, Colorado

Summary of Significant Assumptions and Accounting Policies
December 31, 2001 through 2028

The following forecast presents, to the best of the Petitioner's knowledge and belief, the expected cash receipts and disbursements for the forecast period. Accordingly, the forecast reflects the Petitioner's judgment as of August 20, 2001. The assumptions disclosed herein are those that the Petitioner believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The purpose of this forecast is to show the amount of funds available for construction of infrastructure within the Districts by the issuance of promissory notes to the Developer and the anticipated funds available for repayment of the promissory notes.

The Petitioner anticipates the formation of three (3) Title 32 Special Districts.

Note 1. Ad Valorem and Specific Ownership Taxes

Residential property is currently assessed at 9.74% of 2000 actual value. The market values of residential units within District No. 2 will range from \$100,000 to \$276,000 and will vary based upon development location and lot size. Commercial property is currently assessed at 29% of 2000 actual value. The market value of the commercial property within District No. 3 is based upon development of approximately 43 acres over a three-year period commencing in 2004. Market values are inflated at 3% per year commencing in 2007.

Property is assumed to be assessed annually as of January 1. Residences and commercial properties are assumed to be assessed on January 1 of the year following the year of construction. The forecast of property tax revenue recognizes the related revenue in the subsequent year.

The Weld County Treasurer currently charges a 1.5% fee for the collection of property taxes on the assessed property and improvements. These charges are reflected in the accompanying forecasts as Treasurer's fees.

The forecast assumes that Specific Ownership Taxes collected on motor vehicle registrations will be 5.0% of property taxes collected.

The mill levy proposed to be imposed by the Districts is initially projected to be 35 mills. This levy is used to pay construction financing debt service, interest on revenue bonds, general obligation debt service and operating expenses of the Districts.

Note 2. Development Fee

The forecast assumes that no Development Fee will be collected on any residential unit or commercial property projected to be constructed. The Developer may be required to make advances to the Districts over the life of the forecast.

Note 3. Interest Income

Revenues received by the Districts are assumed to be invested, until expended, at a rate of 5.0%. Interest income earned is based on the beginning cash balance each year and includes an estimate of the timing of the receipt of other revenues and the disbursement of funds during the year.

Note 4. Bond Issuance Assumptions

District No. 1 proposes to issue its promissory notes based upon the need for construction, operating and debt service funds for the project. The Developer will advance funds to the District for these purposes in exchange for the District's promissory notes. The promissory notes will bear a variable interest rate estimated at 8.0%. District Nos. 2 and 3 will issue bonds to refund the promissory notes of District No. 1, and these bonds will be general obligation bonds of the developed districts. The mill levy is projected to not exceed 35 mills to pay debt service obligations and operating expenses of the District. The general obligation bonds will be issued in denominations of \$5,000 or multiples thereof and will bear an estimated interest rate of 6.0%.

Note 5. Operating Expenses

Operating expenses for legal, accounting, audit and management are forecast to be \$30,000 per year. Operating expenses are inflated at a constant rate of 4.0% per year over the life of the forecast.

Note 6. Construction Costs

Construction costs of infrastructure are estimated to be \$12,227,749.

SWEETGRASS METROPOLITAN DISTRICT ESTIMATED COSTS OF IMPROVEMENTS								
			<u>TOTAL</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
PARKS AND RECREATION								
Community recreation center			1,000,000			1,000,000		
Regional trails and bridges			170,000		85,000	85,000		
Community park			334,000		334,000			
Entry monumentation w/ landscaping			300,000		300,000			
SANITARY SEWER								
St. Vrain Godding Hollow sewer extension			2,600,000	250,000	1,650,000	700,000		
Internal sewer connector line			126,000	126,000				
WATER SYSTEMS								
Offsite water tank and supply line			-	-				
Onsite 12" mainline water loop			630,000		630,000			
STORM WATER COLLECTION								
Detention ponds w/ structures			895,000	64,000	180,000	561,000	90,000	-
ROADWAYS								
Weld County Roads #8, 11, 10			2,695,000		1,035,000	820,000		840,000
Commercial frontage road			606,000		606,000			
Sweetgrass Parkway			1,367,000	-	1,067,000	300,000	-	-
Commercial onsite			110,000		110,000	-		
SUPERVISION								
			812,475	33,000	449,775	259,950	6,750	63,000
CONSTRUCTION MANAGEMENT								
			582,274	23,650	322,339	186,298	4,838	45,150
			<u>12,227,749</u>	<u>496,650</u>	<u>6,769,114</u>	<u>3,912,248</u>	<u>101,588</u>	<u>948,150</u>

SWEETGRASS METROPOLITAN DISTRICT DEVELOPMENT PROJECTIONS										
LOCATION	PRODUCT	HOME VALUE	TOTAL	YEAR OF CONSTRUCTION						
		PER UNIT		2002	2003	2004	2005	2006	2007	
Planning Area 1	DUPLEX	\$ 176,000	50	-	-	-	-	-	50	-
Planning Area 1A	DUPLEX	\$ 176,000	82	-	45	37	-	-	-	-
Planning Area 2	50'	\$ 210,000	73	-	73	-	-	-	-	-
Planning Area 3	60'	\$ 276,000	82	-	82	-	-	-	-	-
Planning Area 4	50'	\$ 210,000	115	-	-	108	7	-	-	-
Planning Area 5	65'	\$ 276,000	50	-	-	50	-	-	-	-
Planning Area 6	55'	\$ 237,500	65	-	-	65	-	-	-	-
Planning Area 7	DUPLEX	\$ 176,000	80	-	-	40	40	-	-	-
Planning Area 8	APARTMENTS	\$ 100,000	350	-	-	-	-	-	350	-
Planning Area 10	TOWNHOUSES	\$ 150,000	118	-	-	-	-	-	59	59
Planning Area 11	50'	\$ 176,000	110	-	-	-	-	-	110	-
Planning Area 12 & 14	50', 55', 60'	\$ 236,630	253	-	-	-	253	-	-	-
Planning Area 13	60'	\$ 276,000	96	-	-	-	-	-	96	-
			1,524	-	200	300	300	665	59	

