

SERVICE PLAN
FOR
STERLING HILLS WEST
METROPOLITAN DISTRICT
CITY OF AURORA, COLORADO

Prepared for

Sterling Hills West Metropolitan District

By

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EXHIBIT B Legal Descriptions

EXHIBIT C Aurora Vicinity Map

EXHIBIT D Boundary Map

EXHIBIT E Statutory Contents of Service Plan

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

EXHIBIT G Financing Plan

EXHIBIT H Aurora Intergovernmental Agreement

EXHIBIT I Estimated Capital Costs and Engineer Letter

EXHIBIT J Underwriter Letter

EXHIBIT K Letter in Support of Market Projections

I. INTRODUCTION

A. General Overview. This service plan (“Service Plan”) for Sterling Hills West Metropolitan (hereinafter the “District”) is for a special district proposed to be organized to serve the needs of a new community to be known as “Sterling Hills West.” The proposed District is generally located with East Villanova Place on the south, East Wesley Drive on the north, a residential development on the east and Tower Road on the west.

The primary purpose of the proposed District is to provide public improvements to be dedicated to Aurora or retained by the District for the use and benefit of the District’s inhabitants and taxpayers. Improvements to be provided by the District shall include the types of facilities and improvements generally described in Section II.C below consisting largely of water, wastewater, streets, park and recreation facilities and other improvements needed for the area. This Service Plan addresses the improvements which are expected to be provided by the District. The District may, with Aurora’s agreement, engage in other activities.

This Service Plan was prepared by White and Associates Professional Corporation, 8005 S. Chester Street, Suite 125, Englewood, Colorado 80112; telephone (303) 858-1800.

B. Contents of Service Plan. This Service Plan consists of a financial analysis and engineering information showing how the facilities and services of the District 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 District, as further specifically identified in Exhibit E attached hereto. It is believed that each of the requirements of law and the Aurora Code are satisfied by this Service Plan.

C. Modification of Service Plan. This Service Plan has been prepared with sufficient flexibility to enable the District to provide requisite public services and facilities as are necessary 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 District, the cost estimates and the Financing Plan are sufficiently flexible to enable the District to provide 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 consistent with zoning for the property.

II. PURPOSE OF AND NEED FOR THE PROPOSED DISTRICT

A. Purpose and Intent. It is intended that the District will provide certain essential public-purpose facilities for the use and benefit of all anticipated inhabitants and taxpayers of real property within the boundaries of the District which are wholly located within Aurora. It is not the intent of the District to provide ongoing services other than as specifically set forth in Section IV.H hereof. The District acknowledges the need and its intent to cooperate with Aurora

to serve and promote the health, safety, prosperity, security and general welfare of its inhabitants. As evidence of such cooperation and need to coordinate activities with Aurora, the proposed District shall obtain a resolution approving this Service Plan from Aurora which shall be attached hereto as Exhibit A. Should the purposes of the District change from what is stated herein, it shall be considered to be a material modification of this Service Plan.

B. Need for District. There are currently no other entities located in the surrounding area of the District which have the ability and/or desire to undertake the design, financing and construction of improvements needed for the project. It is the petitioners' understanding that Aurora does not consider it feasible or practicable for it to provide the necessary services and facilities for the project depicted in Exhibit F hereof and described herein. Formation of the District is necessary in order that the public improvements required for the project be provided in the most economic manner possible.

C. General Powers. The proposed District will have power and authority to provide the services and facilities generally described in this Service Plan.

1. Powers Regarding Services and Facilities. The District shall have authority to construct, operate and maintain the services and facilities described below. Necessary funding will be provided by the issuance of general obligation bonds by the District. The following activities shall be permitted:

a. 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, picnic areas, skating areas and facilities, common area landscaping and 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.

b. Sanitation. The design, acquisition, installation and construction of storm or sanitary sewers, or both, flood and surface drainage, wastewater treatment and disposal works and facilities, grading therefor 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.

c. Water. The design, acquisition, installation and construction 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.

d. Streets. The design, acquisition, installation construction of street and roadway improvements, including but not limited to curbs, gutters, culverts, storm sewers and other drainage facilities, detention ponds, retaining walls and appurtenances and entry monumentation, as well as sidewalks, paving, grading, landscaping, and other street improvements, together with all necessary, incidental, and appurtenant facilities, land and easements, together with extensions of and improvements to said facilities.

e. Traffic and Safety Controls. The design, acquisition, installation and construction of traffic and safety protection facilities and services through traffic and safety controls and devices on streets and highways, environmental monitoring, as well as other 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.

