

INTEROFFICE MEMORANDUM



CITY OF COLORADO SPRINGS

Date: March 11, 2008

To: City Council

Via: *Penelope Culbreth-Graft*
Penelope Culbreth-Graft, DPA, City Manager

From: Lisa Bigelow, Director, Budget Department *AMB*
Todd Dodge, Principal Analyst, Budget Department *TD*

Subject: **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COLORADO SPRINGS, COLORADO, AUTHORIZING THE AMENDMENT OF THE SERVICE PLAN FOR THE BANNING LEWIS RANCH METROPOLITAN DISTRICT NOS. 1-5 AND 7 TO INCREASE THE PERMISSIBLE OPERATING MILL LEVY**

SUMMARY: Banning Lewis Ranch filed a petition to amend and restate the Consolidated Service Plan for Banning Lewis Ranch Metropolitan District Nos. 1-7 (excluding District No. 6, which will be amended at a future date and will be known as Banning Lewis Ranch Regional Metropolitan District). The proposed amendment will bring the Service Plan into compliance with the City's current Model Service Plan Policy with two requested exceptions. The first exception will increase the operating and maintenance mill levy cap for each district by 10 mills (to a total cap of 20 mills operating and maintenance). The second exception will increase the aggregate mill cap request to 70 mills for commercial districts and 50 mills for residential districts (the debt mill levy cap would remain at 50 mills for commercial districts and 30 mills for residential district).

PREVIOUS COUNCIL ACTION: The Banning Lewis Ranch Metropolitan Districts were approved in 2005 under the prior Model Service Plan.

BACKGROUND: District Nos. 1-5 are residential districts and District No. 7 is the commercial district. District No. 6 will be renamed as Banning Lewis Ranch Regional Metropolitan District and is not part of this amendment and restatement. The Districts are responsible for providing road improvements; park improvements, including entry parks, neighborhood parks and pocket parks; a trail system; landscaping within the public rights-of-way; and community recreation centers. In addition to these standard features of a Metropolitan District, Banning Lewis Ranch will also have two unique features. The Districts will be paying for a swimming pool and recreation center with the operating and maintenance mill levy.

FINANCIAL IMPLICATIONS: Authorized debt per the service plan is \$400,000,000 but limited to what may be financed by the maximum debt mill levy applicable to each district. Mill levies for debt are capped at 50 mills for commercial districts and 30 mills for residential

districts. The request is to cap the operating and maintenance mill levy at 20 mills. The total mill levy cap would be 70 mills for commercial districts and 50 mills for residential districts.

BOARD/COMMISSION RECOMMENDATION: N/A

STAKEHOLDER PROCESS: Banning Lewis Ranch has reviewed this with their homebuilders who are the current landowners.

ALTERNATIVES: City Council could choose to approve, not approve or modify the proposed resolution.

RECOMMENDATION: The Special District Committee has reviewed this Service Plan and the attached independent financial analysis. The committee supports the request to increase the mill levy based on the financial analysis for District Nos. 1 and 2 and the unique services the district will provide. District Nos. 3, 4, 5 and 7 shall provide to City staff a financial justification for a greater mill levy (but not to exceed the Maximum Operating Levy as described in the Amended and Restated Service Plan) prior to certifying the mill levy for those districts.

PROPOSED MOTION: If Council accepts the petitioner's requests, move to approve the attached resolution.

Attachments: Resolution
Service Plan
Forecasted Surplus Cash Balances

C: Special District Review Committee Members:

Kathy Young, City Clerk
Pat McDivitt, Senior Attorney, City Attorney's Office
Terri Velasquez, Director, Finance Department
Ron Mitchell, Director, Public Works Department
Craig Blewitt, Manager, City Planning and Community Development Department
Vicki Phillips, Manager, Finance Department
Larry Larsen, Senior Planner, City Planning and Community Development Department
Sarah Keith, Landscape Architect, Parks, Recreation and Cultural Services Department
Leslie Hickey, Principal Analyst, Budget Department
Debbie Wutt, Accountant, Finance Department
Brent Schubloom, System Extensions Manager, Colorado Springs Utilities
Ann Nichols, Consultant, Special District Review Committee

Resolution No.

A RESOLUTION OF THE CITY OF COLORADO SPRINGS AUTHORIZING THE AMENDMENT OF THE SERVICE PLAN FOR THE BANNING LEWIS RANCH METROPOLITAN DISTRICT NOS. 1-5 AND 7 TO INCREASE THE PERMISSIBLE OPERATING MILL LEVY.

WHEREAS, The Banning Lewis Ranch Company, LLC and Banning Lewis Ranch Development I & II formed the Banning Lewis Ranch Metropolitan District Nos. 1-5 and 7 (collectively, the "Districts") in 2005, by the "Consolidated Service Plan" previously approved by City Council, a copy of which is filed and of record with the El Paso County Court in Case No. 05CV3796 (Banning Lewis Ranch Metropolitan District No. 1), Case No. 05CV3905 (Banning Lewis Ranch Metropolitan District No. 2), Case No. 05CV3805 (Banning Lewis Ranch Metropolitan District No. 3), Case No. 05CV3823 (Banning Lewis Ranch Metropolitan District No. 4), Case No. 05CV3833 (Banning Lewis Ranch Metropolitan District No. 5), Case No. 05CV3842 (Banning Lewis Ranch Metropolitan District No. 7); and

WHEREAS, pursuant to the terms of the Service Plan and Section 32-1-207, C.R.S., the Districts may petition the City Council of the City for an increase in the Maximum Debt Mill Levy and/or the Maximum Operating Mill Levy as the Public Improvements within the Districts are completed; and

WHEREAS, C.R.S. § 32-1-207 provides that no special district may materially modify its service plan except upon petition to the governing body of the municipality within which the special district lies and adoption of resolution of approval by such governing body; and

WHEREAS, the Districts have petitioned the City for approval of an amended service plan that incorporates prior amendments and increases the Maximum Debt Mill Levy and/or the Maximum Operating Mill Levy for each individual District.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Colorado Springs, El Paso County, Colorado, that:

Section 1. Findings of Fact. The City Council of the City of Colorado Springs, having reviewed the petition and Amended and Restated Service Plan for the Districts dated February __, 2008 and presented by the Banning Lewis Ranch Company, LLC, has determined, based solely upon the Amended and Restated Service and evidence presented to City Council in support of said Amended and Restated Service Plan, that approval of the Amended and Restated Service Plan is in the best interests of the City, El Paso County, and the District.

Section 2. The Amended and Restated Service Plan for the Districts shall be approved and the same is hereby approved.

Section 3. The City's approval of the Amended and Restated Service Plan is not a waiver of, nor a limitation upon any power that the Town is legally permitted to exercise with

respect to the property subject to the proposed Districts.

Section 4. Effective Date. This Resolution shall be published and become effective as provided by law.

Section 5. Severability. If any part, section, subsection, sentence, clause or phrase of this Resolution is for any reason held to be invalid, such invalidity shall not affect the validity of the remaining sections of the Resolution.

Section 6. Repealer. All ordinances or resolutions, or parts thereof, in conflict with this Resolution are hereby repealed, provided that such repealer shall not repeal the repealer clauses of such Resolution nor revive any Resolution thereby.

DATED AT COLORADO SPRINGS, COLORADO, THIS ___ DAY OF MARCH, 2008.

ATTEST:

CITY OF COLORADO SPRINGS

By: _____
City Clerk

By: _____
Mayor

**AMENDED AND RESTATED SERVICE PLAN
FOR**

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 2

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 3

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 4

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 5

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 7

IN THE CITY OF COLORADO SPRINGS, COLORADO

Prepared

by

Grimshaw & Harring, P.C.
1700 Lincoln Street, Suite 3800
Denver, Colorado 80203

Submitted: February 26, 2008

TABLE OF CONTENTS

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

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

LIST OF EXHIBITS

EXHIBIT A	Legal Descriptions
EXHIBIT B	Colorado Springs Vicinity Map
EXHIBIT C-1	Initial District Boundary Map
EXHIBIT C-2	Inclusion Area Boundary Map
EXHIBIT D	Description of Permitted Services to be Provided by the Districts
EXHIBIT E	Form of Disclosure to Purchasers of Property within the Districts

I. INTRODUCTION

A. Purpose and Intent

This Service Plan amends and restates the Consolidated Service Plan for Banning Lewis Ranch Metropolitan District Nos. 1 – 7, previously approved by City Council, a copy of which is filed and of record with the El Paso County Court in Case No. 05CV3796 (Banning Lewis Ranch Metropolitan District No. 1), Case No. 05CV3905 (Banning Lewis Ranch Metropolitan District No. 2), Case No. 05CV3805 (Banning Lewis Ranch Metropolitan District No. 3), Case No. 05CV3823 (Banning Lewis Ranch Metropolitan District No. 4), Case No. 05CV3833 (Banning Lewis Ranch Metropolitan District No. 5), Case No. 05CV3842 (Banning Lewis Ranch Metropolitan District No. 7). This Service Plan does not affect Banning Lewis Ranch Metropolitan District No. 6, now known as Banning Lewis Ranch Regional Metropolitan District.

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

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

B. Need for the Districts

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

C. Objective of the City Regarding Districts Service Plan

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

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

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

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

II. DEFINITIONS

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

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

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

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

City: the City of Colorado Springs, Colorado.

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

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

Commercial District: District No. 7, containing property classified for assessment as nonresidential.

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

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

District No. 1: the Banning Lewis Ranch Metropolitan District No. 1.

District No. 2: the Banning Lewis Ranch Metropolitan District No. 2.

District No. 3: the Banning Lewis Ranch Metropolitan District No. 3.

District No. 4: the Banning Lewis Ranch Metropolitan District No. 4.

District No. 5: the Banning Lewis Ranch Metropolitan District No. 5.

District No. 7: the Banning Lewis Ranch Metropolitan District No. 7.

District or Districts: any one or all of the District Nos. 1 through 5 and 7, inclusive.

External Financial Advisor: a consultant that: (1) advises Colorado governmental entities on matters relating to the issuance of securities by Colorado governmental entities, including matters such as the pricing, sales and marketing of such securities and the procuring of bond ratings, credit enhancement and insurance in respect of such securities; (2) shall be an underwriter, investment banker, or individual listed as a public finance advisor in the Bond Buyer's Municipal Market Place; and (3) is not an officer of the District.

Financial Plan: the Financial Plan described in Section VII which describes (a) how the Public Improvements are to be financed; (b) how the Debt is expected to be incurred; and (c) the estimated operating revenue derived from property taxes for the first budget year.

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

Inclusion Area Boundary Map: the map attached hereto as Exhibit C-2, describing the property proposed for inclusion within one, but not any more than one, of the boundaries of the Districts.

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

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

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

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

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

Project: the development or property commonly referred to as the Banning Lewis Ranch.

Public Improvements: a part or all of the improvements authorized to be planned, designed, acquired, constructed, installed, relocated, redeveloped and financed as generally described in the Special District Act, except as specifically limited in Section V below to serve the future taxpayers and inhabitants of the Service Area as determined by the Board of one or more of the Districts.

Residential Districts: District Nos. 1 through 5, inclusive, containing property classified for assessment as residential.

Service Area: the property within the Initial District Boundary Map and the Inclusion Area Boundary Map.

Service Plan: this amended and restated service plan for the Districts approved by City Council.

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

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

State: the State of Colorado.

III. BOUNDARIES

The area of the Initial District Boundaries includes approximately 2,937.126 acres and the total area proposed to be included in the Inclusion Area Boundaries is approximately 18,463.864 acres. A legal description of the Initial District Boundaries and the Inclusion Area Boundaries is attached hereto as Exhibit A. A map of the Initial District Boundaries is attached hereto as Exhibit C-1, and a map of the Inclusion Area Boundaries is attached hereto as Exhibit C-2. A vicinity map is attached hereto as Exhibit B. It is anticipated that the District's Boundaries may change from time to time as it undergoes inclusions and exclusions pursuant to Section 32-1-401, et seq., CRS, and Section 32-1-501, et seq., CRS, subject to the limitations set forth in Article V below.

IV. PROPOSED LAND USE/POPULATION PROJECTIONS/ASSESSED VALUATION

The Service Area consists of approximately 21,400.99 acres of currently undeveloped land. The current assessed valuation of the Service Area is \$0.00 for purposes of this Service Plan and, at build out, is expected to be sufficient to reasonably discharge the Debt under the Financial Plan. The population of the Districts at build-out is estimated to be approximately 150,000 people.

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

V. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES

A. Powers of the Districts and Service Plan Amendment

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

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

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

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

3. Use of Bond Proceeds and Other Revenue of the Districts Limitation. Proceeds from the sale of debt instruments and other revenue of Districts may not be used to pay landowners within the District for any real property required to be dedicated for public use by annexation agreements or land use codes. Examples of ineligible reimbursements include, but are not limited to: the acquisition of rights of way, easements, water rights, land for prudent line drainage, parkland, or open space, unless consent from the City Council is given. Proceeds from the sale of debt instruments and other revenue of the Districts also may not be used to pay for the construction of any utility infrastructure except for those categories of utility infrastructure covered by utility tariffs, rules, and regulations. Additionally, if the landowner/developer constructs the public infrastructure and conveys it to the District in return for a reimbursement obligation from the District, prior to making such reimbursement for such amounts, the District must receive the report of an independent engineer or accountant confirming that the amount of the reimbursement is reasonable.

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

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

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

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

We [I] certify that (1) the net effective interest rate (calculated as defined in Section 32-1-103(12), CRS) to be borne by [insert the designation of the Debt] does not exceed a reasonable current [tax-exempt] [taxable] interest rate, using criteria deemed appropriate

by us [me] and based upon our [my] analysis of comparable high yield securities; and (2) the structure of [insert designation of the Debt], including maturities and early redemption provisions, is reasonable considering the financial circumstances of the District.

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

8. Overlap Limitation. As used in this Section V.A.8., the term "Districts" shall include reference to Banning Lewis Ranch Metropolitan District Nos. 1 – 5 in addition to District No. 7. The boundaries of the Districts shall not overlap unless the aggregate mill levy for payment of Debt of the overlapping Districts will not at any time exceed the Maximum Debt Mill Levy; provided, that the Districts may consent (individually or jointly) to the overlap of their boundaries by the Banning Lewis Ranch Metropolitan District, which has a maximum debt levy of 9 mills, and the limitations of this Section V.A.8 shall not apply to such overlap.

9. Initial Debt Limitation. On or before the date on which there is an Approved Development Plan, the District shall not (a) issue any Debt, (b) impose a mill levy for the payment of Debt by direct imposition or by transfer of funds from the operating fund to the Debt service funds, or (c) impose and collect any fees used for the purpose of repayment of Debt.

10. Total Debt Issuance Limitation. The issuance of all bonds or other debt instruments of Districts shall be subject to the approval of the City Council. City Council's review of the bonds or other debt instruments of the Districts shall be conducted to ensure compliance with the Service Plan and all applicable laws. The Districts shall not issue Debt in an aggregate principal amount in excess of \$400,000,000, with \$100,000,000 of the total allocated to District No. 3, \$100,000,000 to District No. 4, \$100,000,000 to District No. 5, and \$100,000,000 to District No. 7, provided that the foregoing shall not include the principal amount of Debt issued for the purpose of refunding or refinancing lawfully issued Debt.

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

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

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

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

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

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

14. Service Plan Amendment Requirement. This Service Plan has been designed with sufficient flexibility to enable the Districts to provide required services and facilities under evolving circumstances without the need for numerous amendments. While the assumptions upon which this Service Plan are generally based are reflective of an Approved Development Plan for the property within the Districts, the cost estimates and Financing Plan are sufficiently flexible to enable the Districts to provide necessary services and facilities without the need to amend this Service Plan as development plans change. Modification of the general types of services and facilities, and changes in proposed configurations, locations, or dimensions of various facilities and improvements shall be permitted to accommodate development needs consistent with then-current Approved Development Plans for the property. Actions of the Districts which violate the limitations set forth in V.A.1-12 above or in VI.B-F. shall be deemed to be material departures from this Service Plan and the City shall be entitled to all remedies available under State and local law to enjoin such actions of the Districts. In accordance with C.R.S. 32-1-207, each District separately (or the Districts together) shall be entitled to petition City Council for an increase in the Maximum Debt Mill Levy and/or the Maximum Operating Mill Levy as the Public Improvements within each District are completed, including but not limited to recreation centers or other park and recreation facilities, and once the capital expense, operations, and maintenance budget figures have been established.