SWEETGRASS METROPOLITAN DISTRICT SOURCE AND APPLICATION OF FUNDS									
		TOTAL	2001	2002	2003	2004	2005	2006	2007
SOURCES:									
Beginning cash				52,275	51,375	52,048	51,157	52,371	52,715
Property tax revenue	27,005,828					-	278,600	623,974	979,261
Specific ownership taxes	1,350,291					-	13,930	31,199	48,963
Sewer reimbursements	2,000,000				113,000	324,000	324,000	324,000	324,000
Construction financing	14,160,000	335,000	5,410,000	4,640,000	1,160,000	1,815,000	580,000	220,000	
Revenue bonds	2,000,000	250,000	1,650,000	100,000					
General obligation bonds	13,600,000								
Interest income	70,747	625	2,614	2,569	2,602	2,558	2,619	2,636	
		60,186,866	585,625	7,114,889	4,906,944	1,538,651	2,485,245	1,614,162	1,627,574
APPLICATION:									
Infrastructure construction	12,227,749	496,650	6,769,114	3,912,248	101,588	948,150			
Interest - construction financing	6,117,300	6,700	243,200	645,200	877,200	996,200	1,092,000	1,124,000	
Principal - construction financing	14,160,000								
Interest - revenue bonds	688,960		20,000	152,000	150,960	125,040	99,120	73,200	
Principal - revenue bonds	2,000,000			113,000	324,000	324,000	324,000	324,000	
Issuance costs	408,000								
Interest - general obligation bonds	8,976,000								
Principal - general obligation bonds	13,600,000								
Treasurer's fees	425,342	-	-	-	-	4,388	9,828	15,423	
Operating costs	1,499,027	30,000	31,200	32,448	33,746	35,096	36,500	37,960	
Contingency	34,488	-	-	-	-	-	-	-	
		60,136,866	533,350	7,063,514	4,854,896	1,487,493	2,432,874	1,561,447	1,574,583
ENDING CASH		<u>50,000</u>	<u>52,275</u>	<u>51,375</u>	<u>52,048</u>	<u>51,157</u>	<u>52,371</u>	<u>52,715</u>	<u>52,991</u>
MILL LEVY						35	35	35	35

	2008	2009	2010	2011	2012	2013	2014
SOURCES:							
Beginning cash	52,991	51,809	50,000	51,705	50,829	53,004	49,561
Property tax revenue	1,455,863	1,529,709	1,521,579	1,479,128	1,442,312	1,397,037	1,362,947
Specific ownership taxes	72,793	76,485	76,079	73,956	72,116	69,852	68,147
Sewer reimbursements	324,000	267,000	-	-	-	-	-
Construction financing	-	-	-	-	-	-	-
Revenue bonds	-	-	-	-	-	-	-
General obligation bonds	-	13,600,000	-	-	-	-	-
Interest income	2,650	2,590	2,500	2,585	2,541	2,650	2,478
	1,908,297	15,527,594	1,650,158	1,607,375	1,567,798	1,522,543	1,483,134
APPLICATION:							
Infrastructure construction	-	-	-	-	-	-	-
Interest - construction financing	1,132,800	-	-	-	-	-	-
Principal - construction financing	290,000	13,870,000	-	-	-	-	-
Interest - revenue bonds	47,280	21,360	-	-	-	-	-
Principal - revenue bonds	324,000	267,000	-	-	-	-	-
Issuance costs	-	408,000	-	-	-	-	-
Interest - general obligation bonds	-	816,000	816,000	773,053	730,105	687,158	644,211
Principal - general obligation bonds	-	-	715,789	715,789	715,789	715,789	715,789
Treasurer's fees	22,930	24,093	23,965	23,296	22,716	22,003	21,466
Operating costs	39,478	41,057	42,699	44,407	46,184	48,031	49,952
Contingency	-	30,084	-	-	-	-	-
	1,856,488	15,477,594	1,598,454	1,556,546	1,514,795	1,472,982	1,431,419
ENDING CASH	<u>51,809</u>	<u>50,000</u>	<u>51,705</u>	<u>50,829</u>	<u>53,004</u>	<u>49,561</u>	<u>51,715</u>
MILL LEVY	35	35	33.8	31.9	30.2	28.4	26.9