2. Miscellaneous Powers. The District 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 District will be exercised by its Board of directors to the extent necessary to provide the services contemplated in this Service Plan. The foregoing improvements and services, along with all other activities permitted by law, 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 Board of directors of the District shall also have the following authority:

i. To amend this Service Plan as needed, subject to applicable state and local laws contained in Title 32, C.R.S. and the Aurora Code; and

ii. To forego, reschedule, or restructure the payment and construction of certain improvements and facilities in order to better accommodate the pace of growth, resource availability and potential inclusions of property within the District, or if the development of the improvements and facilities would best be performed by another entity; and

iii. To provide all such additional services and exercise all such powers as are expressly or impliedly granted by Colorado law, and which the District is required to provide or exercise or, in its discretion, choose to provide or exercise; and

iv. To exercise all necessary and implied powers under Title 32, C.R.S. in the reasonable discretion of the Board of Directors of the District.

III. BOUNDARIES; POPULATION AND ASSESSED VALUATION ESTIMATES

A. General. The service area of the District will ultimately contain approximately 240 acres divided into development phases planned for residential areas. Currently, the developer of the project holds title to one of several parcels, the aggregate of which will ultimately comprise the overall area of Sterling Hills West. The developer holds an option to purchase the remaining parcel of property. The boundaries of the District will initially include only that property to which the developer currently holds title. The remaining parcel of property shall be included into the District at such time as the developer exercises its option to purchase. The improvements which are described in this Service Plan are necessary and applicable for the entirety of Sterling Hills West and specifically contemplate inclusion of the “option” parcel into the boundaries of the District. Such inclusion shall not constitute a material modification of this Service Plan nor shall approval of any such inclusion be conditioned upon the City’s approval. Failure of the Districts to grant the petitions for inclusion of the remaining parcel shall be considered a material modification of this Service Plan. The City shall be notified of any such inclusion at the time of the annual report submitted pursuant to Section VI(B). A legal description setting forth the initial boundaries of the District is provided in Exhibits B-1 and a map depicting such boundaries is attached as Exhibit D-1. A legal description setting forth the boundaries of the District after inclusion of the remaining parcels is provided in Exhibit B-2 and a map depicting such boundaries is attached as Exhibit D-2.

Exhibit C is an Aurora vicinity map which generally reflects the District’s location within current Aurora boundaries. The petitioners assure that the District is entirely within the current boundaries of Aurora.

B. Changes in Boundaries. With the exception of those inclusions discussed above, the District shall obtain written approval from Aurora prior to seeking a change in its boundaries, which shall be approved by administrative action on condition that all property originally in one of the Districts remains in one of the Districts. Other inclusions or exclusions shall be subject to Aurora’s prior approval in accordance with Section 122-31(c)(9) of the City of Aurora Code.

C. Population and Assessed Valuation Estimates. An estimate of projected assessed valuations within the District is set forth in Exhibit H which contains the financing plan for the District. Sterling Hills West will consist of residential development and at buildout, the population of the District is estimated to be approximately 1,800 persons.

IV. DESCRIPTION OF PROPOSED FACILITIES

This section describes the key facilities and improvements expected to be provided by the District. As noted herein, the District will obtain funding through the issuance of general obligation bonds for the construction, operation and maintenance of such facilities and improvements. Where appropriate, the District will contract with various public and/or private entities to undertake such functions, including an intergovernmental agreement with the City of Aurora, as further described herein.

The following general descriptions of improvements are preliminary only and will be subject to modification and revision as engineering plans, financial factors and construction scheduling and costs may require. The improvements shall be subject to the overall limitations on the powers of the District set forth in Section II hereof. Improvements not specifically described herein shall be permitted as long as they are generally contemplated in Section II hereof, and are within the District's financial ability to provide such improvements. Should the types of improvements materially change from what is stated in Section II of this Service Plan, it shall be considered to be a material modification of this Service Plan.