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

B. Preliminary Engineering Survey

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

derived from the Approved Development Plan on the property in the Service Area and is approximately \$600,000,000.00.

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

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

C. Multiple District Structure.

It is anticipated that the Districts, collectively, will undertake the financing and construction of the Public Improvements. The nature of the functions and services to be provided by each District shall be clarified in an IGA between and among the Districts. The maximum term of such IGA shall be forty (40) years from its effective date. All such agreements will be designed to help assure the orderly development of the Public Improvements and essential services in accordance with the requirements of this Service Plan. Implementation of such IGA is essential to the orderly implementation of this Service Plan. Accordingly, except as may be otherwise provided in such IGA, any determination of any one of the Board of Directors to set aside at the Agreement without the consent of all of the Board of Directors of the other Districts party to such IGA shall be a material modification of the Service Plan. Said IGA may be amended by mutual agreement of the Districts party to such agreement without the need to amend this Service Plan.

VI. FINANCIAL PLAN

A. General

The Districts shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment of the Public Improvements from its revenue and by and through the proceeds of Debt to be issued by the Districts. The Financial Plan for the Districts shall be to issue such Debt as the Districts can reasonably pay from revenue derived from the Maximum Debt Mill Levy and other legally available revenue, within the Maximum Debt Mill Levy Term for Residential Districts. The total Debt that the Districts shall be permitted to issue shall not exceed the total Debt issuance limitation set forth in Section V.A.10 hereof, and shall be permitted to be issued on a schedule and in such year or years as the Districts determine shall meet the needs of the Financial Plan referenced above and phased to serve development as it occurs. All bonds and other Debt issued by the Districts may be payable from any and all legally available revenue of the Districts, including general ad valorem taxes to

be imposed upon all taxable property of the Districts. The Districts will also rely upon various other revenue sources authorized by law. These will include the power to assess fees, rates, tolls, penalties, or charges as provided in the Special District Act or other State statutes. No Districts will be allowed to impose a sales tax.

B. Maximum Voted Interest Rate and Maximum Underwriting Discount

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

C. No-Default Provisions

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

D. Eligible Bondholders

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

E. Maximum Debt Mill Levy

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

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

(a) The Maximum Debt Mill Levy shall be 30 mills; provided that if, on or after January 1, 2008, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation applicable to such Debt may be increased or decreased to reflect such changes, such increases or decreases to be

determined by the Board of the issuing District in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenue generated by the mill levy, as adjusted for changes occurring after January 1, 2008, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

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

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

(a) The Maximum Debt Mill Levy shall be 50 mills; provided that if, on or after January 1, 2008, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation applicable to such Debt may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board of the issuing District in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenue generated by the mill levy, as adjusted for changes occurring after January 1, 2008, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

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

F. Maximum Debt Mill Levy Imposition Term

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

G. Debt Repayment Sources

Each of the Districts may impose a mill levy on taxable property within its boundaries as a primary source of revenue for repayment of debt service and for operations and

maintenance. The Districts may also rely upon various other revenue sources authorized by law. At the Districts discretion, these may include the power to assess fees, rates, tolls, penalties, or charges as provided in Section 32-1-1001(l), CRS, as amended from time to time. In no event shall the debt service mill levy in any District exceed the Maximum Debt Mill Levy or, for Residential Districts, the Maximum Debt Mill Levy Imposition Term.

H. Debt Instrument Disclosure Requirement

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

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

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

I. Security for Debt

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

J. Maximum Operating Mill Levy

In addition to the capital costs of the Public Improvements, the Districts will require operating funds for administration and to plan and cause the Public Improvements to be constructed and maintained. The first year's operating budget for Districts 1 – 5 and 7 is estimated to be \$300,000 which is anticipated to be derived from property taxes and other revenue.

The Maximum Operating Mill Levy for the payment of the Districts operating and maintenance expenses shall be twenty (20) mills; provided that if, on or after January 1, 2008, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation applicable to such operating and maintenance expenses may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenue generated by the mill levy, as adjusted for changes occurring after January 1, 2008, are neither diminished nor enhanced as a result of

such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

While the Districts may implement an operating and maintenance mill levy up to twenty mills, Districts 3, 4, 5 and 7 shall not implement a mill levy in excess of ten mills (as adjusted based on changes in the method of calculating assessed valuation) before providing a financial justification for the increased mill levy to City staff in a form and of substance similar to that provided to the City for Districts 1 and 2. At no time shall the Districts' mill levies exceed the Maximum Operating Levy.

K. Developer Financial Assurances

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

VII. ANNUAL REPORT

A. General

Each of the Districts shall be responsible for submitting an annual report to the Director of the City's Budget Department no later than August 1 of each year following the year in which this Service Plan is approved. The Districts may cooperate in the creation and submittal of the report, provided the presentation of information in the report clearly identifies the applicable information pertaining to each District.

B. Reporting of Significant Events

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

1. Boundary changes made or proposed to the District's boundary as of December 31 of the prior year.
2. Intergovernmental agreements with other governmental entities, either entered into or proposed as of December 31 of the prior year.
3. Copies of the Districts' rules and regulations, if any, as of December 31 of the prior year.
4. A summary of any litigation which involves the any District's Public Improvements as of December 31 of the prior year.
5. Status of the Districts' construction of the Public Improvements as of December 31 of the prior year.
6. A list of all facilities and improvements constructed by the Districts that have been dedicated to and accepted by the City as of December 31 of the prior year.
7. The assessed valuation of the Districts for the current year.

8. Current year budget including a description of the Public Improvements to be constructed in such year.

9. Audit of the Districts financial statements, for the year ending December 31 of the previous year, prepared in accordance with generally accepted accounting principles or audit exemption, if applicable.

10. Notice of any uncured events of noncompliance by the Districts under any Debt instrument which continue beyond a 90-day period.

11. Any inability of the Districts to pay their obligations as they come due, in accordance with the terms of such obligations, which continue beyond a 90-day period.

12. Copies of any Certifications of an External Financial Advisor provided as required by the Privately Placed Debt Limitation provision.

VIII. DISSOLUTION

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

IX. DISCLOSURE TO PURCHASERS

The Districts will use reasonable efforts to assure that all developers of the property located within the Districts provide written notice to all purchasers of property in the Districts regarding the Maximum Debt Mill Levy, as well as a general description of the Districts' authority to impose and collect rates, fees, tolls and charges. The form of notice shall be substantially in the form of Exhibit E hereto; provided that such form may be modified by the District so long as a new form is submitted to the City prior to modification. Within 90 days of approval of this Service Plan, the Districts disclosure form with the El Paso County Clerk and Recorder against all property included in the Initial District Boundaries and provide a recorded copy to the City Clerk's Office.

X. CONCLUSION

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

1. There is sufficient existing and projected need for organized service in the area to be serviced by the Districts;

2. The existing service in the area to be served by the Districts is inadequate for present and projected needs;

3. The Districts are capable of providing economical and sufficient service to the area within its proposed boundaries; and

4. The area to be included in the Districts does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis.

5. Adequate service is not, and will not be, available to the area through the City or County or other existing municipal or quasimunicipal corporations, including existing special districts, within a reasonable time and on a comparable basis.

6. The facility and service standards of the District are compatible with the facility and service standards of the City within which the special district is to be located and each municipality which is an interested party under Section 32-1-204(1), CRS.

7. The proposal is in substantial compliance with a comprehensive plan adopted pursuant to the City Code.

8. The proposal is in compliance with any duly adopted City, regional or State long-range water quality management plan for the area.

9. The approval of this Service Plan is in the best interests of the area proposed to be served.

EXHIBIT A
Legal Descriptions



SURVCON INC.
PROFESSIONAL SURVEYORS

7800 E. DORADO PLACE
SUITE 101
GREENWOOD VILLAGE, CO 80111
TELEPHONE: 303/858-0404
FACSIMILE: 303/858-0606

LEGAL DESCRIPTION - SPECIAL DISTRICT 1

A PORTION OF THE SOUTHEAST ONE-QUARTER OF SECTION 12, TOWNSHIP 13 SOUTH, RANGE 65 WEST, 6TH PRINCIPAL MERIDIAN, COUNTY OF EL PASO, STATE OF COLORADO, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BASIS OF BEARINGS: THE EAST LINE OF THE SOUTHEAST ONE-QUARTER OF SECTION 34, TOWNSHIP 13 SOUTH, RANGE 65 WEST, 6TH P.M., BEING MONUMENTED AS SHOWN HEREON, BEARING N 01°13'51" E, 2,648.58'.

COMMENCING AT THE EAST ONE-QUARTER CORNER OF SAID SECTION 34; THENCE N 29°51'40" E A DISTANCE OF 21,367.81 FEET TO THE NORTH RIGHT-OF-WAY LINE OF FALCON HIGHWAY (RIGHT-OF-WAY VARIES) FROM WHENCE THE SOUTHEAST CORNER OF SAID SECTION 12 BEARS S 44°09'22" E A DISTANCE OF 42.32 FEET, AND THE POINT OF BEGINNING;

THENCE N 89°18'23" W ALONG SAID NORTH RIGHT-OF-WAY LINE AND 30 FEET NORTH OF AND PARALLEL TO (AS MEASURED AT RIGHT ANGLES) THE SOUTH LINE OF SAID SOUTHEAST ONE-QUARTER OF SECTION 12 A DISTANCE OF 2,659.99 FEET TO THE EASTERLY RIGHT-OF-WAY LINE OF U.S. HIGHWAY 24 (RIGHT-OF-WAY VARIES);

THENCE THE FOLLOWING SEVEN (7) COURSES AND DISTANCES ALONG THE EASTERLY AND SOUTHERLY LINES OF SAID U.S. HIGHWAY 24:

1. N 28°27'37" E A DISTANCE OF 4.40 FEET;
2. N 26°55'23" W A DISTANCE OF 102.86 FEET;
3. N 28°28'37" E A DISTANCE OF 13.87 FEET TO A POINT OF CURVATURE;
4. ALONG THE ARC OF A TANGENT CURVE TO THE RIGHT HAVING A RADIUS OF 2815.00, A CENTRAL ANGLE OF 13°15'24" AND AN ARC LENGTH OF 651.31 FEET;
5. N 50°06'15" E A DISTANCE OF 1,078.12 FEET;
6. N 89°23'58" W A DISTANCE OF 46.15 FEET;
7. N 50°06'21" E A DISTANCE OF 851.34 FEET;

THENCE S 39°53'39" E ALONG THE SOUTHWESTERLY RIGHT-OF-WAY LINE OF 8TH STREET (60 FOOT RIGHT-OF-WAY) A DISTANCE OF 1,030.76 FEET TO A POINT OF CURVATURE:

THENCE ALONG THE ARC OF A TANGENT CURVE TO THE RIGHT HAVING A RADIUS OF 1,560.00 FEET, A CENTRAL ANGLE OF 08°56'40" AND AN ARC LENGTH OF 243.53 FEET TO THE WEST RIGHT-OF-WAY LINE OF MERIDIAN ROAD (RIGHT-OF-WAY VARIES);

THENCE S 05°26'23" E ALONG SAID WEST RIGHT-OF-WAY LINE A DISTANCE OF 924.71 FEET TO THE POINT OF BEGINNING.

CONTAINING 72.36 ACRES.

EXHIBIT ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF.

LEGAL DESCRIPTION STATEMENT

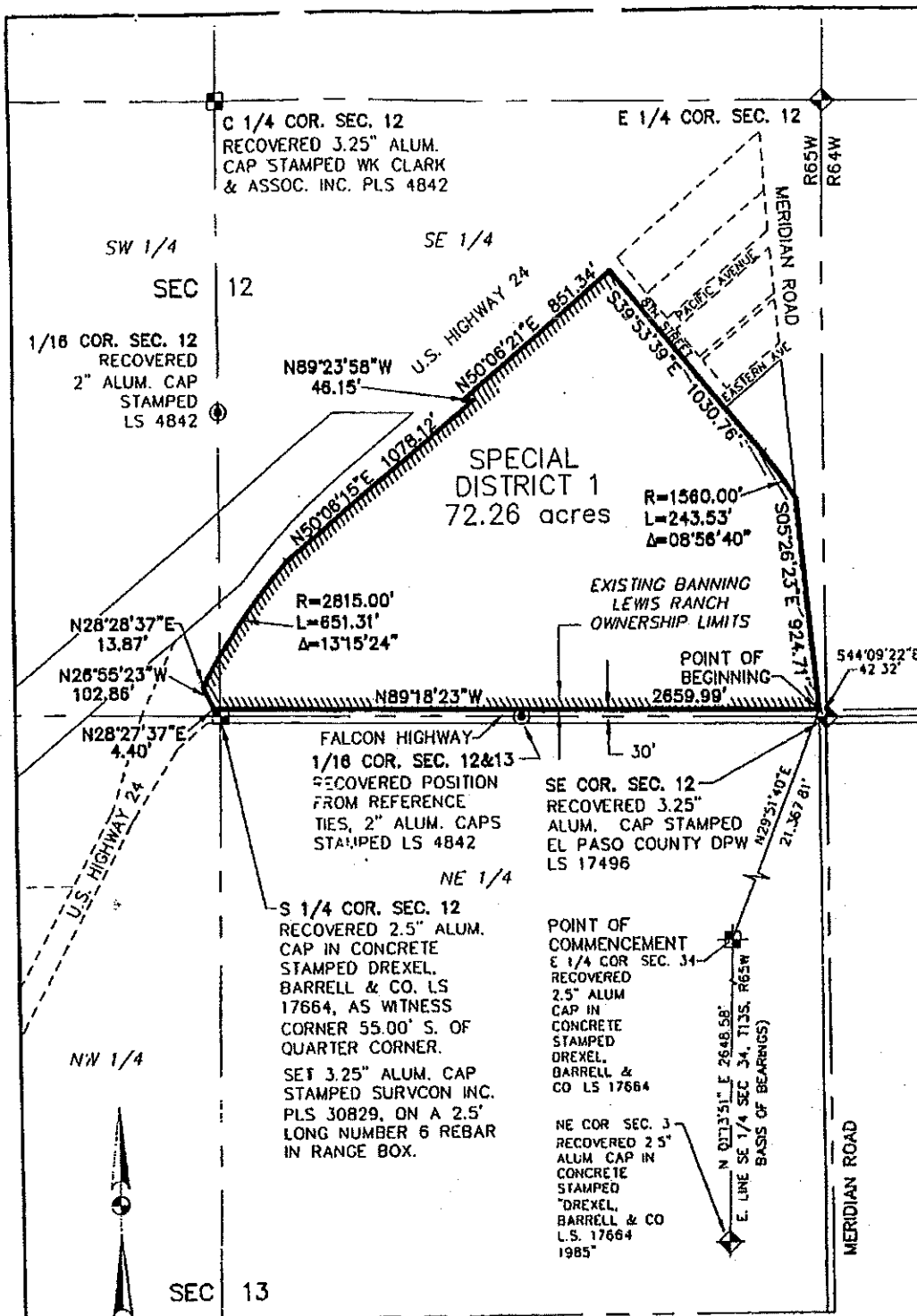
I, JEFFREY E. KISTNER, A PROFESSIONAL LAND SURVEYOR IN THE STATE OF COLORADO, DO HEREBY STATE THAT THE ABOVE LEGAL DESCRIPTION AND EXHIBIT WERE PREPARED UNDER MY RESPONSIBLE CHARGE, AND ON THE BASIS OF MY KNOWLEDGE, INFORMATION AND BELIEF, ARE CORRECT.