	2015	2016	2017	2018	2019	2020	2021
SOURCES:							
Beginning cash	51,715	50,856	53,958	51,970	52,389	51,799	52,696
Property tax revenue	1,320,336	1,284,692	1,240,185	1,203,256	1,162,996	1,125,287	1,084,268
Specific ownership taxes	66,017	64,235	62,009	60,163	58,150	56,264	54,213
Sewer reimbursements							
Construction financing							
Revenue bonds							
General obligation bonds							
Interest income	2,586	2,543	2,698	2,599	2,619	2,590	2,635
	1,440,654	1,402,326	1,358,850	1,317,988	1,276,154	1,235,940	1,193,812
APPLICATION:							
Infrastructure construction							
Interest - construction financing							
Principal - construction financing							
Interest - revenue bonds							
Principal - revenue bonds							
Issuance costs							
Interest - general obligation bonds	601,263	558,316	515,368	472,421	429,474	386,526	343,579
Principal - general obligation bonds	715,789	715,789	715,789	715,789	715,789	715,789	715,789
Treasurer's fees	20,795	20,234	19,533	18,951	18,317	17,723	17,077
Operating costs	51,950	54,028	56,189	58,437	60,774	63,205	65,734
Contingency	-	-	-	-	-	-	-
	1,389,798	1,348,367	1,306,880	1,265,599	1,224,355	1,183,245	1,142,179
ENDING CASH	<u>50,856</u>	<u>53,958</u>	<u>51,970</u>	<u>52,389</u>	<u>51,799</u>	<u>52,696</u>	<u>51,632</u>
MILL LEVY	25.3	23.9	22.4	21.1	19.8	18.6	17.4

	2022	2023	2024	2025	2026	2027	2028
SOURCES:							
Beginning cash	51,632	51,456	55,571	53,912	49,622	53,944	49,069
Property tax revenue	1,046,194	1,011,471	966,913	925,785	895,767	848,234	820,034
Specific ownership taxes	52,310	50,574	48,346	46,289	44,788	42,412	41,002
Sewer reimbursements							
Construction financing							
Revenue bonds							
General obligation bonds							
Interest income	2,582	2,573	2,779	2,696	2,481	2,697	2,453
	<u>1,152,718</u>	<u>1,116,073</u>	<u>1,073,608</u>	<u>1,028,682</u>	<u>992,659</u>	<u>947,287</u>	<u>912,558</u>
APPLICATION:							
Infrastructure construction							
Interest - construction financing							
Principal - construction financing							
Interest - revenue bonds							
Principal - revenue bonds							
Issuance costs							
Interest - general obligation bonds	300,632	257,684	214,737	171,789	128,842	85,895	42,947
Principal - general obligation bonds	715,789	715,789	715,789	715,789	715,789	715,789	715,789
Treasurer's fees	16,478	15,931	15,229	14,581	14,108	13,360	12,916
Operating costs	68,363	71,098	73,941	76,899	79,975	83,174	86,501
Contingency	-	-	-	-	-	-	4,404
	<u>1,101,262</u>	<u>1,060,502</u>	<u>1,019,697</u>	<u>979,059</u>	<u>938,715</u>	<u>898,218</u>	<u>862,557</u>
ENDING CASH	<u>51,456</u>	<u>55,571</u>	<u>53,912</u>	<u>49,622</u>	<u>53,944</u>	<u>49,069</u>	<u>50,000</u>
MILL LEVY	16.3	15.3	14.2	13.2	12.4	11.4	10.7

	2008	2009	2010	2011	2012	2013	2014
CONSTRUCTION FINANCING:							
Beginning balance	14,160,000	13,870,000	-	-	-	-	-
Draws	-	-	-	-	-	-	-
Repayments	(290,000)	(13,870,000)	-	-	-	-	-
Ending balance	13,870,000	-	-	-	-	-	-
GENERAL OBLIGATION BONDS:							
Beginning balance	-	-	13,600,000	12,884,211	12,168,421	11,452,632	10,736,842
Proceeds	-	13,600,000	-	-	-	-	-
Repayments	-	-	(715,789)	(715,789)	(715,789)	(715,789)	(715,789)
Ending balance	-	13,600,000	12,884,211	12,168,421	11,452,632	10,736,842	10,021,053
ASSESSED VALUATION:							
Beginning valuation	41,596,090	43,705,963	45,017,142	46,367,656	47,758,686	49,191,446	50,667,190
Increase from inflation	1,247,883	1,311,179	1,350,514	1,391,030	1,432,761	1,475,743	1,520,016
Increase from building	861,990	-	-	-	-	-	-
Ending valuation	43,705,963	45,017,142	46,367,656	47,758,686	49,191,446	50,667,190	52,187,205
ABSORPTION:							
Market value increase - Residential	8,850,000	-	-	-	-	-	-
Market value increase - Commercial	-	-	-	-	-	-	-
Assessed valuation increase - Residential	861,990	-	-	-	-	-	-
Assessed valuation increase - Commercial	-	-	-	-	-	-	-
Cumulative assessed valuation from building	41,618,714	41,618,714	41,618,714	41,618,714	41,618,714	41,618,714	41,618,714
DEBT TO ASSESSED RATIO:							
Outstanding G.O. debt		13,600,000	12,884,211	12,168,421	11,452,632	10,736,842	10,021,053
% Debt to assessed		30.21%	27.79%	25.48%	23.28%	21.19%	19.20%