Exhibits F-1, F-2, F-3 F-4, F-5 and F-6 contain general layouts of the key proposed improvements and the projected capital costs of such improvements. Cost estimates for such improvements are depicted in the Financing Plan, as shown in Exhibit G and on Exhibit I. Notwithstanding the cost estimate allocations set forth on Exhibit I, the District shall be permitted to reallocate costs between categories of improvements as it deems necessary in its discretion. The combined total estimated cost of improvements which the District shall be permitted to construct total approximately \$7,600,000, 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. All facilities described herein will be designed in such a way as to assure that the facility and service standards will be compatible with those of Aurora and of other municipalities and special District which may be affected thereby. All descriptions of the specific facilities and improvements to be constructed, and their related costs, are estimates only and are subject to modification as engineering, development plans, economics, Aurora's requirements, and constructing scheduling may require.

A. Park and Open Space. The park and open space improvements expected to be constructed and maintained within the District include contribution to construction of 6-7 acres of Great Plains Park located northeast of the subject property, the District's construction of improvements to open space owned by Public Service Company along Tower Road, major street landscaping within the boundaries of the District, and neighborhood parks.

1. Parks. The park improvements anticipated to be constructed are primarily "pocket parks" within development parcels and may consist of irrigated turf, hardscape, walkways, shrubs, mulch beds, and other uses consistent with neighborhood parks.

2. Street Landscaping. The major streets are anticipated to have landscaping along both sides and along any medians. This landscaping may consist of required fencing, identification markers, 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.

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

B. Grading.

1. Overall Plan. Grading will consist of reshaping the road rights of way in compliance with the approved overlot grading plan.

2. Cost Estimates. The estimated construction costs for grading the road rights of way necessary for Sterling Hills West are presented in Exhibit I.

C. Sanitary Sewer Collection System.

1. Overall Plan. The sanitary sewer collection system is expected to include buried sewer mains, manholes and related appurtenances located predominately within the District's boundary. All wastewater facilities will be conveyed to and operated and maintained by the City of Aurora. Aurora will charge system users for its services in accordance with Aurora policies. The exact configuration of the sanitary sewer collection system is currently being designed.

2. Design Criteria. The proposed sanitary sewer collection system is expected to include sewer mains designed to collect sewage from the development areas within Sterling Hills West. The sewer system components will be designed and installed in accordance with the applicable standards of all entities with jurisdiction over the District, including the Colorado Department of Health. A sanitary sewer system analysis will be prepared to determine appropriate line sizes and slopes. 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 Aurora treatment plant.

4. Cost Estimates. The estimated construction costs for development of the sanitary sewer collection system for Sterling Hills West are shown on Exhibit I.

D. 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 predominately within the District's boundaries. 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 District shall dedicate to Aurora all utility facilities traditionally owned and operated by the City for operations and maintenance.

2. Design Criteria. The proposed domestic potable water distribution system is expected to 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 District including Aurora. The Drinking Water Design Criteria of the

Colorado Department of Health will also be followed where applicable. The water system will also be designed based on Aurora fire protection requirements.

System pressure will primarily be controlled by an Aurora pump station. Water transmission mains will be installed from a direct connection to Aurora'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 Sterling Hills West.

4. Water Distribution System. The water distribution system will be owned by Aurora. 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 District. The mains will provide for normal and peak water demands of the project as well as the delivery of fire protection water.

5. Metering. Water users within the District will be metered. Billings for all water service will be based on actual water use to the extent reasonably practicable. The billing process will be the responsibility of Aurora.

6. Cost Estimates. The estimated construction costs for the development of the domestic water system for Sterling Hills West are presented in Exhibit I.

E. Draining Improvements and Street Improvements. After conveyance by the developer of the street rights-of-way or appropriate easements to the District, the District is expected to construct 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 District will be maintained by Aurora. This will include all roadway infrastructure as it is completed and accepted by Aurora. With the exception of private roads within the District, snow removal and other roadway maintenance on roads within the District will be Aurora's responsibility.

2. Drainage Facilities. The storm drainage facilities, exclusive of the water quality pond will be owned, operated and maintained by Aurora after dedication and acceptance by Aurora.

3. Cost Estimates. The estimated construction costs for the development of the drainage improvements and roadway system for the project are shown on Exhibit I.