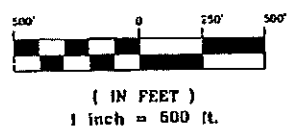
Jeffrey E. Kistner

10-18-2004
DATE

JEFFREY E. KISTNER, PROFESSIONAL LAND SURVEYOR
COLORADO NO. 30829
FOR AND ON BEHALF OF SURVCON INC.
7300 E. DORADO PL., STE. 101
GREENWOOD VILLAGE, CO 80111




GRAPHIC SCALE



NOTE: THIS EXHIBIT DOES NOT REPRESENT A MONUMENTED SURVEY. IT IS INTENDED ONLY TO DEPICT THE ATTACHED DESCRIPTION.

EXHIBIT

 <p>SURVCON INC. PROFESSIONAL SURVEYORS 7001 E. DORADO PL., STE 101 GREENWOOD VILLAGE, CO 80111 PH (303) 658-0444</p>			
SCALE:	1" = 500'	JOB NO.	110-054
DATE:	09-02-2004	DRAWING	Metro Districts\Bosell\op
DRAWN BY:	CB	SHEET	3 OF 3

LEGAL DESCRIPTION DISTRICT NO. 2

PARCEL 1:

A PORTION OF THE SECTION 9, TOWNSHIP 13 SOUTH, RANGE 65 WEST, 6TH PRINCIPAL MERIDIAN, COUNTY OF EL PASO, STATE OF COLORADO, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BASIS OF BEARINGS: THE EAST LINE OF THE SOUTHEAST ONE-QUARTER OF SECTION 34, TOWNSHIP 13 SOUTH, RANGE 65 WEST, 6TH P.M., BEING MONUMENTED AS SHOWN HEREON, BEARING N 01°13'51" E, 2,648.58'.

COMMENCING AT THE EAST ONE-QUARTER CORNER OF SAID SECTION 34; THENCE N 25°21'09" W A DISTANCE OF 24,950.47 FEET TO THE 1/16TH CORNER OF SAID SECTIONS 8 AND 9 AND THE POINT OF BEGINNING;

THENCE N 89°51'40" E ALONG THE NORTH LINE OF THE SOUTH ONE-HALF OF THE NORTHWEST ONE-QUARTER OF SAID SECTION 9 A DISTANCE OF 286.50 FEET TO THE WESTERLY RIGHT-OF-WAY OF MARKSHEFFEL ROAD OF RECORD IN BOOK 2896 AT PAGE 769;

THENCE LEAVING SAID NORTH LINE THE FOLLOWING TWO (2) COURSES ALONG SAID WESTERLY RIGHT-OF-WAY:

1. S 32°25'14" W A DISTANCE OF 161.04 FEET TO A POINT OF CURVATURE;
2. ALONG THE ARC OF A TANGENT CURVE TO THE LEFT, HAVING A RADIUS OF 1697.02 FEET, A CENTRAL ANGLE OF 16°54'02" AND AN ARC LENGTH OF 500.57 FEET TO THE WEST LINE OF SAID SOUTH ONE-HALF OF THE NORTHWEST ONE-QUARTER OF SECTION 9;

THENCE N 00°14'20" E ALONG SAID WEST LINE A DISTANCE OF 591.00 FEET TO THE POINT OF BEGINNING;

CONTAINING 72,625 SQUARE FEET (1.667 ACRES)

PARCEL 2:

A PORTION OF THE SECTION 9, TOWNSHIP 13 SOUTH, RANGE 65 WEST, 6TH PRINCIPAL MERIDIAN, COUNTY OF EL PASO, STATE OF COLORADO, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BASIS OF BEARINGS: THE EAST LINE OF THE SOUTHEAST ONE-QUARTER OF SECTION 34, TOWNSHIP 13 SOUTH, RANGE 65 WEST, 6TH P.M., BEING MONUMENTED AS SHOWN HEREON, BEARING N 01°13'51" E, 2,648.58'.

COMMENCING AT THE EAST ONE-QUARTER CORNER OF SAID SECTION 34; THENCE N 25°21'09" W A DISTANCE OF 24,950.47 FEET TO THE 1/16TH CORNER OF SAID SECTIONS 8 AND 9; THENCE N 89°51'40" E ALONG THE NORTH LINE OF THE SOUTH ONE-HALF OF THE NORTHWEST ONE-QUARTER OF SAID SECTION 9 A DISTANCE OF 428.88 FEET TO THE EASTERLY RIGHT-OF-WAY OF MARKSHEFFEL ROAD OF RECORD IN BOOK 2896 AT PAGE 769 AND THE POINT OF BEGINNING;

N 89°51'40" E CONTINUING ALONG SAID NORTH LINE A DISTANCE OF 412.43 FEET TO THE WESTERLY RIGHT-OF-WAY LINE OF MARKSHEFFEL ROAD OF RECORD IN COURT STIPULATION AS TO POSSESSION AND USE OF REAL PROPERTY, COURT CASE NUMBER 03CV2630;

THENCE ALONG SAID WESTERLY RIGHT-OF-WAY LINE THE FOLLOWING TWO (2) COURSES:

1. S 48°58'34" W A DISTANCE OF 718.88 FEET TO A POINT OF CURVATURE;
2. ALONG THE ARC OF A NON-TANGENT CURVE TO THE LEFT WHOSE RADIUS POINT BEARS S 41°01'27" E, HAVING A RADIUS OF 1060.00 FEET, A CENTRAL ANGLE OF 17°33'06" AND AN ARC LENGTH OF 324.71 FEET TO A POINT OF COMPOUND CURVATURE ON THE EASTERLY LINE OF MARKSHEFFEL ROAD OF RECORD IN BOOK 2896 AT PAGE 769;

THENCE THE FOLLOWING TWO (2) COURSES ALONG SAID EASTERLY LINE:

1. ALONG THE ARC OF A CURVE TO THE RIGHT WHOSE RADIUS POINT BEARS S 77°59'16" E, HAVING A RADIUS OF 1577.02 FEET, A CENTRAL ANGLE OF 20°24'29" AND AN ARC LENGTH OF 561.71 FEET;
2. N 32°25'14" E A DISTANCE OF 237.68 FEET TO THE POINT OF BEGINNING;

CONTAINING 148,524 SQUARE FEET (3.410 ACRES)

PARCEL 3:

A PORTION OF THE SECTIONS 9, 10, 11, 13, 14, 15, 16 AND 22, TOWNSHIP 13 SOUTH, RANGE 65 WEST, 6TH PRINCIPAL MERIDIAN, COUNTY OF EL PASO, STATE OF COLORADO, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BASIS OF BEARINGS: THE EAST LINE OF THE SOUTHEAST ONE-QUARTER OF SECTION 34, TOWNSHIP 13 SOUTH, RANGE 65 WEST, 6TH P.M., BEING MONUMENTED AS SHOWN HEREON, BEARING N 01°13'51" E, 2,648.58'.

COMMENCING AT THE EAST ONE-QUARTER CORNER OF SAID SECTION 34; THENCE N 25°21'09" W A DISTANCE OF 24,950.47 FEET TO THE 1/16TH CORNER OF SAID SECTIONS 8 AND 9; THENCE N 89°51'40" E ALONG THE NORTH LINE OF THE SOUTH ONE-HALF OF THE NORTHWEST ONE-QUARTER OF SAID SECTION 9 A DISTANCE OF 1,019.43 FEET TO THE EASTERLY RIGHT-OF-WAY OF MARKSHEFFEL ROAD OF RECORD IN COURT STIPULATION AS TO POSSESSION AND USE OF REAL PROPERTY, COURT CASE NUMBER 03CV2630 AND THE POINT OF BEGINNING;

THENCE THE FOLLOWING EIGHT (8) COURSES THROUGH SAID SECTIONS 9, 10 AND 11:

1. N 89°51'40" E ALONG THE NORTH LINE OF THE SOUTH ONE-HALF OF THE NORTHWEST ONE-QUARTER OF SAID SECTION 9 A DISTANCE OF 1,638.57 FEET TO THE NORTHEAST CORNER OF SAID SOUTH ONE-HALF OF THE NORTHWEST ONE-QUARTER OF SECTION 9;
2. N 89°53'40" E ALONG THE NORTH LINE OF THE SOUTH ONE-HALF OF THE NORTHEAST ONE-QUARTER OF SAID SECTION 9 A DISTANCE OF 2,652.62 FEET TO THE NORTHEAST CORNER OF SAID SOUTH ONE-HALF OF THE NORTHEAST ONE-QUARTER OF SECTION 9;
3. N 89°57'52" E ALONG THE NORTH LINE OF THE SOUTH ONE-HALF OF THE NORTH ONE-HALF OF SAID SECTION 10 A DISTANCE OF 1,453.38 FEET;
4. S 00°13'26" E A DISTANCE OF 394.31 FEET;
5. N 89°51'27" E A DISTANCE OF 3,954.65 FEET;
6. S 89°08'12" E A DISTANCE OF 3,884.02 FEET;
7. S 00°08'13" W A DISTANCE OF 145.14 FEET;
8. S 89°08'14" E A DISTANCE OF 1,119.97 FEET TO THE WESTERLY LINE OF THE PUBLIC SERVICE COMPANY OF COLORADO PARCEL OF RECORD IN BOOK 2194 AT PAGE 154;

THENCE THE FOLLOWING FIVE (5) COURSES ALONG THE WESTERLY LINE, SOUTHERLY AND EASTERLY LINES OF SAID PUBLIC SERVICE COMPANY OF COLORADO PARCEL:

1. S 00°08'13" W A DISTANCE OF 761.74 FEET;
2. S 00°08'29" W A DISTANCE OF 2,627.56 FEET;
3. S 00°06'57" W A DISTANCE OF 1,692.62 FEET TO A POINT OF CURVATURE;
4. ALONG THE ARC OF A NON-TANGENT CURVE TO THE LEFT WHOSE RADIUS POINT BEARS N 31°29'52" W, HAVING A RADIUS OF 5679.64 FEET, A CENTRAL ANGLE OF 02°42'21" AND AN ARC LENGTH OF 268.22 FEET;
5. N 00°06'57" E A DISTANCE OF 1546.09 FEET TO THE NORTH LINE OF THE NORTHEAST ONE-QUARTER OF SAID SECTION 14;

THENCE N 89°49'47" E ALONG SAID NORTH LINE OF THE NORTHEAST ONE-QUARTER OF SECTION 14 A DISTANCE OF 100.00 FEET TO THE NORTHEAST CORNER OF SAID SECTION 14;

THENCE S 89°18'34" E ALONG THE NORTH LINE OF THE NORTHWEST ONE-QUARTER OF SAID SECTION 13 A DISTANCE OF 1,328.02 FEET;

THENCE S 00°07'50" W A DISTANCE OF 1,342.80 FEET;

THENCE S 89°34'42" E A DISTANCE OF 350.20 FEET TO THE NORTHWESTERLY RIGHT-OF-WAY OF U.S. HIGHWAY 24 (RIGHT-OF-WAY VARIES);

THENCE S 28°28'31" W ALONG SAID NORTHWESTERLY RIGHT-OF-WAY A DISTANCE OF 3,744.50 FEET TO THE INTERSECTION OF SAID NORTHWESTERLY RIGHT-OF-WAY AND THE EASTERLY LINE OF SAID PUBLIC SERVICE COMPANY OF COLORADO PARCEL OF RECORD IN BOOK 2194 AT PAGE 154;

THENCE THE FOLLOWING FIVE (5) COURSES ALONG THE EASTERLY, NORTHERLY AND WESTERLY LINES OF SAID PUBLIC SERVICE COMPANY OF COLORADO PARCEL OF RECORD IN BOOK 2194 AT PAGE 154;

1. N 00°08'25" E A DISTANCE OF 1955.02 FEET;
2. N 00°06'57" E A DISTANCE OF 1030.90 FEET TO A POINT OF CURVATURE;
3. ALONG THE ARC OF A NON-TANGENT CURVE TO THE RIGHT WHOSE RADIUS POINT BEARS N 33°31'46" W, HAVING A RADIUS OF 5779.64 FEET, A CENTRAL ANGLE OF 02°38'23" AND AN ARC LENGTH OF 266.28 FEET;
4. S 00°06'57" W A DISTANCE OF 888.48 FEET;
5. S 00°08'25" W A DISTANCE OF 2213.90 FEET TO THE NORTHWESTERLY RIGHT-OF-WAY OF U.S. HIGHWAY 24 (RIGHT-OF-WAY VARIES) OF RECORD IN THE PETITION IN CONDEMNATION IN COURT CASE NUMBER 02CV3978;

THENCE S 28°29'00" W ALONG SAID NORTHWESTERLY RIGHT-OF-WAY OF U.S. HIGHWAY 24 (RIGHT-OF-WAY VARIES) OF RECORD IN THE PETITION IN CONDEMNATION IN COURT CASE NUMBER 02CV3978 A DISTANCE OF 468.54 FEET TO THE INTERSECTION OF SAID NORTHWESTERLY RIGHT-OF-WAY OF U.S. HIGHWAY 24 AND THE SOUTHERLY RIGHT-OF-WAY LINE OF PROPOSED STETSON HILLS BOULEVARD (RIGHT-OF-WAY VARIES);

THENCE THE FOLLOWING FORTY-TWO (42) COURSES ALONG SAID SOUTHERLY RIGHT-OF-WAY OF PROPOSED STETSON HILLS BOULEVARD:

1. N 61°30'03" W A DISTANCE OF 829.01 FEET TO A POINT OF CURVATURE;
2. THENCE ALONG THE ARC OF A NON-TANGENT CURVE TO THE LEFT WHOSE RADIUS POINT BEARS S 28°30'41" W, HAVING A RADIUS OF 1917.00 FEET, A CENTRAL ANGLE OF 26°59'07" AND AN ARC LENGTH OF 902.87 FEET;
3. S 45°27'20" W A DISTANCE OF 42.01 FEET;
4. S 00°07'17" E A DISTANCE OF 10.81 FEET;
5. S 89°52'43" W A DISTANCE OF 99.00 FEET;
6. N 45°07'17" W A DISTANCE OF 42.43 FEET;
7. S 89°52'43" W A DISTANCE OF 224.09 FEET;
8. N 86°37'40" W A DISTANCE OF 180.51 FEET;
9. S 89°52'43" W A DISTANCE OF 171.65 FEET;

10. S 89°44'56" W A DISTANCE OF 1731.79 FEET;
11. S 44°46'18" W A DISTANCE OF 42.44 FEET;
12. S 00°13'00" E A DISTANCE OF 11.04 FEET;
13. S 89°47'00" W A DISTANCE OF 123.00 FEET;
14. N 45°13'00" W A DISTANCE OF 42.43 FEET;
15. S 89°47'00" W A DISTANCE OF 232.95 FEET;
16. N 86°43'11" W A DISTANCE OF 180.34 FEET;
17. S 89°47'00" W A DISTANCE OF 796.16 FEET;
18. THENCE ALONG THE ARC OF A TANGENT CURVE TO THE LEFT, HAVING A RADIUS OF 1917.00 FEET, A CENTRAL ANGLE OF 37°00'00" AND AN ARC LENGTH OF 1237.94 FEET;
19. S 52°47'00" W A DISTANCE OF 79.00 FEET;
20. S 07°47'00" W A DISTANCE OF 42.43 FEET;
21. S 37°13'00" E A DISTANCE OF 11.00 FEET;
22. S 52°47'00" W A DISTANCE OF 96.00 FEET;
23. N 82°13'00" W A DISTANCE OF 42.43 FEET;
24. S 52°47'00" W A DISTANCE OF 240.76 FEET;
25. S 56°16'37" W A DISTANCE OF 180.52 FEET;
26. S 52°47'00" W A DISTANCE OF 150.01 FEET TO A POINT OF CURVATURE;
27. THENCE ALONG THE ARC OF A TANGENT CURVE TO THE RIGHT, HAVING A RADIUS OF 1083.00 FEET, A CENTRAL ANGLE OF 20°27'04" AND AN ARC LENGTH OF 386.57 FEET;
28. S 73°14'04" W A DISTANCE OF 88.44 FEET TO A POINT OF CURVATURE;
29. THENCE ALONG THE ARC OF A TANGENT CURVE TO THE RIGHT, HAVING A RADIUS OF 733.00 FEET, A CENTRAL ANGLE OF 14°10'50" AND AN ARC LENGTH OF 181.42 FEET TO A POINT OF COMPOUND CURVATURE;
30. ALONG THE ARC OF A CURVE TO THE RIGHT WHOSE RADIUS POINT BEARS N 02°35'06" W, HAVING A RADIUS OF 1094.00 FEET, A CENTRAL ANGLE OF 10°09'56" AND AN ARC LENGTH OF 194.10 FEET;
31. N 82°25'09" W A DISTANCE OF 322.65 FEET;
32. S 58°55'15" W A DISTANCE OF 38.42 FEET;
33. N 82°25'09" W A DISTANCE OF 811.86 FEET;
34. N 35°40'25" W A DISTANCE OF 32.95 FEET;
35. N 82°25'09" W A DISTANCE OF 201.09 FEET;
36. N 78°25'01" W A DISTANCE OF 301.09 FEET;
37. N 82°26'11" W A DISTANCE OF 48.63 FEET;
38. S 52°11'00" W A DISTANCE OF 42.02 FEET;
39. S 06°47'10" W A DISTANCE OF 5.08 FEET;
40. N 82°25'19" W A DISTANCE OF 117.05 FEET;
41. N 37°48'47" W A DISTANCE OF 32.75 FEET;
42. N 82°25'09" W A DISTANCE OF 236.64 FEET TO THE WEST LINE OF THE NORTHWEST ONE-QUARTER OF SECTION 22;