	2015	2016	2017	2018	2019	2020	2021
CONSTRUCTION FINANCING:							
Beginning balance	-	-	-	-	-	-	-
Draws	-	-	-	-	-	-	-
Repayments	-	-	-	-	-	-	-
Ending balance	-	-	-	-	-	-	-
GENERAL OBLIGATION BONDS:							
Beginning balance	10,021,053	9,305,263	8,589,474	7,873,684	7,157,895	6,442,105	5,726,316
Proceeds	-	-	-	-	-	-	-
Repayments	(715,789)	(715,789)	(715,789)	(715,789)	(715,789)	(715,789)	(715,789)
Ending balance	9,305,263	8,589,474	7,873,684	7,157,895	6,442,105	5,726,316	5,010,526
ASSESSED VALUATION:							
Beginning valuation	52,187,205	53,752,822	55,365,406	57,026,368	58,737,159	60,499,274	62,314,252
Increase from inflation	1,565,616	1,612,585	1,660,962	1,710,791	1,762,115	1,814,978	1,869,428
Increase from building	-	-	-	-	-	-	-
Ending valuation	53,752,822	55,365,406	57,026,368	58,737,159	60,499,274	62,314,252	64,183,680
ABSORPTION:							
Market value increase - Residential	-	-	-	-	-	-	-
Market value increase - Commercial	-	-	-	-	-	-	-
Assessed valuation increase - Residential	-	-	-	-	-	-	-
Assessed valuation increase - Commercial	-	-	-	-	-	-	-
Cumulative assessed valuation from building	41,618,714	41,618,714	41,618,714	41,618,714	41,618,714	41,618,714	41,618,714
DEBT TO ASSESSED RATIO:							
Outstanding G.O. debt	9,305,263	8,589,474	7,873,684	7,157,895	6,442,105	5,726,316	5,010,526
% Debt to assessed	17.31%	15.51%	13.81%	12.19%	10.65%	9.19%	7.81%

	2022	2023	2024	2025	2026	2027	2028
CONSTRUCTION FINANCING:							
Beginning balance	-	-	-	-	-	-	-
Draws	-	-	-	-	-	-	-
Repayments	-	-	-	-	-	-	-
Ending balance	-	-	-	-	-	-	-
GENERAL OBLIGATION BONDS:							
Beginning balance	5,010,526	4,294,737	3,578,947	2,863,158	2,147,368	1,431,579	715,789
Proceeds	-	-	-	-	-	-	-
Repayments	(715,789)	(715,789)	(715,789)	(715,789)	(715,789)	(715,789)	(715,789)
Ending balance	4,294,737	3,578,947	2,863,158	2,147,368	1,431,579	715,789	0
ASSESSED VALUATION:							
Beginning valuation	64,183,680	66,109,190	68,092,466	70,135,240	72,239,297	74,406,476	76,638,671
Increase from inflation	1,925,510	1,983,276	2,042,774	2,104,057	2,167,179	2,232,194	2,299,160
Increase from building	-	-	-	-	-	-	-
Ending valuation	66,109,190	68,092,466	70,135,240	72,239,297	74,406,476	76,638,671	78,937,831
ABSORPTION:							
Market value increase - Residential	-	-	-	-	-	-	-
Market value increase - Commercial	-	-	-	-	-	-	-
Assessed valuation increase - Residential	-	-	-	-	-	-	-
Assessed valuation increase - Commercial	-	-	-	-	-	-	-
Cumulative assessed valuation from building	41,618,714	41,618,714	41,618,714	41,618,714	41,618,714	41,618,714	41,618,714
DEBT TO ASSESSED RATIO:							
Outstanding G.O. debt	4,294,737	3,578,947	2,863,158	2,147,368	1,431,579	715,789	0
% Debt to assessed	6.50%	5.26%	4.08%	2.97%	1.92%	0.93%	0.00%

EXHIBIT H
Estimated Capital Costs and
Letter Concerning Reasonableness of Costs



HURST & ASSOCIATES, INC.

CONSULTING ENGINEERS

4999 Pearl East Circle, Suite 106 Boulder, Colorado 80301

September 21, 2001

Mike Burns
Community Development Group
2500 Arapahoe Avenue
Suite 220
Boulder, CO 80302

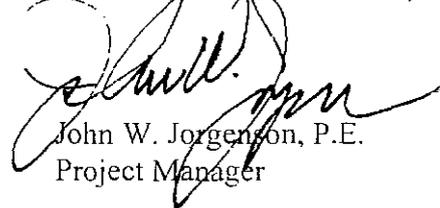
Re: Sweetgrass Metropolitan District Infrastructure Costs

Dear Mike:

Attached are the estimated construction costs to complete portions of the infrastructure in the Sweetgrass Metropolitan District. The estimate is based on current costs of construction and our experience on similar metropolitan districts. The costs represent a reasonable estimate in today's dollars to complete the major infrastructure within Sweetgrass Metropolitan District.

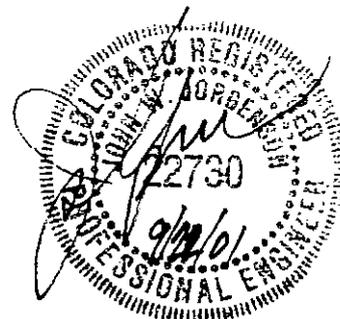
Sincerely,

HURST & ASSOCIATES, INC.



John W. Jorgenson, P.E.
Project Manager

JWJ/kjw





HURST & ASSOCIATES, INC.