F. Description of Cost Estimates. The cost estimates for all improvements summarized in Exhibit G 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. The cost estimate subtotals were increased 10% for landscaping architecture and surveying, 6% for bonding and meters and 10% for contingencies to arrive at the total cost estimates.

G. Aurora Construction Standards. The District shall ensure that any proposed improvements set forth in this Section IV will be designed and constructed solely in accordance with the standards and specifications set forth by Aurora, if applicable. The District will obtain approval of civil engineering plans and a permit for construction and installation of improvements from Aurora.

H. Dedication of Improvements to Aurora. The District shall dedicate or cause all of the public water and wastewater improvements, all public streets and streets dedicated by plat, all public drainage facilities, and all public sidewalks as well as all rights-of-way and easements necessary for access to facilities to be conveyed to Aurora upon completion of construction and installation. 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.

An "Initial Acceptance" letter shall be issued by Aurora which specifies that the public improvements shall be warranted for one calendar year from the date of such dedication. Aurora shall issue a "Final Acceptance" form letter at the completion of the warranty period should the public improvements conform to Aurora specifications and standards. At Aurora's discretion, dedication may take place after the one-year warranty.

I. Ownership/Operation of Facilities by District. Except for facilities and improvements described in this Section IV.I, the District 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 Aurora of an amendment to this Service Plan. The District shall have authority to operate and maintain the improvements described in this Section IV.I. Improvements including the park and recreation improvements, all tract landscaping improvements, landscaping along Tower Road, Sterling Hills Parkway, East Villanova Place and East Wesley Drive, entry features, drainage tracts and pocket parks will be retained by the District for operations and maintenance. The District may contract with homeowner associations for operation of the facilities.

The District is expected to undertake all ownership, operations and maintenance responsibilities for the improvements which are not conveyed to Aurora, and will do so either itself or by contract with homeowner associations as noted above. If the District elects to operate the facilities itself, revenue to pay the expenses of operations may be obtained from fees legally imposed by the District or other legally available revenues of the District. Whether the facilities are operated directly by the District, or are operated by the associations, user fees may be obtained by the District to offset the expenses. User fees for use of recreational facilities will be different for residents of the District than for outside users. Approval of this Service Plan by Aurora constitutes Aurora's agreement that the District may perform these functions.

J. Acquisition of Land for Public Improvements and Easements. The District agrees to acquire by easement or plat dedication, at no cost, or cause the dedication to Aurora of all land required by Aurora for construction of public improvements being provided by the District. Exceptions must be approved by Aurora in writing. Failure to comply with this provision shall be deemed to be a material modification of this Service Plan. The District agrees to acquire all land needed by Aurora for construction of normal street improvements required by Aurora through dedication by the Developer at no cost. Exceptions must be approved by Aurora in writing. Failure to acquire all land needed by Aurora for such construction of street improvements shall be deemed to be a material modification of this Service Plan.

K. Offsite Improvements. Except as set forth herein, the District shall not be authorized to participate in the funding of any offsite public infrastructure improvements except through approval of an amendment to this Service Plan approved by Aurora. Failure to comply with this section may be deemed to be a material modification of the Service Plan. Offsite improvements shall include improvements needed outside the recognized boundaries of the District. The District shall be responsible for participating in sharing the costs for public offsite infrastructure improvements benefiting the taxpayers and residents of the District. The off-site improvements to be constructed in whole or in part by the District are the improvements associated with construction of the landscaping along Tower Road and participation in funding of construction of 6-7 acres of Great Plains Park located to the northeast of Sterling Hills West.

L. Services of District. The 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 \$45,000. An overall financing plan showing the anticipated operating costs, phasing of bond issues, and related matters is attached as Exhibit H.

M. Limitation on Use of Funds. The District agrees that no District revenues will be used to pay water transmission development fees or sewer interceptor development fees.