THENCE N 00°14'02" E ALONG SAID WEST LINE OF THE NORTHWEST ONE-QUARTER A DISTANCE OF 235.83 FEET TO THE NORTHWEST CORNER OF SAID SECTION 22;

THENCE N 00°20'14" E ALONG THE WEST LINE OF THE SOUTHWEST ONE-QUARTER OF SAID SECTION 15 A DISTANCE OF 2,646.65 FEET TO THE WEST ONE-QUARTER CORNER OF SAID SECTION 15;

THENCE N 00°20'14" E ALONG THE WEST LINE OF THE NORTHWEST ONE-QUARTER OF SAID SECTION 15 A DISTANCE OF 2,646.40 FEET TO THE NORTHWEST CORNER OF SAID SECTION 15;

THENCE N 89°55'08" W ALONG THE SOUTH LINE OF THE SOUTHEAST ONE-QUARTER OF SAID SECTION 9 A DISTANCE OF 2,680.60 FEET TO THE SOUTH ONE-QUARTER CORNER OF SAID SECTION 9;

THENCE S 00°15'04" W ALONG THE EAST LINE OF THE NORTHWEST ONE-QUARTER OF SAID SECTION 16 A DISTANCE OF 30.00 FEET;

THENCE S 89°40'52" W ALONG A LINE 30 FEET SOUTH OF AND PARALLEL TO (AS MEASURED AT RIGHT ANGLES) THE NORTH LINE OF THE NORTHWEST ONE-QUARTER OF SAID SECTION 16 A DISTANCE OF 2,620.32 FEET TO THE EASTERLY RIGHT-OF-WAY OF MARKSHEFFEL ROAD (RIGHT-OF-WAY VARIES);

PAGE 4 OF 8

THENCE THE FOLLOWING THREE (3) COURSES ALONG SAID EASTERLY RIGHT-OF-WAY OF MARKSHEFFEL ROAD:

1. N 00°10'42" E ALONG A LINE 60 FEET EAST OF AND PARALLEL TO (AS MEASURED AT RIGHT ANGLES) THE WEST LINE OF SAID NORTHWEST ONE-QUARTER OF SECTION 16 A DISTANCE OF 30.00 FEET TO THE NORTH LINE OF SAID NORTHWEST ONE-QUARTER OF SECTION 16;
2. N 00°14'20" E ALONG A LINE 60 FEET EAST OF AND PARALLEL TO (AS MEASURED AT RIGHT ANGLES) THE WEST LINE OF THE SOUTHWEST ONE-QUARTER OF SAID SECTION 9 A DISTANCE OF 2,654.91 FEET TO THE NORTH LINE OF SAID SOUTHWEST ONE-QUARTER OF SECTION 9;
3. N 00°14'20" E ALONG A LINE 60 FEET EAST OF AND PARALLEL TO (AS MEASURED AT RIGHT ANGLES) THE WEST LINE OF THE NORTHWEST ONE-QUARTER OF SAID SECTION 9 A DISTANCE OF 61.84 FEET TO A POINT OF CURVATURE AT THE SOUTHEAST CORNER OF SAID MARKSHEFFEL ROAD RIGHT-OF-WAY OF RECORD IN COURT STIPULATION AS TO POSSESSION AND USE OF REAL PROPERTY, COURT CASE NUMBER 03CV2630;

THENCE CONTINUING ALONG SAID EASTERLY RIGHT-OF-WAY OF MARKSHEFFEL ROAD AND ALONG SAID EASTERLY RIGHT-OF-WAY OF RECORD IN COURT STIPULATION AS TO POSSESSION AND USE OF REAL PROPERTY, COURT CASE NUMBER 03CV2630 THE FOLLOWING THREE (3) COURSES:

1. ALONG THE ARC OF A TANGENT CURVE TO THE RIGHT, HAVING A RADIUS OF 940.00 FEET, A CENTRAL ANGLE OF 48°44'14" AND AN ARC LENGTH OF 799.59 FEET;
2. N 48°58'33" E A DISTANCE OF 768.54 FEET TO A POINT OF CURVATURE;
3. ALONG THE ARC OF A TANGENT CURVE TO THE LEFT, HAVING A RADIUS OF 1060.00 FEET, A CENTRAL ANGLE OF 04°35'57" AND AN ARC LENGTH OF 85.09 FEET TO THE POINT OF BEGINNING;

CONTAINING 115,991,979 SQUARE FEET (2,662.809 ACRES).

EXHIBIT ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF.

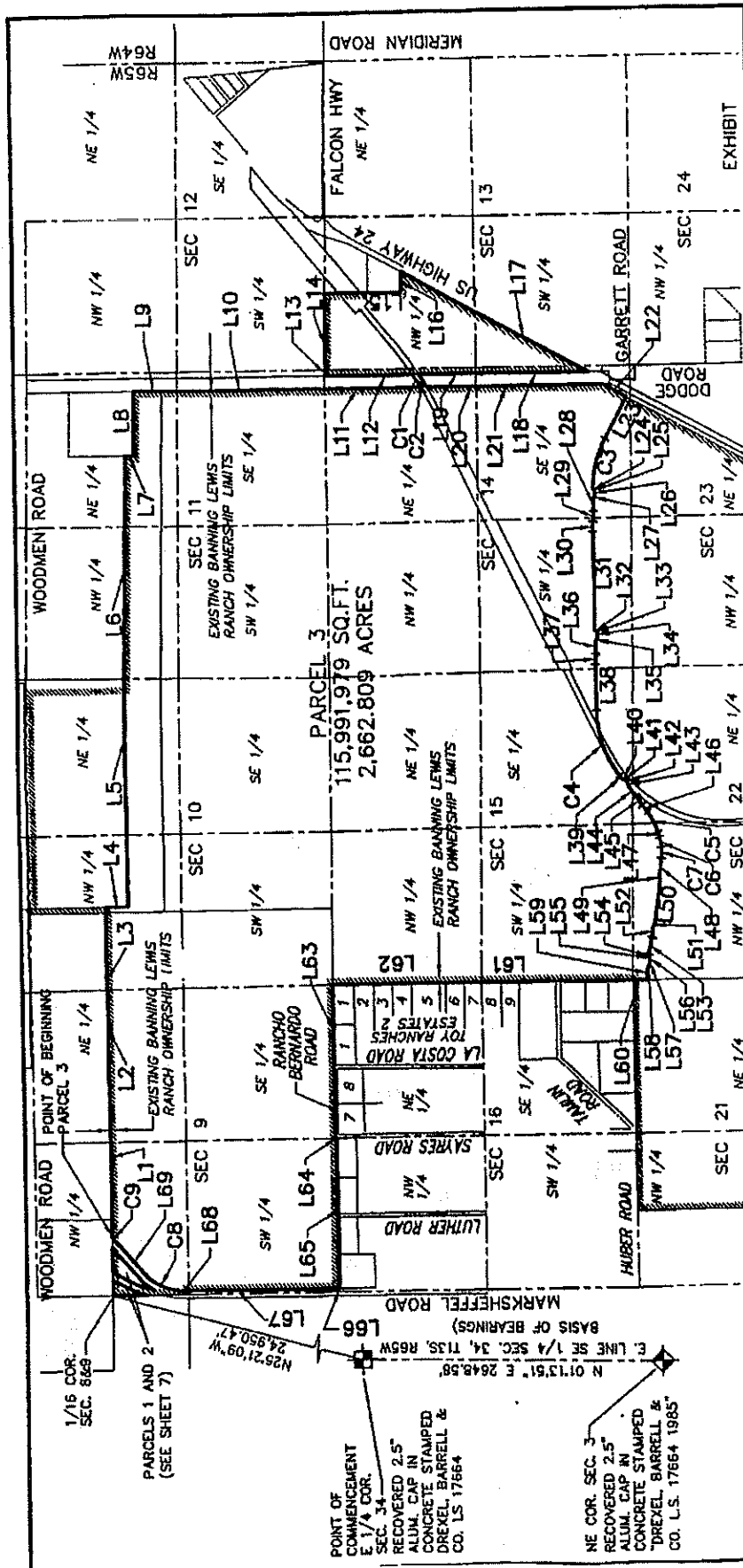
LEGAL DESCRIPTION STATEMENT

I, JEFFREY E. KISTNER, A PROFESSIONAL LAND SURVEYOR IN THE STATE OF COLORADO, DO HEREBY STATE THAT THE ABOVE LEGAL DESCRIPTION AND EXHIBIT WERE PREPARED UNDER MY RESPONSIBLE CHARGE, AND ON THE BASIS OF MY KNOWLEDGE, INFORMATION AND BELIEF, ARE CORRECT.



JEFFREY E. KISTNER, PROFESSIONAL LAND SURVEYOR
COLORADO NO. 30829
FOR AND ON BEHALF OF SURVCON INC.
7800 E. DORADO PL., STE. 101
GREENWOOD VILLAGE, CO 80111

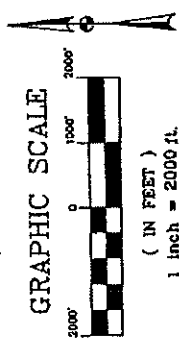
5-2-2005
DATE



SURVCON INC.
 PROFESSIONAL SURVEYORS
 7800 E. IRRADO PL., STE. 101
 GREENWOOD VILLAGE, CO 80111
 P.L. (703) 858-0404

SCALE: 1" = 2000'
 DATE: 03-17-2005
 DRAWN BY: CB

JOB NO. 110-054
 Metro District/Metro District 2 REV. 2
 SHEET 6 OF 8



NOTE: THIS EXHIBIT DOES NOT REPRESENT A MONUMENTED SURVEY. IT IS INTENDED ONLY TO DEPICT THE ATTACHED DESCRIPTION.

POINT OF COMMENCEMENT
 E. 1/4 COR.
 SEC. 34
 RECOVERED 2.5"
 ALUM. CAP IN
 CONCRETE STAMPED
 DREXEL BARRELL &
 CO. LS 17664

NE COR. SEC. 3
 RECOVERED 2.5"
 ALUM. CAP IN
 CONCRETE STAMPED
 DREXEL BARRELL &
 CO. L.S. 17664 1985"

1/16 COR.
 SEC. 8&9
 PARCELS 1 AND 2
 (SEE SHEET 7)

N 01°13'51" E 2648.58'
 E LINE SE 1/4 SEC. 34, T13S, R65W
 BASIS OF BEARINGS

LA COSTA ROAD
 TOY RANCHES
 1 2 3 4 5 6 7 8 9

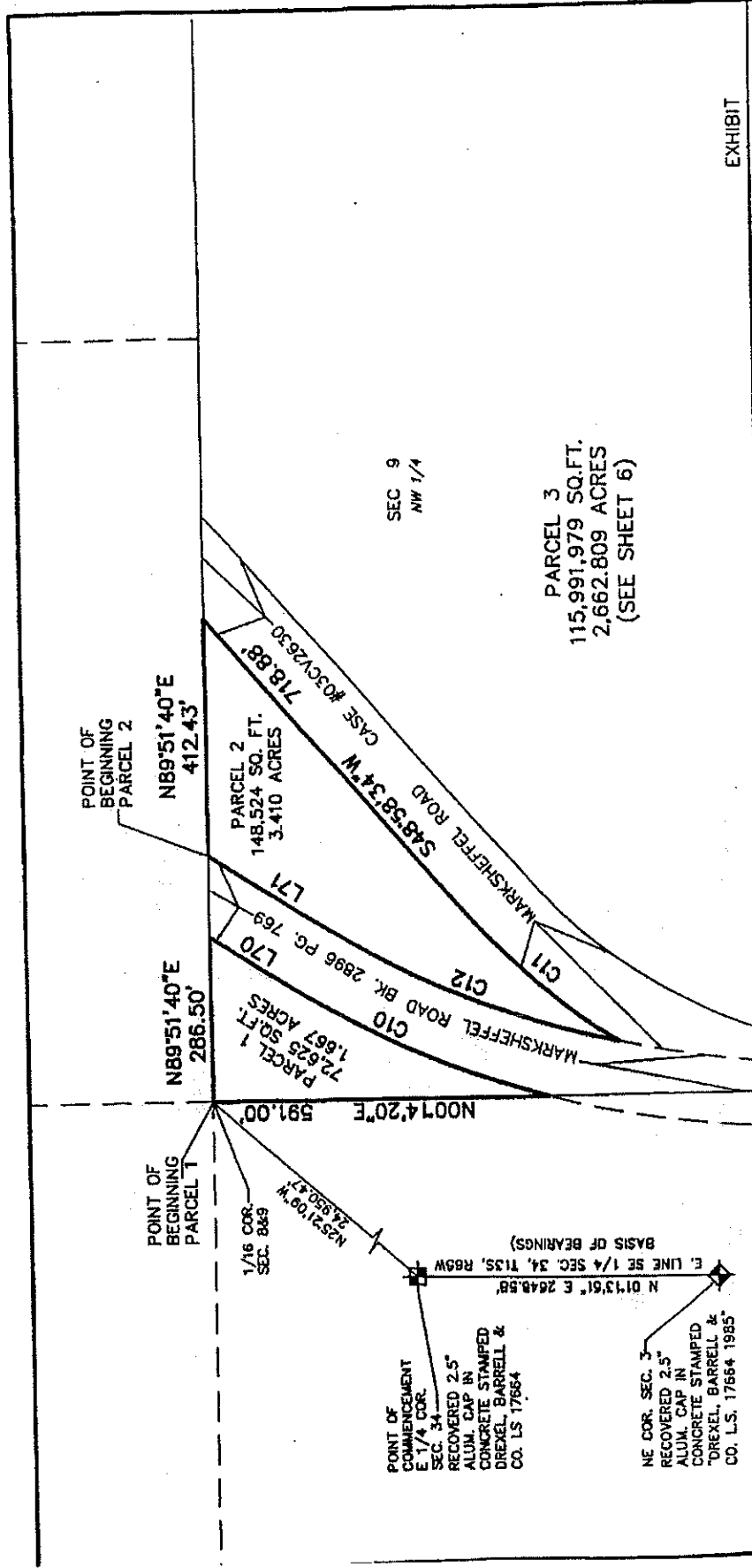
RANCHO BERNARDO ROAD

EXISTING BANNING LEWIS RANCH OWNERSHIP LIMITS

PARCEL 3
 115,991,979 SQ.FT.
 2,662.809 ACRES

EXISTING BANNING LEWIS RANCH OWNERSHIP LIMITS

EXHIBIT



LINE AND CURVE TABLE

LINE TABLE:

Line 1:	N 89°51'40" E	1,638.57'
Line 2:	N 89°53'40" E	2,652.62'
Line 3:	N 89°57'52" E	1,453.38'
Line 4:	S 00°13'28" E	394.31'
Line 5:	N 89°51'27" E	3,954.65'
Line 6:	S 89°08'12" E	3,884.02'
Line 7:	S 00°08'13" W	145.14'
Line 8:	S 89°08'14" E	1,119.97'
Line 9:	S 00°08'13" W	761.74'
Line 10:	S 00°08'29" W	2,627.56'
Line 11:	S 00°06'57" W	1,692.62'
Line 12:	N 00°06'57" E	1,546.09'
Line 13:	N 89°49'47" E	100.00'
Line 14:	S 89°18'34" E	1,328.02'
Line 15:	S 00°07'50" W	1,342.80'
Line 16:	S 89°34'42" E	350.20'
Line 17:	S 28°28'31" W	3,744.50'
Line 18:	N 00°08'25" E	1,955.02'
Line 19:	N 00°06'57" E	1,030.90'
Line 20:	S 00°06'57" W	888.48'
Line 21:	S 00°08'25" W	2,213.90'
Line 22:	S 28°29'00" W	468.54'
Line 23:	N 61°30'03" W	829.01'
Line 24:	S 45°27'20" W	42.01'
Line 25:	S 00°07'17" E	10.81'
Line 26:	S 89°52'43" W	99.00'
Line 27:	N 45°07'17" W	42.43'
Line 28:	S 89°52'43" W	224.09'
Line 29:	N 86°37'40" W	180.51'
Line 30:	S 89°52'43" W	1,71.65'
Line 31:	S 89°44'56" W	1,731.79'
Line 32:	S 44°46'18" W	42.44'
Line 33:	S 00°13'00" E	11.04'
Line 34:	S 89°47'00" W	123.00'
Line 35:	S 45°13'00" W	42.43'
Line 36:	S 89°47'00" W	232.95'
Line 37:	N 86°43'11" W	180.34'
Line 38:	S 89°47'00" W	796.16'

CURVE TABLE:

C1:	Length: 268.22' Radius: 5,679.64' Delta: 02°42'21"
C2:	Length: 266.28' Radius: 5,779.64' Delta: 02°38'23"
C3:	Length: 902.87' Radius: 1,917.00' Delta: 26°59'07"
C4:	Length: 1,237.94' Radius: 1,917.00' Delta: 37°00'00"
C5:	Length: 386.57' Radius: 1,083.00' Delta: 20°27'04"
C6:	Length: 181.42' Radius: 733.00' Delta: 14°10'50"
C7:	Length: 194.10' Radius: 1,094.00' Delta: 10°09'56"
C8:	Length: 799.59' Radius: 940.00' Delta: 48°44'14"
C9:	Length: 85.09' Radius: 1,060.00' Delta: 04°35'57"

CURVE TABLE:

C10:	Length: 500.57' Radius: 1,697.02' Delta: 16°54'02"
C11:	Length: 324.71' Radius: 1,060.00' Delta: 17°33'06"
C12:	Length: 561.71' Radius: 1,577.02' Delta: 20°24'29"

EXHIBIT

SURVCON INC.
PROFESSIONAL SURVEYORS
700 E. COLORADO PL. STE. 101
GREENWOOD VILLAGE, CO 80111
P.L.L. (2001) 858-0404



SCALE:	NIS	JOB NO.	110-054
DATE:	03-17-2005	Metrol District\Metrol District 2 REV 2	
DRAWN BY:	CB	SHEET	B OF 8



SURVCON INC.
PROFESSIONAL SURVEYORS

7800 E. DORADO PLACE
SUITE 101
GREENWOOD VILLAGE, CO 80111
TELEPHONE: 303/858-0404
FACSIMILE: 303/858-0606

LEGAL DESCRIPTION - SPECIAL DISTRICT 3

A PORTION OF SECTION 25, TOWNSHIP 13 SOUTH, RANGE 65 WEST, 6TH PRINCIPAL MERIDIAN, COUNTY OF EL PASO, STATE OF COLORADO, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BASIS OF BEARINGS: THE EAST LINE OF THE SOUTHEAST ONE-QUARTER OF SECTION 34, TOWNSHIP 13 SOUTH, RANGE 65 WEST, 6TH P.M., BEING MONUMENTED AT THE SOUTHEAST CORNER OF SAID SECTION 34 BY A RECOVERED AND ACCEPTED 2.5 INCH ALUMINUM CAP STAMPED "DREXEL, BARRELL & CO., L.S. 17664, 1985" IN CONCRETE AND AT THE EAST ONE-QUARTER CORNER OF SAID SECTION 34 BY A RECOVERED AND ACCEPTED 2.5 INCH ALUMINUM CAP STAMPED "DREXEL, BARRELL & CO., L.S. 17664" IN CONCRETE, BEARING N 01°13'51" E, 2,648.58'.

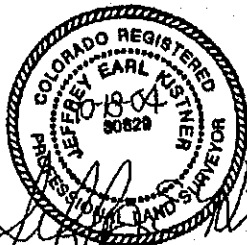
THE SOUTHWEST ONE-QUARTER OF THE NORTHWEST ONE-QUARTER OF SECTION 25, TOWNSHIP 13 SOUTH, RANGE 65 WEST OF THE 6TH PRINCIPAL MERIDIAN.

CONTAINING 39.88 ACRES, MORE OR LESS.

EXHIBIT ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF.

LEGAL DESCRIPTION STATEMENT

I, JEFFREY E. KISTNER, A PROFESSIONAL LAND SURVEYOR IN THE STATE OF COLORADO, DO HEREBY STATE THAT THE ABOVE LEGAL DESCRIPTION AND EXHIBIT WERE PREPARED UNDER MY RESPONSIBLE CHARGE, AND ON THE BASIS OF MY KNOWLEDGE, INFORMATION AND BELIEF, ARE CORRECT.

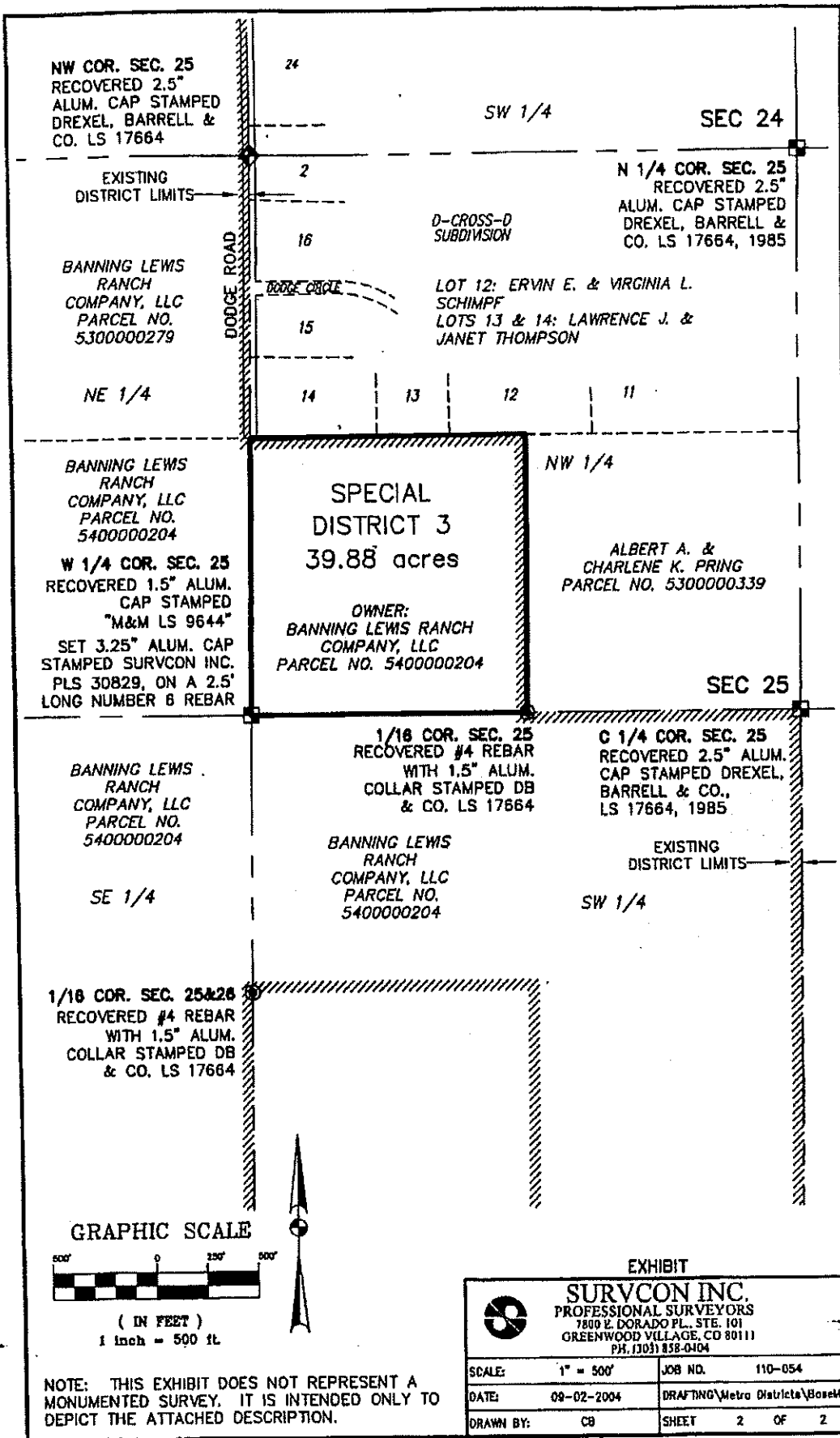


Jeffrey E. Kistner

JEFFREY E. KISTNER, PROFESSIONAL LAND SURVEYOR
COLORADO NO. 30829
FOR AND ON BEHALF OF SURVCON INC.
7800 E. DORADO PL., STE. 101
GREENWOOD VILLAGE, CO 80111

10-18-2007

DATE



NW COR. SEC. 25
RECOVERED 2.5"
ALUM. CAP STAMPED
DREXEL, BARRELL &
CO. LS 17664

SW 1/4 SEC 24

EXISTING
DISTRICT LIMITS

N 1/4 COR. SEC. 25
RECOVERED 2.5"
ALUM. CAP STAMPED
DREXEL, BARRELL &
CO. LS 17664, 1985

BANNING LEWIS
RANCH
COMPANY, LLC
PARCEL NO.
5300000279

D-CROSS-D
SUBDIVISION

LOT 12: ERVIN E. & VIRGINIA L.
SCHIMPF
LOTS 13 & 14: LAWRENCE J. &
JANET THOMPSON

NE 1/4

BANNING LEWIS
RANCH
COMPANY, LLC
PARCEL NO.
5400000204

SPECIAL
DISTRICT 3
39.88 acres

NW 1/4

ALBERT A. &
CHARLENE K. PRING
PARCEL NO. 5300000339

W 1/4 COR. SEC. 25
RECOVERED 1.5" ALUM.
CAP STAMPED
"M&M LS 9644"
SET 3.25" ALUM. CAP
STAMPED SURVCON INC.
PLS 30829, ON A 2.5'
LONG NUMBER 8 REBAR

OWNER:
BANNING LEWIS RANCH
COMPANY, LLC
PARCEL NO. 5400000204

SEC 25

BANNING LEWIS
RANCH
COMPANY, LLC
PARCEL NO.
5400000204

1/16 COR. SEC. 25
RECOVERED #4 REBAR
WITH 1.5" ALUM.
COLLAR STAMPED DB
& CO. LS 17664

C 1/4 COR. SEC. 25
RECOVERED 2.5" ALUM.
CAP STAMPED DREXEL,
BARRELL & CO.,
LS 17664, 1985

SE 1/4

BANNING LEWIS
RANCH
COMPANY, LLC
PARCEL NO.
5400000204

SW 1/4

EXISTING
DISTRICT LIMITS

1/16 COR. SEC. 25 & 26
RECOVERED #4 REBAR
WITH 1.5" ALUM.
COLLAR STAMPED DB
& CO. LS 17664


GRAPHIC SCALE



(IN FEET)
1 inch = 500 ft.



EXHIBIT

 SURVCON INC. PROFESSIONAL SURVEYORS 1800 E. DORADO PL., STE. 101 GREENWOOD VILLAGE, CO 80111 PH. (303) 858-0404			
SCALE:	1" = 500'	JOB NO.	110-054
DATE:	09-02-2004	DRAFTING:	Metro Districts/BoiseMap
DRAWN BY:	CO	SHEET	2 OF 2

NOTE: THIS EXHIBIT DOES NOT REPRESENT A
MONUMENTED SURVEY. IT IS INTENDED ONLY TO
DEPICT THE ATTACHED DESCRIPTION.



SURVCON INC.
PROFESSIONAL SURVEYORS

7800 E. DORADO PLACE
SUITE 101
GREENWOOD VILLAGE, CO 80111
TELEPHONE: 303-858-0404
FACSIMILE: 303-858-0606

LEGAL DESCRIPTION - SPECIAL DISTRICT 4

A PORTION OF SECTION 7, TOWNSHIP 14 SOUTH, RANGE 64 WEST, 6TH PRINCIPAL MERIDIAN, COUNTY OF EL PASO, STATE OF COLORADO, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BASIS OF BEARINGS: THE EAST LINE OF THE SOUTHWEST ONE-QUARTER OF SECTION 34, TOWNSHIP 13 SOUTH, RANGE 65 WEST, 6TH P.M., BEING MONUMENTED AT THE SOUTHEAST CORNER OF SAID SECTION 34 BY A RECOVERED AND ACCEPTED 2.5 INCH ALUMINUM CAP STAMPED "DREXEL, BARRELL & CO., L.S. 17664, 1985" IN CONCRETE AND AT THE EAST ONE-QUARTER CORNER OF SAID SECTION 34 BY A RECOVERED AND ACCEPTED 2.5 INCH ALUMINUM CAP STAMPED "DREXEL, BARRELL & CO., L.S. 17664" IN CONCRETE, BEARING N 01°13'31" E, 2.648.58'.

THE NORTHEAST ONE-QUARTER OF THE NORTHWEST ONE-QUARTER OF SECTION 7, TOWNSHIP 14 SOUTH, RANGE 64 WEST OF THE 6TH PRINCIPAL MERIDIAN.

CONTAINING 37.97 ACRES, MORE OR LESS.

EXHIBIT ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF.