CONSULTING ENGINEERS

4999 Pearl East Circle, Suite 106 Boulder, Colorado 80301

SWEETGRASS METROPOLITAN DISTRICT PRELIMINARY ESTIMATE OF PROBABLE CONSTRUCTION COSTS AUGUST 22, 2001

ITEM	NO. OF UNITS		UNIT COST	TOTAL COST
Street Improvements*				
Weld County Road #8	5000	L.F.	\$ 210	\$ 1,050,000.00
Weld County Road #10	4700	L.F.	210	987,000.00
Weld County Road #11	5300	L.F.	210	1,113,000.00
Frontage Road	2500	L.F.	195	487,500.00
Sweetgrass Parkway	5300	L.F.	265.00	1,404,500.00
			Total	\$ 5,042,000.00
Drainage System Improvements				
Regional Detention Ponds	3	Ea.	\$ 85000	\$ 255,000.00
Godding Hollow Tributary	4300	L.F.	150	645,000.00
			Total	\$ 900,000.00
Water System Improvements				
On-Site 12" Watermain	14600	L.F.	\$ 55	\$ 803,000.00
			Total	\$ 803,000.00
Sanitary Sewer System Improvements				
St. Vrain/Godding Hollow Sewermain	1	L.S.	\$ 2600000	\$ 2,600,000.00
Colorado Road 11 Sewer Main Extention	5300	L.F.	85	450,500.00
			Total	\$ 3,050,500.00
Park/Recreation Improvments				
Community Recreation Center	1	L.S.	\$ 1000000	\$ 1,000,000.00
Regional Trails/Pedestrian Bridge	3500	L.F.	60	210,000.00
Community Park	2	Ac.	170,000	340,000.00
Entry Monumentation	3	Ea.	100,000	300,000.00
			Total	\$ 1,850,000.00
			TOTAL	\$ 11,645,500.00
			Contingency (15%)	\$ 1,746,825.00
			Engineering/Surveying (15%)	\$ 1,746,825.00
			Administration (5%)	\$ 582,275.00
			TOTAL	\$ 15,721,425.00

*Does not include water and sewer utilities.

EXHIBIT I

Form of Dacono Intergovernmental Agreement

INTERGOVERNMENTAL AGREEMENT

BETWEEN

THE CITY OF DACONO, COLORADO

AND

SWEETGRASS METROPOLITAN DISTRICT NOS. 1, 2 AND 3

THIS AGREEMENT is made and entered into as of this ____ day of _____, 2001, by and between the **City of Dacono**, a home-rule municipal corporation of the State of Colorado ("City"), and **Sweetgrass Metropolitan District Nos. 1, 2 and 3**, each a quasi-municipal corporation and political subdivision of the State of Colorado (hereinafter collectively referred to as the "District").

RECITALS

WHEREAS, the District was organized to provide those services and to exercise powers as are more specifically set forth in the District's Consolidated Service Plan dated _____, and approved by the City on _____, 2001, by Resolution No. _____ ("Service Plan"); and

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

WHEREAS, the City 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;

NOW, THEREFORE, for and 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. Application of Local Laws. The District hereby acknowledges that the property within its boundaries shall be subject to the ordinances, rules and regulations of the City relating to zoning, subdividing, building, and land use, and to all related City land use policies, master plans, related plans, and intergovernmental agreements.

2. Nature of District. The District agrees that it is organized for the purpose of financing certain public improvements for the area within its boundaries only, which area is designated as the proposed Sweetgrass development. The District is not intended to and shall not provide service outside its boundaries. Further, the

District is not intended to and shall not exist perpetually, but instead shall be dissolved in accordance with the Service Plan and this Agreement.

3. Change in Boundaries. The District agrees that, as set forth in the Service Plan, inclusion of properties within, or any exclusion of properties from, its boundaries shall be subject to either the prior written administrative approval of the City, or the prior written approval by the City Council of the City, as evidenced by a resolution. Any inclusion or exclusion that has been given such prior written approval by the City shall not constitute a material modification of the Service Plan; any purported inclusion or exclusion that has not been so approved shall be void and of no effect.

4. Review of District Submittals. The District agrees to reimburse the City for all administrative and consultant costs incurred by the City for any City review of reports, plans, submittals, or other materials or requests provided to the City by the District pursuant to the Service Plan or state law.

5. Refunding of Bonds. The District agrees that any refunding of outstanding bonds of the District which could extend the maturity of such bonds, or increase the total debt service thereon, shall be subject to the prior written approval of the City Council of the City as evidenced by a resolution after a public hearing thereon. Notwithstanding the foregoing, such prior approval need not be obtained where the refunding or restructuring of outstanding debt of the District is being undertaken for the purpose of preventing or averting a default or terminating a condition of default on the bonds.

6. Ownership of Improvements. The parties agree that the District shall not be permitted to undertake ownership and operation of public facilities and services except as set forth in the Service Plan.

7. Consolidation. The District shall not file a request with the district court to consolidate with another district without the prior written approval of Dacono.

8. Dissolution. The District agrees that it shall take all action necessary to dissolve the District upon the request of the City as provided in the Service Plan.

9. Notice of Meetings. The District agrees that it shall submit a copy of the written notice of every regular, special meeting, and worksession of the District's Board of Directors to the Office of the Dacono City Administrator, by mail, facsimile or hand delivery, to be received at least three (3) days prior to such meeting. The District agrees that it shall also submit a complete copy of meeting packet materials for any such meeting to the Office of the Dacono City Administrator, by mail, facsimile or hand delivery, to be received at least one (1) days prior to such meeting.

10. Annual Report. The District shall be responsible for submitting an annual report to the City pursuant to and including the information set forth in Section VI of the Service Plan.

11. Provision Applicable to Each District. The provisions of this Agreement shall apply jointly and severally to each district constituting the District as defined above.

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

13. 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.

14. Enforcement. The parties agree that this agreement may be enforced in law or in equity for specific performance, injunctive, or other appropriate relief, including damages, as may be available according to the laws and statutes of the State of Colorado.

15. Venue. Venue for the trial of any action arising out of any dispute hereunder shall be in the appropriate district court of the State of Colorado pursuant to the appropriate rules of -civil procedures.

16. Beneficiaries. Except as otherwise stated herein, this agreement is intended to describe the rights and responsibilities of and between the named parties and is not intended to, and shall not be deemed to confer any rights upon any persons or entities not named as parties.