V. FINANCIAL PLAN

A. General Plan of Finance. The total estimated cost of the facilities is approximately \$7,600,000 in 1999 dollars, exclusive of costs of issuance, organizational costs, inflation, and other similar costs. A letter regarding the reasonableness of the cost estimates is attached at Exhibit I. The District's new money general obligation debt limitation ("debt limitation") will be \$9,400,000, inclusive of costs of issuance, organizational costs, inflation and other similar costs. Increases in debt necessary to accomplish a refunding, reissuance or restructuring of debt, and bonds payable from sources other than ad valorem taxes, shall not count against the debt limitation. The debt limitation shall not be increased unless approved by Aurora and as permitted by statute and under the provisions of this Service Plan.

It is currently anticipated that the District will issue general obligation bonds in amounts sufficient to permit the District to construct needed facilities. General obligation debt will be supported by ad valorem mill levies and other available revenues of the District. Attached to this Service Plan as Exhibit G is a Financing Plan of the District which shows how the proposed services and facilities may be financed and operated by the District and identifies the proposed debt issuance schedule of the District. If all the property is included in the District as contemplated in paragraph III(A), issuance of bonds by the District may proceed without further approval of the City. However, should the District seek to issue bonds prior to the inclusion of the property set forth in paragraph III(A), an updated financial model for the bonds in question shall be submitted and approved by the City pursuant to administrative action. Such review shall be for the purpose of ensuring that the conditions of this Service Plan have been met and, specifically that sufficient property has been included within the District to allow it to discharge the debt reasonably in accordance with the updated financial model. Failure to obtain an administrative finding of compliance under such circumstances shall constitute a material modification of this Service Plan. A letter in support of the market projections and an underwriter commitment letter are attached hereto as Exhibits K and J, respectively. The initial general obligation bond issues are depicted in Exhibit G. The District anticipates contributions to the funding of 6 to 7 acres of Great Plains Park will be allocated out of each bond issue, as further detailed in Exhibit G. The timing of issuance of bonds will be adjusted from time to time to meet development requirements. All bonds will be issued in compliance with applicable state law.

All bonds issued by the District may be payable from any and all legally available revenues of the District, including general ad valorem taxes to be imposed upon all taxable property within the District, which may not initially exceed 42.55 mills. The 42.55 mill debt service levy limit may be eliminated when the amount of all outstanding bonds does not exceed 50% of the assessed valuation of the District. This structure places the risk of development on the developer and creates enforceable limits on the mill levies until assessed valuation has been developed. At such time as the mill levy limits are removed from the District's bonds, it is anticipated that mill levies will not exceed the amounts estimated in the Financing Plan.

The District intends to impose an aggregate mill levy of 36 mills for debt service and general administration and that it will issue approximately \$7,900,000 in bonds pursuant to the Financing Plan. District revenues from 3 mills out of the total of 36 shall be allocated to landscaping maintenance for the regional park and City right-of-way. Notwithstanding the aforesaid, in the event the District deems it necessary, it shall be expressly authorized to issue up to 42.55 mills and to issue a total of \$9,400,000 in general obligation debt pursuant to the Financing Plan, which shall not, in any event, be deemed to constitute a material modification hereto or require additional authorization of the City.

The foregoing 50% threshold as well as the 42.55 mill limit, shall be subject to adjustment if the laws of the State change with respect to the assessment of property for taxation purposes, the ratio for determining assessed valuation changes, or other similar changes occur. In these events, the foregoing thresholds and limits 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 District and overall tax payments from property owners.

The Financing Plan demonstrates one method that might be used by the District 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 District. Such alternative financing plans shall be submitted to Aurora in advance for administrative review regarding overall consistency of the revised plan with this Service Plan. Any material economic deviation of such proposed plans from the scope of this Service Plan may be deemed a material modification hereof and may be subject to all applicable laws governing approval of material modifications. At the City's sole discretion, the District shall pay an administrative fee for any review required to determine whether material modifications to the Service Plan are being proposed. Due to the support expected to be received from the developer, 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.

B. Operating Costs. In addition to showing the anticipated bond issues of the District discussed in the preceding section, the Financing Plan includes the proposed operating revenue derived from ad valorem property taxes for the first budget year and thereafter. The financing plan assumes imposition of approximately 3 mills to raise revenues sufficient for funding to the City for park and right-of-way landscaping maintenance.