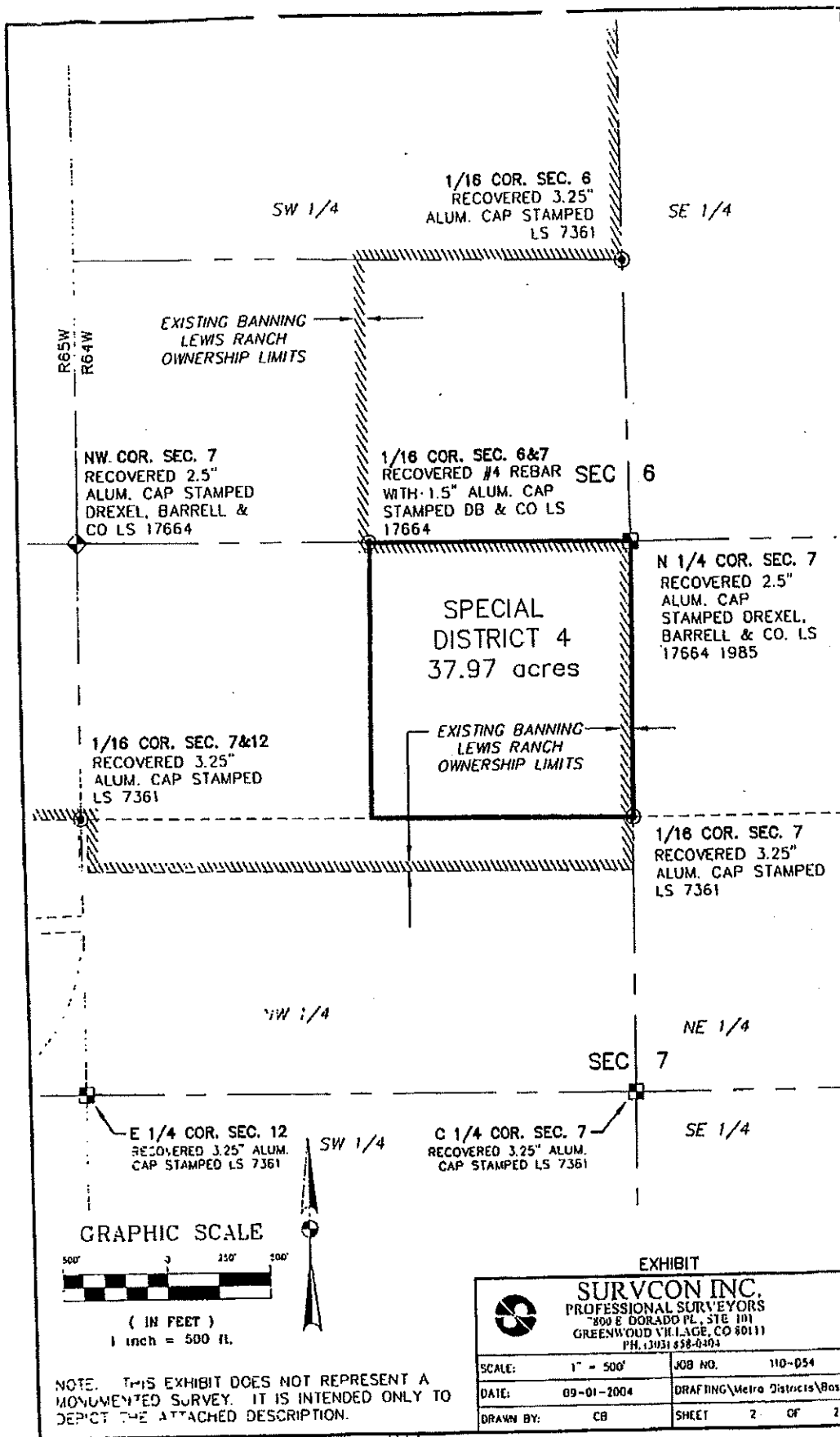
LEGAL DESCRIPTION STATEMENT

I, JEFFREY E. KISTNER, A PROFESSIONAL LAND SURVEYOR IN THE STATE OF COLORADO, DO HEREBY STATE THAT THE ABOVE LEGAL DESCRIPTION AND EXHIBIT WERE PREPARED UNDER MY RESPONSIBLE CHARGE, AND ON THE BASIS OF MY KNOWLEDGE, INFORMATION AND BELIEF, ARE CORRECT.

Jeffrey E. Kistner


10-18-2004
DATE

JEFFREY E. KISTNER, PROFESSIONAL LAND SURVEYOR
COLORADO NO 30829
FOR AND ON BEHALF OF SURVCON INC.
7500 E. DORADO PL., STE. 101
GREENWOOD VILLAGE, CO 80111



NOTE. THIS EXHIBIT DOES NOT REPRESENT A MONUMENTED SURVEY. IT IS INTENDED ONLY TO DEPICT THE ATTACHED DESCRIPTION.

EXHIBIT

 SURVCON INC. PROFESSIONAL SURVEYORS 800 E DORADO PL., STE 101 GREENWOOD VILLAGE, CO 80111 PH. (303) 558-0404			
SCALE:	1" = 500'	JOB NO.	110-054
DATE:	09-01-2004	DRAFTING	Metra Districts/BoiseMap
DRAWN BY:	CB	SHEET	2 OF 2



SURVCON INC.
PROFESSIONAL SURVEYORS

7800 E. DORADO PLACE
SUITE 101
GREENWOOD VILLAGE, CO 80111
TELEPHONE: 303-858-0404
FACSIMILE: 303/858-0606

LEGAL DESCRIPTION - SPECIAL DISTRICT 5

A PORTION OF SECTION 13, TOWNSHIP 14 SOUTH, RANGE 65 WEST, 6TH PRINCIPAL MERIDIAN, COUNTY OF EL PASO, STATE OF COLORADO, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BASIS OF BEARINGS: THE EAST LINE OF THE SOUTHEAST ONE-QUARTER OF SECTION 34, TOWNSHIP 13 SOUTH, RANGE 65 WEST, 6TH P.M., BEING MONUMENTED AT THE SOUTHEAST CORNER OF SAID SECTION 34 BY A RECOVERED AND ACCEPTED 2.5 INCH ALUMINUM CAP STAMPED "DREXEL, BARRELL & CO., L.S. 17664, 1983" IN CONCRETE AND AT THE EAST ONE-QUARTER CORNER OF SAID SECTION 34 BY A RECOVERED AND ACCEPTED 2.5 INCH ALUMINUM CAP STAMPED "DREXEL, BARRELL & CO., L.S. 17664" IN CONCRETE, BEARING N 01°13'51" E. 2,648.58'.

THE SOUTHEAST ONE-QUARTER OF THE NORTHWEST ONE-QUARTER OF SECTION 13, TOWNSHIP 14 SOUTH, RANGE 65 WEST OF THE 6TH PRINCIPAL MERIDIAN.

CONTAINING 39.14 ACRES, MORE OR LESS.

EXHIBIT ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF.

LEGAL DESCRIPTION STATEMENT

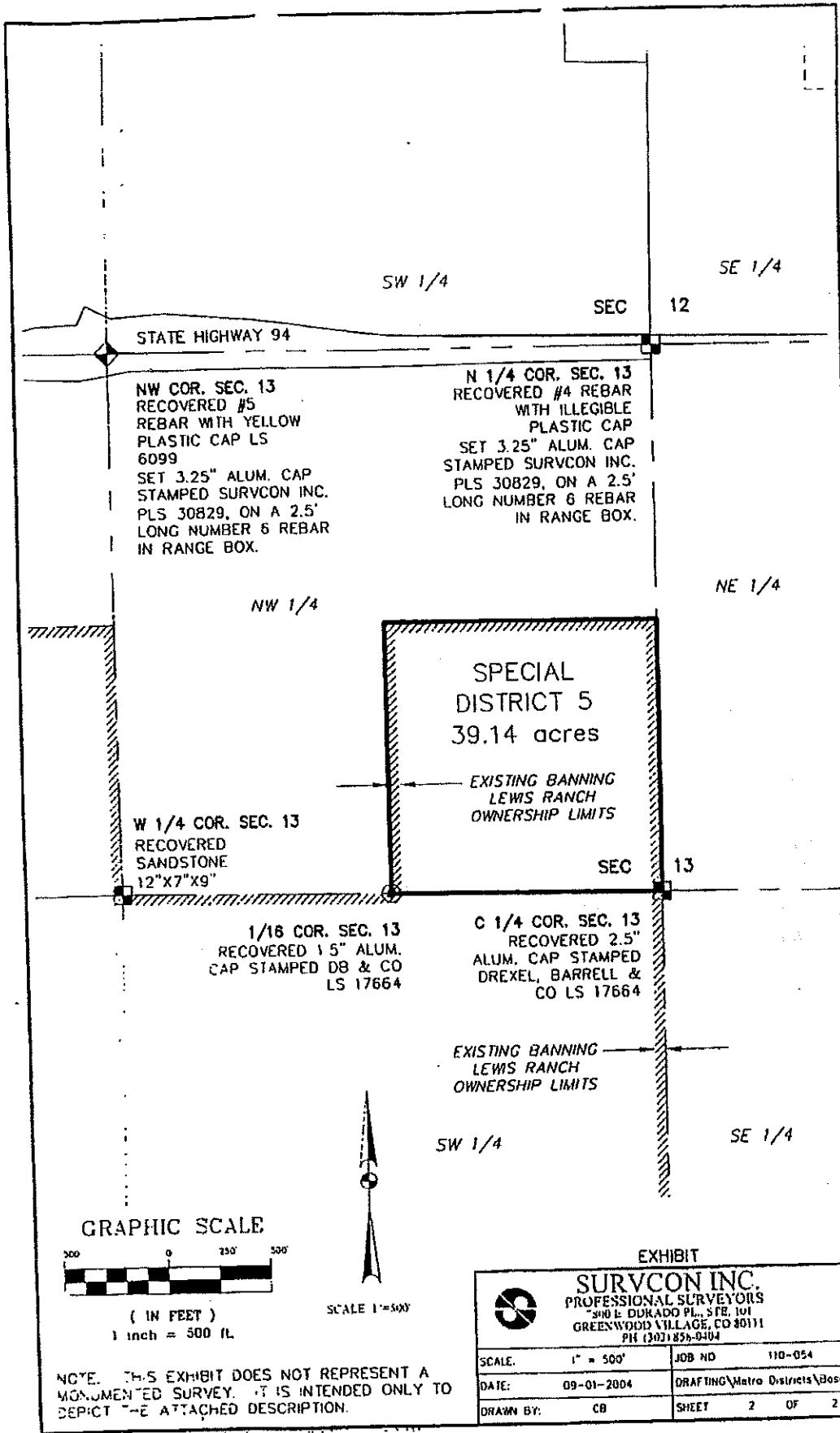
I, JEFFREY E. KISTNER, A PROFESSIONAL LAND SURVEYOR IN THE STATE OF COLORADO, DO HEREBY STATE THAT THE ABOVE LEGAL DESCRIPTION AND EXHIBIT WERE PREPARED UNDER MY RESPONSIBLE CHARGE, AND ON THE BASIS OF MY KNOWLEDGE, INFORMATION AND BELIEF, ARE CORRECT.



Jeffrey E. Kistner

JEFFREY E. KISTNER, PROFESSIONAL LAND SURVEYOR
COLORADO NO. 30829
FOR AND ON BEHALF OF SURVCON INC.
7800 E. DORADO PL., STE. 101
GREENWOOD VILLAGE, CO 80111

10-18-2007
DATE



STATE HIGHWAY 94

SW 1/4

SE 1/4

SEC 12

NW COR. SEC. 13
RECOVERED #5
REBAR WITH YELLOW
PLASTIC CAP LS
6099
SET 3.25" ALUM. CAP
STAMPED SURVCON INC.
PLS 30829, ON A 2.5'
LONG NUMBER 6 REBAR
IN RANGE BOX.

N 1/4 COR. SEC. 13
RECOVERED #4 REBAR
WITH ILLEGIBLE
PLASTIC CAP
SET 3.25" ALUM. CAP
STAMPED SURVCON INC.
PLS 30829, ON A 2.5'
LONG NUMBER 6 REBAR
IN RANGE BOX.

NW 1/4

NE 1/4

SPECIAL
DISTRICT 5
39.14 acres

EXISTING BANNING
LEWIS RANCH
OWNERSHIP LIMITS

W 1/4 COR. SEC. 13
RECOVERED
SANDSTONE
12"x7"x9"

SEC 13

1/16 COR. SEC. 13
RECOVERED 1.5" ALUM.
CAP STAMPED DB & CO
LS 17664

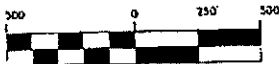
C 1/4 COR. SEC. 13
RECOVERED 2.5"
ALUM. CAP STAMPED
DREXEL, BARRELL &
CO LS 17664

EXISTING BANNING
LEWIS RANCH
OWNERSHIP LIMITS

SW 1/4

SE 1/4


GRAPHIC SCALE



(IN FEET)
1 inch = 500 ft.

SCALE 1" = 500'

EXHIBIT

 SURVCON INC. PROFESSIONAL SURVEYORS 390 E. DURADO PL., STE. 101 GREENWOOD VILLAGE, CO 80111 PH (303) 859-9404			
SCALE:	1" = 500'	JOB NO	110-054
DATE:	09-01-2004	DRAFTING	Metro Districts\RoseMap
DRAWN BY:	CB	SHEET	2 OF 2

NOTE: THIS EXHIBIT DOES NOT REPRESENT A MONUMENTED SURVEY. IT IS INTENDED ONLY TO DEPICT THE ATTACHED DESCRIPTION.



SURVCON INC.
PROFESSIONAL SURVEYORS

7800 E. DORADO PLACE
SUITE 101
GREENWOOD VILLAGE, CO 80111
TELEPHONE: 303/858-0404
FACSIMILE: 303/858-0606

LEGAL DESCRIPTION - SPECIAL DISTRICT 7

A PORTION OF SECTION 13, TOWNSHIP 15 SOUTH, RANGE 65 WEST, 6TH PRINCIPAL MERIDIAN, COUNTY OF EL PASO, STATE OF COLORADO, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BASIS OF BEARINGS: THE EAST LINE OF THE SOUTHEAST ONE-QUARTER OF SECTION 34, TOWNSHIP 13 SOUTH, RANGE 65 WEST, 6TH P.M., BEING MONUMENTED AT THE SOUTHEAST CORNER OF SAID SECTION 34 BY A RECOVERED AND ACCEPTED 2.5 INCH ALUMINUM CAP STAMPED "DREXEL, BARRELL & CO., L.S. 17664, 1985" IN CONCRETE AND AT THE EAST ONE-QUARTER CORNER OF SAID SECTION 34 BY A RECOVERED AND ACCEPTED 2.5 INCH ALUMINUM CAP STAMPED "DREXEL, BARRELL & CO., L.S. 17664" IN CONCRETE, BEARING N 01°13'51" E, 2,648.58'.

THE NORTHEAST ONE-QUARTER OF THE NORTHWEST ONE-QUARTER OF SECTION 13, TOWNSHIP 15 SOUTH, RANGE 65 WEST OF THE 6TH PRINCIPAL MERIDIAN

CONTAINING 40.11 ACRES, MORE OR LESS.

EXHIBIT ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF.

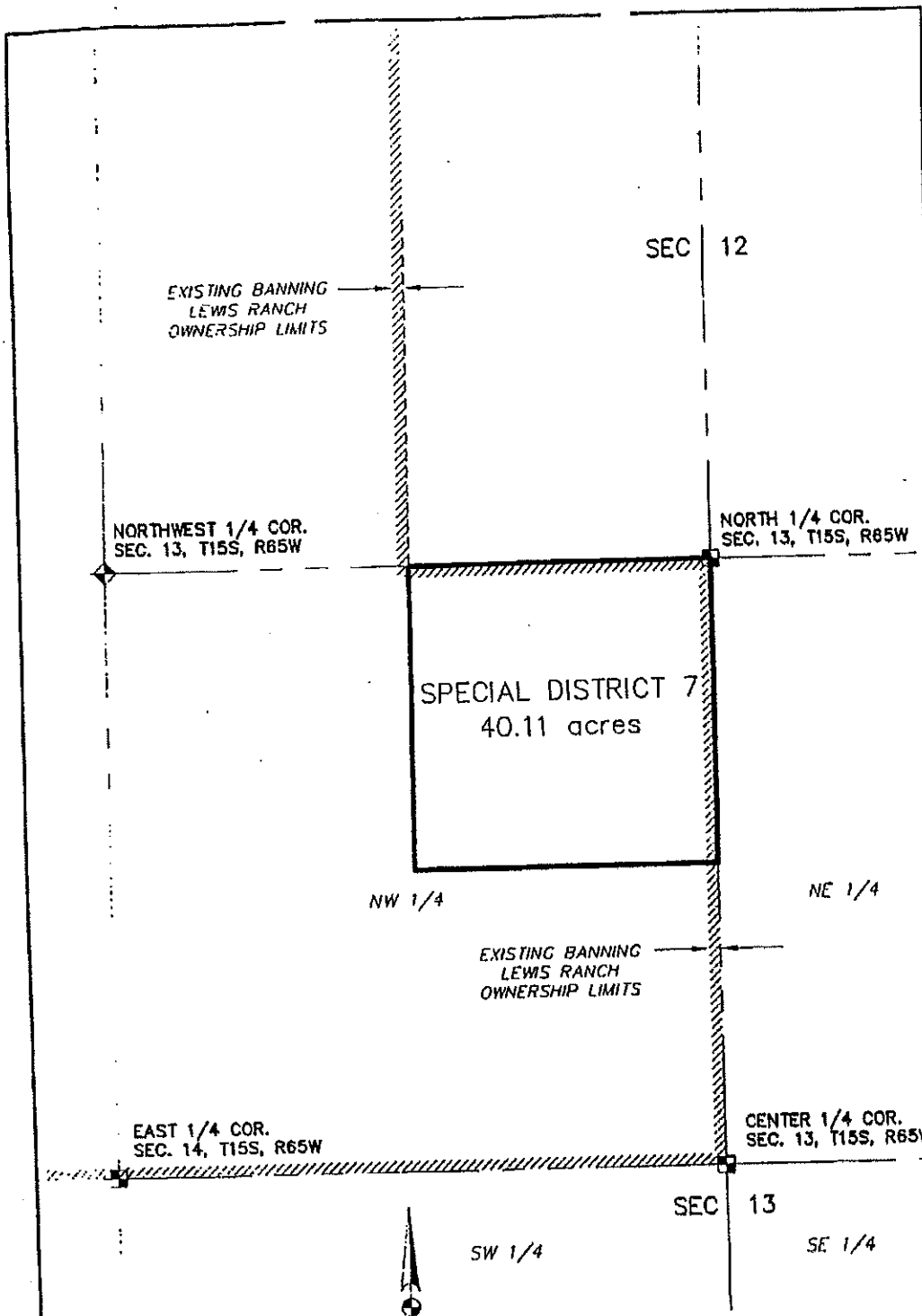
LEGAL DESCRIPTION STATEMENT

I, JEFFREY E. KISTNER, A PROFESSIONAL LAND SURVEYOR IN THE STATE OF COLORADO, DO HEREBY STATE THAT THE ABOVE LEGAL DESCRIPTION AND EXHIBIT WERE PREPARED UNDER MY RESPONSIBLE CHARGE, AND ON THE BASIS OF MY KNOWLEDGE, INFORMATION AND BELIEF, ARE CORRECT.