17. Effect of Invalidity. If any portion of this agreement is held invalid or unenforceable for any reason by a court of competent jurisdiction as to either party or as to both parties, such portion shall be deemed severable and its invalidity or its unenforceability shall not cause the entire agreement to be terminated.

18. Assignability. Other than as specifically provided for in this agreement, neither the City nor the District shall assign their rights or delegate their duties hereunder without the prior written consent of the other parties.

19. Successors and Assigns. This agreement and the rights and obligations created hereby shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SWEETGRASS
DISTRICT NO. 1

METROPOLITAN

By: _____
President

ATTEST:

By: _____
Secretary

SWEETGRASS
DISTRICT NO. 2

METROPOLITAN

By: _____
President

ATTEST:

By: _____
Secretary

SWEETGRASS
DISTRICT NO. 3

METROPOLITAN

By: _____
President

ATTEST:

By: _____
Secretary

EXHIBIT J
Letter Concerning Market Projections



THE GENESIS GROUP



August 20, 2001

Mr. Chuck Bellock
Mr. John Lee
Community Development Group
2500 Arapahoe Avenue
Suite 220
Boulder, Colorado 80302

RE: Metropolitan District Finance Plan Review of Sweetgrass

Gentleman,

Pursuant to your request, The Genesis Group has reviewed the Metropolitan District Finance Plan product and absorption assumptions for your Sweetgrass community in Dacono, Colorado. The Genesis Group has analyzed the factors influencing new housing demand in the Sweetgrass market area and determine the potential opportunities for future residential development by Community Development Group in a market study dated February 2000. A competitive audit was conducted in July 2001 as a reference for the purposes of this letter.

Our pricing and absorption recommendations are as follows:

Product Type	Average Base Sales Price	Avg. Upgrade Assumptions	Total Price	Average Annual Absorption
Duplex	\$170,000	\$6,000	\$176,000	5 / month
50' Wide Lot	\$200,000	\$10,000	\$210,000	4 / month
55' Wide Lot	\$225,000	\$12,500	\$237,500	3.5 / month
62' Wide Lot	\$260,000	\$16,000	\$276,000	3 / month

It has been a pleasure working on this assignment. If The Genesis Group can be of further assistance, or if you have questions concerning this assessment, please do not hesitate to call.

Respectfully submitted,

THE GENESIS GROUP

Cheri Meyn
Cheri Meyn

MARKET STUDIES
APPRAISALS
PRODUCT DEVELOPMENT
CONSUMER RESEARCH

9110 East
Nichols
Avenue,
Suite 120
Englewood,
Colorado
80112

303.662.0155

F A X

www.thegenesisgroup.net 303.662.0158

Community Development Group, LLC

September 24, 2001

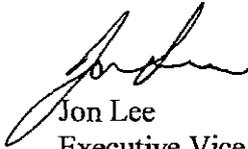
City of Dacono
512 Cherry Street
Dacono, CO 80514

Ladies and Gentlemen,

The Financing Plan included in the Sweetgrass Metropolitan Districts No.'s 1, 2 and 3 Consolidated Service Plan is based on the Genesis Group's product and absorption assumptions, as outlined in their letter dated August 20, 2001. Additionally, we have independently verified the market assumptions utilizing our extensive relationship, developed over the past twenty years, with builders in the Northern Colorado Market.

Sincerely,

DACONO DEVELOPMENT COMPANY, INC.



Jon Lee
Executive Vice President

EXHIBIT K

Letters of Indemnity from Developer and District

Part 1- Developer Letter

City of Dacono
512 Cherry Street
Dacono, Colorado 80514

Re: Sweetgrass Metropolitan District Nos. 1, 2 and 3

Ladies and Gentlemen:

This Indemnity Letter (the "Indemnity Letter") is delivered by the undersigned Dacono Development Company, Inc., a Colorado limited liability company ("DDC") in order to induce the City of Dacono (the "City") to approve the Consolidated Service Plan, including all amendments heretofore or hereafter made thereto (the "Service Plan") for the Sweetgrass Metropolitan District Nos. 1, 2 and 3 (the "District"). In consideration of the City's approval of the Service Plan, DDC, for and on behalf of itself and its transferees, successors and assigns, represents, warrants, covenants and agrees to and for the benefit of the City as follows:

1. DDC hereby agrees to indemnify and hold harmless the City and the City's elected and appointed officers, employees, agents and contractors, from and against any and all liabilities resulting from any and all claims, demands, suits, actions or other proceedings of whatsoever kind or nature made or brought by any third party, including attorney's fees and expenses and court costs, which directly or indirectly arise, or are alleged to arise, out of or are in any manner related to or connected with any of the following: (a) the Service Plan or any document or instrument contained or referred to therein; or (b) the formation of the District or any actions or omissions of DDC, the District, the City, or any other person or entity in connection with the District, including, without limitation, any bonds or other financial obligations of the District or any offering documents or other disclosures made in connection therewith. DDC further agrees to investigate, handle, respond to, and to provide defense for and defend against, or at the City's option to pay the attorney's fees and expenses for counsel of the City's choice for, any such liabilities, claims, demands, suits, actions or other proceedings. It is understood and agreed that the City does not waive or intend to waive the monetary limits (presently \$150,000 per person and \$600,000 per occurrence) or any other rights, immunities, and protections provided by the Colorado Governmental Immunity Act, § 24-10-101 et seq., C.R.S., as from time to time amended, or otherwise available to the City, its officers, or its employees.