C. Other Financial Information. The balance of the information contained in this Article V is preliminary in nature. Upon approval of this Service Plan, the District will continue to develop and refine cost estimates contained herein and prepare for bond issues. Updated information, if any, shall be provided to the City in the annual report referred to in Section VI.B. 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 District will also rely upon various other revenue sources authorized by law. These will include the power to assess fees, rates, tolls, penalties, or charges as provided in § 32-1-1001(1), C.R.S., as amended from time to time. The Financing Plan assumes various sources of revenue, including ad valorem property taxes, specific ownership taxes, facilities fees, and user charges, together with interest earnings on retained amounts. It is anticipated that a system of user charges will also be established for recreation improvements and other improvements not owned and operated by Aurora.

Notwithstanding anything contained in this Service Plan to the contrary, no District taxes, fees, rates, tolls, penalties or charges shall be due from or with respect to any real property within the boundaries of the District for any school site dedicated to the Cherry Creek School District.

The Financing Plan does not project any significant accumulation of fund balances which might represent receipt of revenues in excess of expenditures under the TABOR Amendment. To the extent annual district revenues exceed expenditures in this manner, the District will comply

with the provisions of TABOR and either refund the excess or obtain voter approval to retain such amounts. Initial spending and revenue limits of the District, as well as mill levies, will be established by elections which satisfy TABOR requirements. In the discretion of the Board of directors, the District may set up other qualifying entities to manage, fund, construct and operate facilities, services, and programs. To the extent allowed by law, any entity created by the District will remain under the control of its board of directors.

The estimated costs of the facilities and improvements to be constructed and installed by the 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 F of this Service Plan. The maximum voted interest rate on bonds will be 18%. The proposed maximum underwriting discount will be 5%. It is estimated that the general obligation bonds, when issued, will mature not more than twenty (20) years from date of issuance, with the first maturity being not later than three (3) years from the date of its issuance, as required by statute. The estimated costs of the organization and initial operation of the District through December 31, 1999 including legal, engineering, administrative and financial services, are expected to be approximately \$100,000. Organizational costs will be reimbursed to the developer by the District out of its initial revenue sources including bond issue proceeds.

D. Debt Issuance. The District acknowledges that when it actually incurs indebtedness within the total debt limitation, such debt will be included in the overlapping debt analysis of Aurora made by bond rating agencies. The District shall submit information regarding issuance of debt to Aurora as part of the annual report required by Section VI. B. below.

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

F. Elections and Conditions on Exercise of Financial Powers. The District may obtain authorization from its electorate at an election to be scheduled for November 2, 1999, or on other legally permitted dates for general obligation bonds and for other matters summarized below.

G. Potential Risks to Proposed Financing. The ability of the District to meet the projections upon which the Financing Plan is premised is subject to various risks and uncertainties, including but not necessarily limited to, actual development, population and absorption as might occur within the area and actual market valuation of property within the District's boundaries.

H. Quinquennial Review. Pursuant to section 32-1-1101.5, the District shall submit application for a quinquennial finding of reasonable diligence in every fifth calendar year after the calendar year in which the District's ballot issue to incur general obligation indebtedness was approved by its electors. Upon such application, the City shall conduct an administrative review

to ensure that the District's conduct is in conformance with the provisions of section 122-35(b) of the Aurora City Code. Upon written request of the City, the District shall be responsible for payment of necessary and reasonable consultant fees associated with the City's review under this section v(h).

I. Subdivision Plat Approval. Until the time at which a subdivision plat for the property within the boundaries of the District, as set forth in Exhibit B, has been approved by the City of Aurora, the District shall be prohibited from (1) the imposition of a District mill levy or District fee within its boundaries or, (2) issuance of general obligation bonds or other financial obligations of the District.

VI. GENERAL MATTERS

A. Elections. Following approval of this Service Plan by Aurora, and after acceptance of the organizational petition and issuance of orders from the District Court, an election on the question of organizing the District 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 the TABOR Amendment, and are currently planned for November 2, 1999, but may be held on any legally permitted date. The election questions are expected to include whether to organize the District, 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 District,
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 District. Future elections to comply with the

TABOR Amendment are anticipated and may be held as determined by the elected board of directors of the District.