JEFFREY E. KISTNER, PROFESSIONAL LAND SURVEYOR
COLORADO NO. 30829
FOR AND ON BEHALF OF SURVCON INC.
7800 E. DORADO PL., STE. 101
GREENWOOD VILLAGE, CO 80111

10-19-2004
DATE



GRAPHIC SCALE



(IN FEET)
1 inch = 500 ft.



NOTE: THIS EXHIBIT DOES NOT REPRESENT A MONUMENTED SURVEY. IT IS INTENDED ONLY TO DEPICT THE ATTACHED DESCRIPTION

EXHIBIT


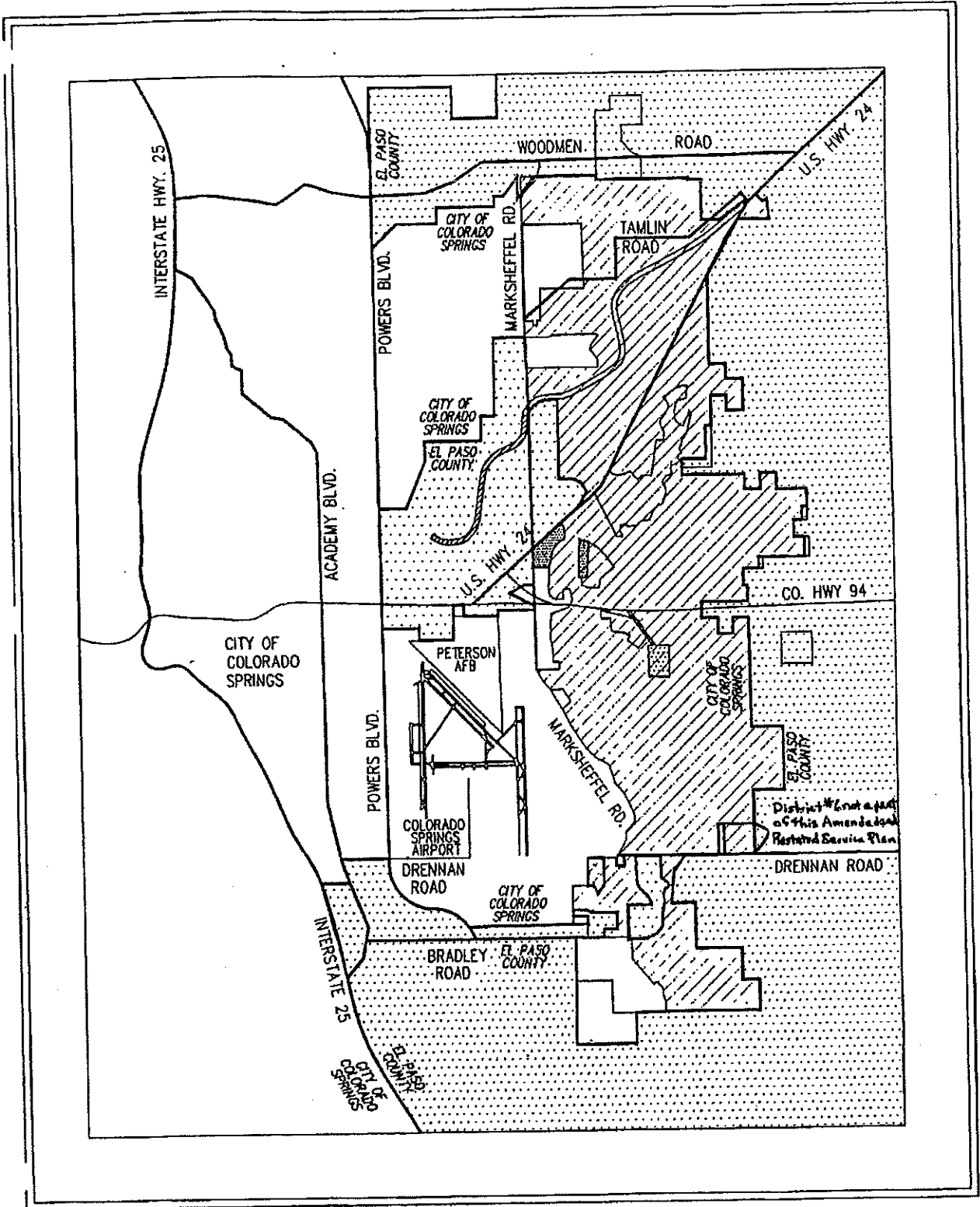
 SURYCON INC. PROFESSIONAL SURVEYORS 7300 E. DORADO PL., STE. 101 GREENWOOD VILLAGE, CO 80111 PH: (303) 938-9104		
SCALE:	1" = 500'	JOB NO. 110-054
DATE:	08-31-2004	DRAFTING\Metro Districts\BoseMap
DRAWN BY:	CB	SHEET 2 OF 2

EXHIBIT B

Vicinity Map



VICINITY MAP - NTS

EXHIBIT C-1

Initial Districts Boundary Maps

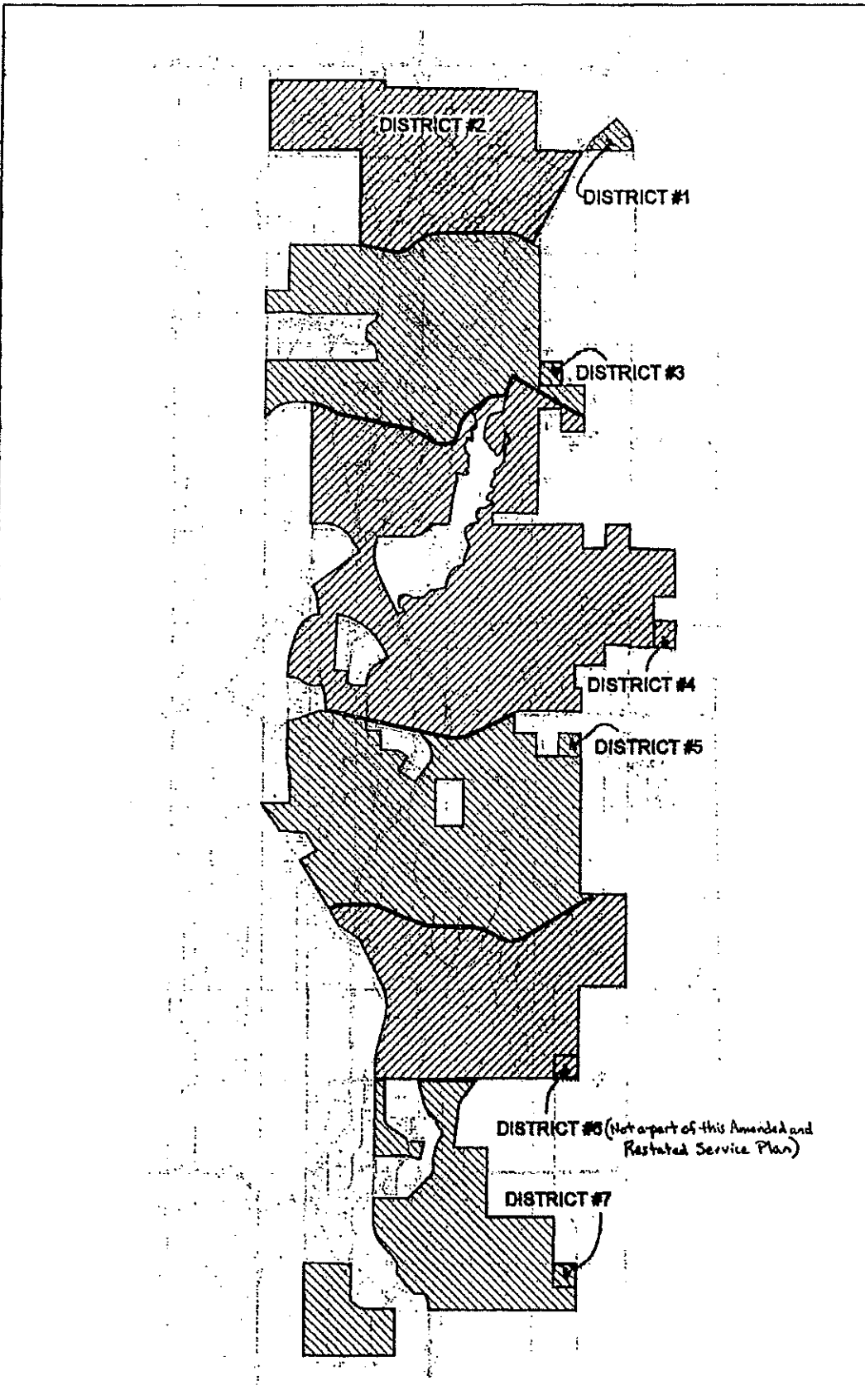
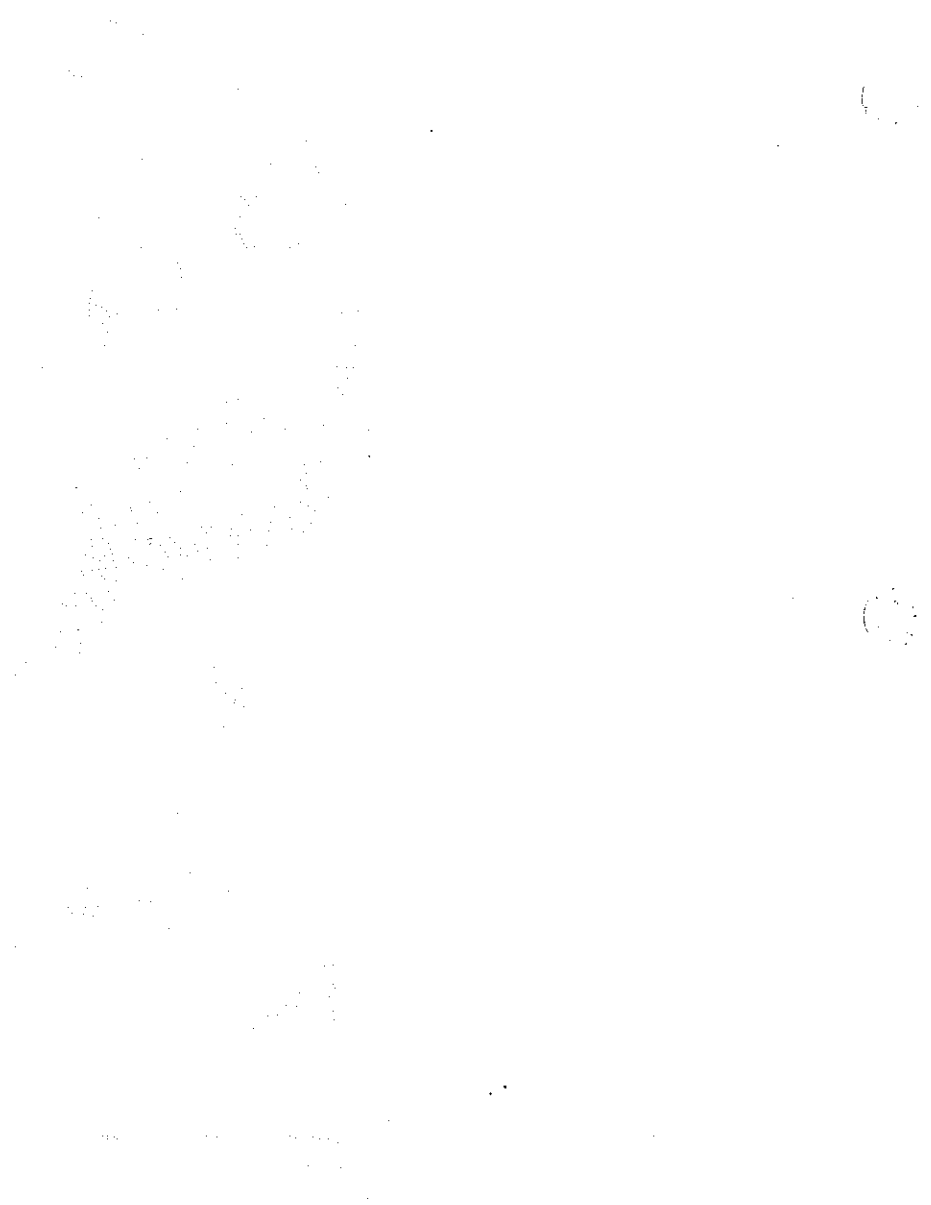


EXHIBIT C-2

Inclusion Area Boundary Map



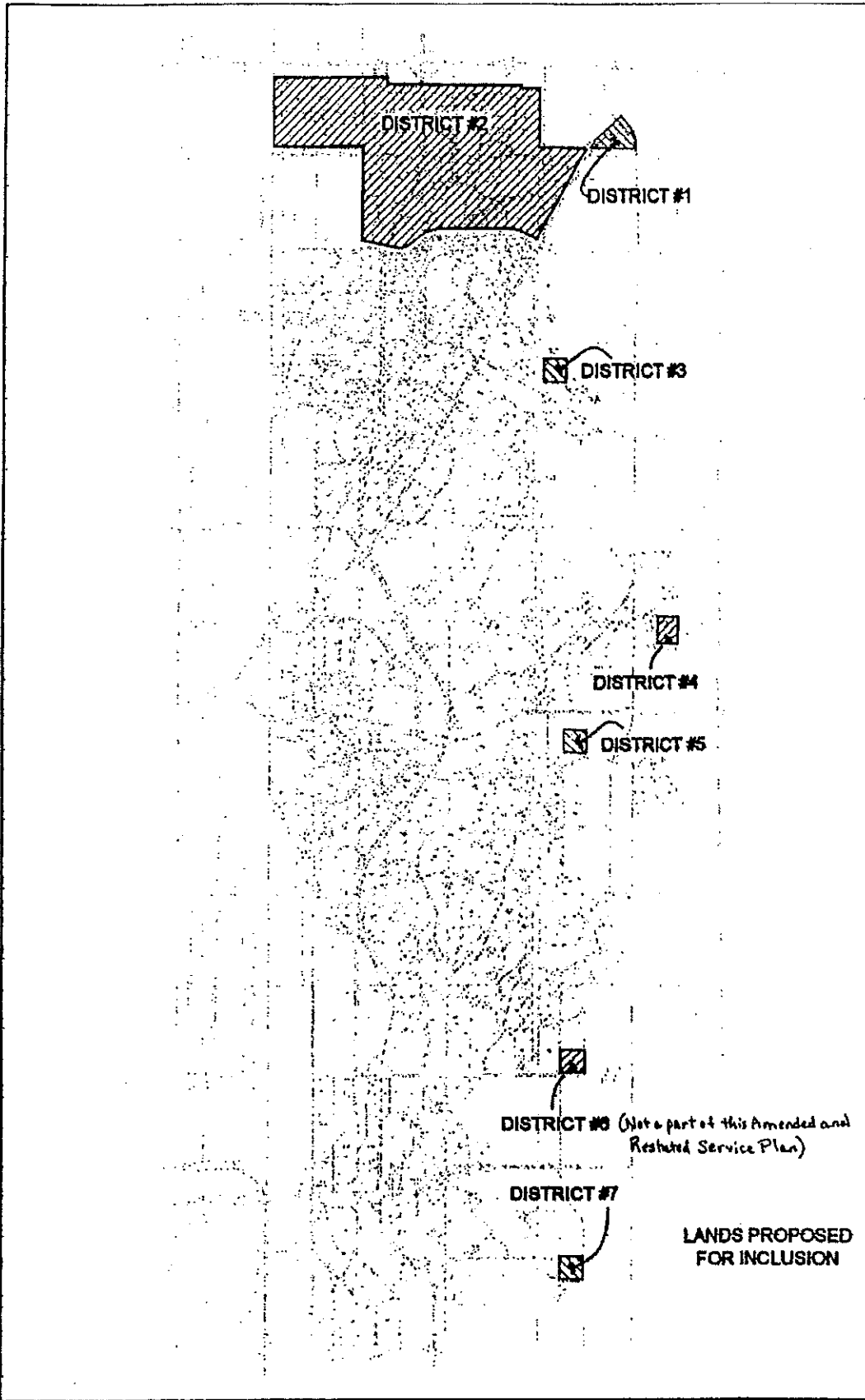


EXHIBIT D

Description of Permitted Services to be Provided by the Districts

Description of Services	IGA Required (Yes or No)
1. Operation and maintenance services related to entry parks, and all landscaping, monumentation, and/or other improvements or property owned by the Districts.	No.
2. Operation and maintenance of recreational facilities within the Districts, including but not limited to the internal trail system and community recreation centers.	No.
3. Maintenance of landscaping within the public right-of-way, including but not limited to street, trees, and streetscape improvements.	No.
4. Covenant control and enforcement within the Project.	No.