2. DDC hereby consents to the City Disclaimer Statement contained in Exhibit "O" to the Service Plan and waives and releases the City from any claims it might

have based on or relating to the use of or any statements made or to be made in such City Disclaimer Statement.

3. It is understood and agreed, and DDC hereby expressly acknowledges, that the City, in acting to approve the Service Plan, has relied upon the provisions of this Indemnity Letter.

4. This Indemnity Letter has been duly authorized and executed on behalf of DDC.

Very truly yours,

DACONO DEVELOPMENT COMPANY,
INC., a Colorado corporation

By: _____

Title: _____

Part 2 – District Letter

City of Dacono
512 Cherry Street
Dacono, Colorado 80514

Re: Sweetgrass Metropolitan District Nos. 1, 2 and 3

Ladies and Gentlemen:

This Indemnity Letter (the "Indemnity Letter") is delivered by the Sweetgrass Metropolitan Districts Nos. 1, 2 and 3 (collectively the "District") in order to comply with the Consolidated Service Plan, including all amendments heretofore or hereafter made thereto (the "Service Plan") for the District. In consideration of the City's approval of the Service Plan, the District, for and on behalf of itself and its transferees, successors and assigns, and jointly and severally as to each district constituting the District, represents, warrants, covenants and agrees to and for the benefit of the City as follows:

1. To the fullest extent permitted by law, the District hereby agree to indemnify and hold harmless the City and the City's elected and appointed officers, employees, agents and contractors, from and against any and all liabilities resulting from any and all claims, demands, suits, actions or other proceedings of whatsoever kind or nature made or brought by any third party, including attorney's fees and expenses and court costs, which directly or indirectly arise, or are alleged to arise, out of or are in any manner related to or connected with any of the following: (a) the Service Plan or any document or instrument contained or referred to therein; or (b) the formation of the District or any actions or omissions of the District, the City, Dacono Development Company, Inc. ("DDC"), or any other person or entity in connection with the District, including, without limitation, any bonds or other financial obligations of the District or any offering documents or other disclosures made in connection therewith. The District further agrees to investigate, handle, respond to, and to provide defense for and defend against, or at the City's option to pay the attorney's fees and expenses for counsel of the City's choice for, any such liabilities, claims, demands, suits, actions or other proceedings. It is understood and agreed that the City does not waive or intend to waive the monetary limits (presently \$150,000 per person and \$600,000 per occurrence) or any other rights, immunities, and protections provided by the Colorado Governmental Immunity Act, § 24-10-101 et seq., C.R.S., as from time to time amended, or otherwise available to the City, its officers, or its employees.

2. The District hereby consents to the City Disclaimer Statement contained in Exhibit "O" to the Service Plan; agrees that the District will include such City Disclaimer Statement or any modified or substitute City Disclaimer Statement hereafter furnished by the City to the District in all offering materials used in connection with any bonds or other financial obligations of the District (or, if no offering materials are used, the City Disclaimer Statement will be given by the District to any purchaser of any bonds or other

financial obligations of the District); and waives and releases the City from any claims it might have based on or relating to the use of or any statements made or to be made in such City Disclaimer Statement.

3. It is understood and agreed, and the District hereby expressly acknowledges, that the City, in acting to approve the Service Plan, has relied upon the provisions of this Indemnity Letter.

4. This Indemnity Letter has been duly authorized and executed on behalf of the District.

Very truly yours,

SWEETGRASS METROPOLITAN DISTRICT NO. 1

By: _____

Title: _____

SWEETGRASS METROPOLITAN DISTRICT NO. 2

By: _____

Title: _____

SWEETGRASS METROPOLITAN DISTRICT NO. 3

By: _____

Title: _____

Community Development Group, LLC

September 24, 2001

City of Dacono
512 Cherry Street
Dacono, Colorado 80514

Re: Sweetgrass Metropolitan District Nos. 1, 2 and 3

Ladies and Gentlemen:

This Indemnity Letter (the "Indemnity Letter") is delivered by the undersigned Dacono Properties, LLC and Dacono Development Company, Inc., a Colorado limited liability company (collectively referred to herein as "Developer") in order to induce the City of Dacono (the "City") to approve the Consolidated Service Plan, including all amendments heretofore or hereafter made thereto (the "Service Plan") for the Sweetgrass Metropolitan Districts Nos. 1, 2 and 3 (the "Districts"). In consideration of the City's approval of the Service Plan, Developer, for and on behalf of itself and its transferees, successors and assigns, represents, warrants, covenants and agrees to and for the benefit of the City as follows:

1. Developer hereby agrees to indemnify and hold harmless the City and the City's elected and appointed officers, employees, agents and contractors, from and against any and all liabilities resulting from any and all claims, demands, suits, actions or other proceedings of whatsoever kind or nature made or brought by any third party, including attorney's fees and expenses and court costs, which directly or indirectly arise, or are alleged to arise, out of or are in any manner related to or connected with any of the following: (a) the Service Plan or any document or instrument contained or referred to therein; or (b) the formation of the Districts or any actions or omissions of Developer, the Districts, the City, or any other person or entity in connection with the Districts, including, without limitation, any bonds or other financial obligations of the Districts or any offering documents or other disclosures made in connection therewith. Developer further agrees to investigate, handle, respond to, and to provide defense for and defend against, or at the City's option to pay the attorney's fees and expenses for counsel of the City's choice for, any such liabilities, claims, demands, suits, actions or other proceedings. It is understood and agreed that the City does not waive or intend to waive the monetary limits (presently \$150,000 per person and \$600,000 per occurrence) or any other rights, immunities, and protections provided by the Colorado Governmental Immunity Act, § 24-10-101 et seq., C.R.S., as from time to time amended, or otherwise available to the City, its officers, or its employees.