B. Annual Report. The District shall be responsible for submitting an annual report to Aurora within 60 days from the conclusion of the District's fiscal year. Failure of the District to submit such report shall not constitute a material modification hereof unless the District refuses to submit such report within 60 days after a written request from Aurora to do so. The District's 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 or proposed.
2. Intergovernmental Agreements with other governmental bodies entered into or proposed.
3. Changes or proposed changes in the proposed District's policies.
4. Changes or proposed changes in the proposed District's operations.
5. Any changes in the financial status of the proposed District including revenue projections, or operating costs.
6. A summary of any litigation which involves the proposed District.
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 District.

VII. CONSERVATION TRUST FUND

The District shall claim no entitlement to funds from the Conservation Trust Fund which is derived from lottery proceeds. The District shall remit to Aurora any and all conservation trust funds which they receive.

VIII. CONSOLIDATION

The District shall not file a request with the District Court to consolidate with another district without the prior written approval of Aurora.

IX. MODIFICATION OF SERVICE PLAN

The District shall obtain the prior approval of Aurora before making any material modifications to this Service Plan as noted herein. Material modifications shall include modifications of a basic or essential nature including any additions to the types of services initially provided by the District, change in debt limit, change in revenue type, or change in maximum mill levy (with the exception of the elimination of the maximum mill levy upon meeting the fifty percent (50%) debt assessed ratio). The examples above are only examples and are not an exclusive list of all actions which may be identified as a material modification. Aurora 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.

X. FAILURE TO COMPLY WITH SERVICE PLAN

In accordance with the authority contained within the Aurora City Code, and in the event that the District takes any action which constitutes a material modification from the Service Plan without approval from Aurora, Aurora shall utilize the remedies set forth in the statutes to seek to enjoin the actions of the District.

XI. RESOLUTION OF APPROVAL

The proposed District agrees to incorporate the Aurora 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

The petitioners for organization of the District will make a good faith effort to assure that the developers of the property located within the District provide adequate written notice to purchasers of land in the District regarding the existence of taxes, charges, or assessments which may be imposed in connection with the District by providing a written disclosure of the same. It is anticipated that the Developer will require that all builders purchasing property within Sterling Hills West from the Developer shall provide such a disclosure to homebuyers at the time of contracting. The form of disclosure shall be submitted to the City for administrative approval within ninety days of the District's organization. The disclosure shall include, but not necessarily be limited to the following matters: (1) the District's authorized debt, anticipated issuance schedule and terms thereof; (2) facilities and services to be operated and maintained by the District; (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 Aurora, the District shall record the disclosure in the real property records of the County of Arapahoe, State of Colorado.

XIII. INTERGOVERNMENTAL AGREEMENTS

The form of intergovernmental agreement required by Section 122-31 of the Aurora Code, relating to limitations on the District's activities, is attached as Exhibit J.

XIV. CONCLUSION

It is submitted that this Service Plan for the District, as required by § 32-1-203(2), C.R.S., has established that:

(a) There is sufficient existing and projected need for organized service in the area to be serviced by the District;

(b) The existing service in the area to be served by the District is inadequate for present and projected needs;

(c) The District is capable of providing economical and sufficient service to the area within its proposed boundaries,

(d) The area to be included in the District does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis;

(e) Adequate service is not, and will not be, available to the area through Aurora, or other existing municipal or quasi-municipal corporations, including existing special District, within a reasonable time and on a comparable basis;

(f) The facility and service standards of the District are compatible with the facility and service standards of Aurora within which the District are to be located and each municipality which is an interested party under § 32-1-204(l), C.R.S.;

(g) The proposal is in substantial compliance with a comprehensive plan adopted pursuant to Section 146-2196 of the Aurora Code;

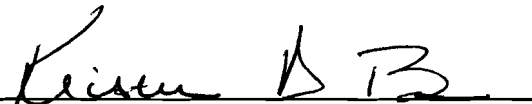
(h) The proposal is in compliance with any duly adopted county, regional, or state long-range water quality management plan for the area; and

(i) The creation of the District is in the best interests of the area proposed to be served.

Therefore, it is requested that the Aurora City Council, which has jurisdiction to approve this Service Plan by virtue of §§ 32-1-201, C.R.S., et seq., as amended, adopt a resolution which approves this Service Plan for the District as submitted.

Respectfully submitted,

WHITE AND ASSOCIATES
PROFESSIONAL CORPORATION

By: 

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Gary R. White
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