2. Developer hereby consents to the City Disclaimer Statement contained in Exhibit "O" to the Service Plan and waives and releases the City from any claims it might have based on or relating to the use of or any statements made or to be made in such City Disclaimer Statement.

3. It is understood and agreed, and Developer hereby expressly acknowledges, that the City, in acting to approve the Service Plan, has relied upon the provisions of this Indemnity Letter.

4. This Indemnity Letter has been duly authorized and executed on behalf of Developer.

Very truly yours,

DACONO PROPERTIES, LLC

By: 
Title: AUTHORIZED REPRESENTATIVE

DACONO DEVELOPMENT COMPANY, INC., a
Colorado corporation

By: 
Title: AUTHORIZED REPRESENTATIVE

EXHIBIT L
Underwriter's Letter



Suite 2100
1050 17th Street
Denver, CO 80265-2101
303 820-5700

September 24, 2001

Mr. Lewis G. Holtsclaw
Community Development Group
5300 D.T.C. Parkway, Suite 370
Greenwood Village, CO 80111

Re: Sweetgrass Metropolitan Districts

Dear Lewis,

As part of the Service Plan approval process, you have asked me to confirm the relationship between this firm and the proposed Sweetgrass Metropolitan Districts.

U.S. Bancorp Investments, Inc. has underwritten several successful metropolitan district bond issues for Community Development Group communities. Because of this relationship, you have asked me to review the financial plan of, among others, the Sweetgrass Metropolitan Districts.

While it is premature to discuss any commitment to underwrite revenue or general obligation bonds for the proposed Districts, it is our intent to serve, if requested, as underwriters for the Districts in the issuance of voter authorized debt, as described in the Service Plan, subject to final due diligence at the appropriate time.

Yours truly,

A handwritten signature in black ink, appearing to read "Brian C. Curd", written over a horizontal line.

Brian C. Curd

Please note: Investments 1) are NOT insured by the FDIC; 2) are NOT deposits or other obligations or guarantees of U.S. Bank or its affiliates; 3) are subject to investment risk including possible loss of principal invested.
U.S. Bancorp Investments, Inc., member NASD and SIPC, is a subsidiary of U.S. Bancorp.
Main Office: 111 S.W. Fifth Avenue Portland, Oregon 97204 1 800 547-6556.

EXHIBIT M

Letter from Districts' Counsel
For Counsel's letterhead

WHITE AND ASSOCIATES

GARY R. WHITE
KRISTEN D. BEAR
GEORGE M. ROWLEY
TODD W. WALLACE
K. SEAN ALLEN
ALYSSE A. EMERY
DANA K. NOTTINGHAM

PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

8005 S. CHESTER STREET, SUITE 125
ENGLEWOOD, COLORADO 80112-3524
TELEPHONE (303) 858-1800
FACSIMILE (303) 858-1801
FIRM@GWHITEANDASSOCIATES.COM

EMPHASIZING SPECIAL
DISTRICT REPRESENTATION,
MUNICIPAL, LAND USE AND
ANNEXATION LAW, AND
DEVELOPMENT FINANCING

To: City Council of the City of Dacono

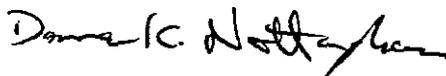
Date: September 24, 2001

Re: Organization of the Sweetgrass Metropolitan District Nos. 1, 2 and 3

This firm has acted as counsel to the Organizers in connection with the organization of the Sweetgrass Metropolitan District Nos. 1, 2 and 3. Pursuant to the requirements of the Consolidated Service Plan for the Districts, this letter confirms that the Consolidated Service Plan for the Districts, submitted as revised on September 24, 2001, to the City of Dacono, and the notice and hearing procedures in connection with the approval of the Consolidated Service Plan, have met the requirements of the Special District Act, part 2 of article 1 of title 32, C.R.S., and that the provisions of the Consolidated Service Plan, including, without limitation, provisions as to the structure and terms of the Districts' bonds, are consistent with applicable provisions of titles 11 and 32, C.R.S.

Very Truly Yours,

WHITE AND ASSOCIATES
Professional Corporation



Dana K. Nottingham

EXHIBIT N
Form of Disclaimer

As a requirement imposed in its formation process, the Sweetgrass Metropolitan District Nos. 1, 2 and 3 (collectively the “District”) is obligated to the City of Dacono (the “City”) to include this disclaimer statement in all offering materials used in connection with any bonds or other financial obligations of the District (or, if no offering materials are used, to give this disclaimer statement to any purchaser of any such bonds or other financial obligations of the District).

The date of this disclaimer statement is _____. The City has not reviewed or participated in the preparation of any offering materials or any other documentation relating to any bonds or financial obligations of the District or to any other materials to which this Disclaimer Statement is appended, and other than this Disclaimer Statement, no other statement of any kind is authorized to be made by or on behalf of the City in connection with any bonds or other financial obligations of the District.

The City and the District are separate legal entities. The City is not a party to and is not obligated with respect to any borrowings, financings, bonds or other financial obligations of the District. The Consolidated Service Plan for the District contains financial information that has been prepared by the District and the City has not participated in preparation of that information. The City’s approval of the Service Plan for the District was based on financial information by the District proponents. Such information should not be considered as information or statements of the City and should not be relied upon by investors. The Service Plan and related agreements do not impose upon the City any duties to, nor confer any rights against the City upon, any bondholders or other third parties.