Exhibit E

NOTICE OF SPECIAL DISTRICT DISCLOSURE

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

Name of District(s):	Banning Lewis Ranch Metropolitan Districts No. 1 – 5 and 7. District Nos. 1 – 5 are residential districts. District No. 7 is a commercial district.
Contact Information for District:	Grimshaw & Harring, P.C. Attn: Matt Dalton 1700 Lincoln Street, Suite 3800 Denver, CO 80203 (303) 839-3800 (main line) (303) 839-3838 (fax)
Type of Districts:	Metropolitan districts organized pursuant to C.R.S. 32-1-101 <i>et seq.</i> The Districts will provide limited operating and maintenance of certain Public Improvements within the Project, which operations and maintenance functions may be provided through intergovernmental agreements
Identify Districts' Improvements Financed by Proposed Bonds:	Road improvements On and off-site utilities, including water and wastewater improvements Recreational facilities and park improvements, including entry parks, neighborhood parks, pocket parks, trail system, and community recreation centers Landscaping within public right-of-way
Identify Services/Facilities Operated/Maintained by Districts:	Park and recreation related improvements, maintenance of landscaping within public right-of-way, including but not limited to street trees and streetscape improvements, the provision of covenant control and enforcement services to the extent such covenant control functions are not provided by property owners associations within the Project.
Mill Levy Cap: <i>(Note: This District may or may not be certifying a mill levy at the time of your purchase. Please verify by contacting the District.)</i>	Residential Districts: Maximum Debt Mill Levy = thirty (30) mills. Maximum Operating Mill Levy = twenty (20) mills. Commercial District: Maximum Debt Mill Levy = fifty (50) mills. Maximum Operating Mill Levy = twenty (20) mills. If there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitations set forth above may be increased or decreased to reflect such changes, so that to the extent possible, the actual tax revenue generated by the mill levy, as adjusted for changes occurring after January 1, 2007, are neither diminished nor enhanced as a result of such changes.
Authorized Debt of the District(s) per Service Plan:	\$400,000,000.00 but limited to what may be financed by the Maximum Debt Mill Levy applicable to each District.
Voter Authorized Debt per Election:	\$400,000,000.00 (District No. 3, \$100,000,000; District No. 4, \$100,000,000; District No. 5, \$100,000,000; District No. 7, \$100,000,000).
District Boundaries:	See attached legal description and map

Exhibit E (cont'd)

<p><u>Sample Calculation of Mill Levy Cap for a Residential Property</u></p> <p>Assumptions: Market value is \$250,000 Mill levy cap is 50 mills</p> <p>Calculation: $\\$250,000 \times .0796 = \\$19,900$ (Assessed Valuation) $\\$19,900 \times .050$ mills = \$995 per year in taxes owed solely to the Special District</p>	<p><u>Sample Calculation of Mill Levy Cap for a Commercial, Office or Industrial Property</u></p> <p>Assumptions: Market value is \$750,000 Mill levy cap is 70 mills</p> <p>Calculation: $\\$750,000 \times .29 = \\$217,500$ (Assessed Valuation) $\\$217,500 \times .070$ mills = \$15,225 per year in taxes owed solely to the Special District</p>
--	--

**BANNING LEWIS RANCH
METROPOLITAN
DISTRICT Nos. 1 and 2**

**FORECASTED SURPLUS CASH
BALANCES
AND
CASH RECEIPTS AND
DISBURSEMENTS**

December 6, 2007

TABLE OF CONTENTS

	PAGE
Accountant's Report	1
Forecast	
Summary - General Fund.....	2
Schedule of Estimated Assessed Valuation	3
Schedule of Estimated District Service Fees	5
Schedule of Estimated Reimbursements.....	6
Schedule of Estimated Operating Expenses	7
Summary of Significant Forecast Assumptions and Accounting Policies	8



Accountant's Report

The Board of Directors of
Banning Lewis Ranch Metropolitan District Nos. 1 and 2
El Paso County, Colorado

We have compiled the accompanying forecasted surplus cash balances and cash receipts and disbursements of Banning Lewis Ranch Metropolitan District Nos. 1 and 2 (the "Districts") as they relate to the Village No. 1 Project for the General Fund for the calendar years ending 2007 through 2029 (the "forecast") in accordance with attestation standards established by the American Institute of Certified Public Accountants (the "AICPA").

A compilation is limited to presenting in the form of a forecast; information that is the representation of the District's Board of Directors and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying schedules or assumptions. However, we did become aware of a departure from the guidelines for presentation of a forecast established by the AICPA, which is described below. Furthermore, because events and circumstances frequently do not occur as expected, there will usually be differences between the forecasted and actual results, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

As discussed in Note 3, the forecast is presented on the cash basis of accounting, whereas the historical financial statements for the forecast period are expected to be presented in conformity with generally accepted accounting principles on the accrual basis for government wide statements and the modified accrual basis for individual fund financial statements for all funds of the District by fund type. Guidelines for presentation of a forecast established by the AICPA require disclosure of the differences resulting from the use of a different basis of accounting in the forecast than that expected to be used in the historical financial statements for the period. Accordingly, if the AICPA presentation guidelines were followed, the titles in the forecast would indicate that the presentation reflects the following: surplus cash balances and the cash received and disbursed rather than net assets or fund balances and the revenue and expenses or expenditures that would be recognized under generally accepted accounting principles based on the accrual basis and the modified accrual basis of accounting.

We are not independent with respect to Banning Lewis Ranch Metropolitan District Nos. 1 and 2.

Clifton Gunderson LLP

Greenwood Village, Colorado
December 6, 2007

Offices in 13 states and Washington, DC



**BANNING LEWIS RANCH METROPOLITAN DISTRICT Nos. 1 and 2
VILLAGE No. 1 PROJECT ONLY**

FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

GENERAL FUND ONLY

**SUMMARY
GENERAL FUND**

FOR THE CALENDAR YEARS ENDING 2007 THROUGH 2029

Collection Year	Total Assessed Value (See Page 4)	General Fund Mill Levy	Cash Receipts				Interest Income at 4.00%	Total Annual Cash Receipts	Cash Disbursements		Cash Balances		Collection Year
			Net Property Taxes 98.00%	Specific Ownership Taxes 10.00%	District Service Fees \$86 Per Month (See Page 5)	Reimbursements (See Page 6)			Annual Developer Contributions	Operating Expenses (See Page 7)	Annual Cash Surplus (Deficit)	Cumulative Cash Balances	
2007	-	10.000	-	-	1,118	53,136	195,000	-	249,254	245,447	3,807	3,807	2007
2008	188,500	10.000	1,847	185	310,635	192,786	541,000	500	1,046,953	1,047,261	(308)	3,499	2008
2009	4,495,910	20.000	88,120	8,812	796,908	196,642	284,000	140	1,374,622	1,374,802	(180)	3,319	2009
2010	14,125,802	20.000	276,866	27,687	1,051,200	146,721	53,000	133	1,555,607	1,555,333	275	3,594	2010
2011	19,428,866	20.000	380,806	38,081	1,118,117	23,877	55,000	144	1,616,025	1,615,731	295	3,888	2011
2012	20,905,617	20.000	409,750	40,975	1,140,139	24,355	33,000	156	1,648,375	1,648,046	329	4,217	2012
2013	20,905,617	20.000	409,750	40,975	1,163,162	24,842	42,000	169	1,680,898	1,681,006	(109)	4,109	2013
2014	21,323,729	20.000	417,945	41,795	1,186,185	25,339	43,000	164	1,714,428	1,714,627	(200)	3,909	2014
2015	21,323,729	20.000	417,945	41,795	1,210,209	25,845	53,000	156	1,748,950	1,748,920	30	3,939	2015
2016	21,750,203	20.000	426,304	42,630	1,234,233	26,362	54,000	158	1,783,687	1,783,898	(211)	3,729	2016
2017	21,750,203	20.000	426,304	42,630	1,259,258	26,890	65,000	149	1,820,231	1,819,576	655	4,383	2017
2018	22,185,208	20.000	434,830	43,483	1,284,283	27,427	66,000	175	1,856,198	1,855,968	231	4,614	2018
2019	22,185,208	20.000	434,830	43,483	1,310,309	27,976	76,000	185	1,892,783	1,893,086	(303)	4,311	2019
2020	22,628,912	20.000	443,527	44,353	1,336,335	28,535	78,000	172	1,930,922	1,930,948	(26)	4,285	2020
2021	22,628,912	20.000	443,527	44,353	1,363,362	29,106	89,000	171	1,969,519	1,969,567	(47)	4,237	2021
2022	23,081,490	20.000	452,397	45,240	1,390,389	29,688	91,000	169	2,008,883	2,008,958	(75)	4,162	2022
2023	23,081,490	20.000	452,397	45,240	1,418,417	30,282	103,000	166	2,049,502	2,049,138	364	4,526	2023
2024	23,543,120	20.000	461,445	46,145	1,446,445	30,888	105,000	181	2,090,104	2,090,120	(17)	4,509	2024
2025	23,543,120	20.000	461,445	46,145	1,475,474	31,505	117,000	180	2,131,749	2,131,923	(174)	4,336	2025
2026	24,013,982	20.000	470,674	47,067	1,504,503	32,136	120,000	173	2,174,553	2,174,562	(9)	4,326	2026
2027	24,013,982	20.000	470,674	47,067	1,534,533	32,778	133,000	173	2,218,225	2,218,053	172	4,499	2027
2028	24,494,262	20.000	480,088	48,009	1,565,564	33,434	135,000	180	2,262,275	2,262,415	(140)	4,359	2028
2029	24,494,262	20.000	480,088	48,009	1,596,595	34,102	149,000	174	2,307,968	2,307,662	306	4,665	2029
			8,741,559	874,159	27,697,373	1,134,653	2,680,000	3,968	41,131,712	41,127,047	4,665		

This financial information should be read in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and the Accountant's Report.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT Nos. 1 and 2
VILLAGE No. 1 PROJECT ONLY**

**FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
GENERAL FUND ONLY**

SCHEDULE OF ESTIMATED ASSESSED VALUATION

FOR THE CALENDAR YEARS ENDING 2007 THROUGH 2029

Construction Year	Collection Year	Single-Family Residential Property				TOTAL RESIDENTIAL UNITS		Est. Biennial Revaluation per Colorado State Statute 2.00%	Cumulative Market Value of New Residential Units	Estimated Residential Assessment Ratio	RESIDENTIAL ASSESSED VALUATION (To Page 4)	Collection Year
		Number of Single-Family Homes	Weighted Average of Market Value per Residence \$250,000	Estimated Annual Market Value	Annual Number of New Residential Units	Annual Market Value of Residential Units						
Market values inflated annually at:												
2005	2007										2007	
2006	2008										2008	
2007	2009	26	250,000	6,500,000	26	6,500,000		6,500,000	7.96%		2009	
2008	2010	538	255,000	137,190,000	538	137,190,000	130,000	143,820,000	7.96%	517,400	2010	
2009	2011	355	260,100	92,335,500	355	92,335,500		236,155,500	7.96%	11,448,072	2011	
2010	2012	82	265,302	21,754,764	82	21,754,764	4,723,110	262,633,374	7.96%	18,797,978	2012	
2011	2013						5,252,667	267,886,041	7.96%	20,905,617	2013	
2012	2014						5,357,721	273,243,762	7.96%	21,323,729	2014	
2013	2015						5,464,875	278,708,637	7.96%	21,750,203	2015	
2014	2016						5,574,173	284,282,810	7.96%	22,185,208	2016	
2015	2017						5,685,656	289,968,466	7.96%	22,628,912	2017	
2016	2018						5,799,369	295,767,835	7.96%	23,081,490	2018	
2017	2019						5,915,357	301,683,192	7.96%	23,543,120	2019	
2018	2020						6,033,664	307,716,856	7.96%	24,013,982	2020	
2019	2021								7.96%	24,494,262	2021	
2020	2022								7.96%	24,994,262	2022	
2021	2023								7.96%	25,511,490	2023	
2022	2024								7.96%	26,048,120	2024	
2023	2025								7.96%	26,604,262	2025	
2024	2026								7.96%	27,180,490	2026	
2025	2027								7.96%	27,776,262	2027	
2026	2028								7.96%	28,391,490	2028	
2027	2029								7.96%	29,027,262	2029	
		1,001		257,780,264	1,001	257,780,264	49,936,592					

This financial information should be read in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and the Accountant's Report.

BANNING LEWIS RANCH METROPOLITAN DISTRICT Nos. 1 and 2
VILLAGE No. 1 PROJECT ONLY
FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
GENERAL FUND ONLY

SCHEDULE OF ESTIMATED ASSESSED VALUATION

Continued

FOR THE CALENDAR YEARS ENDING 2007 THROUGH 2029

Construction Year	Platted and Improved Residential Land				TOTAL Annual Market Value of Improved Residential Land	Cumulative Market Value of Improved Land	Estimated Assessment Ratio	PLATTED & IMPROVED LAND ASSESSED VALUATION	RESIDENTIAL ASSESSED VALUATION (See Page 3)	TOTAL ASSESSED VALUATION	Collection Year
	Annual New Homes	Platted & Improved Lots \$250,000 10.00%	Less: Lots Used	Total Annual Actual Value							
2005							29.00%				2007
2006	26	650,000	-	650,000	650,000	-	29.00%	188,500	-	188,500	2008
2007	538	13,719,000	(650,000)	13,069,000	13,719,000	3,978,510	29.00%	3,978,510	517,400	4,495,910	2009
2008	355	9,233,550	(13,719,000)	(4,485,450)	9,233,550	2,677,730	29.00%	2,677,730	11,448,072	14,125,802	2010
2009	82	2,175,476	(9,233,550)	(7,058,074)	2,175,476	630,888	29.00%	630,888	18,797,978	19,428,866	2011
2010			(2,175,476)	(2,175,476)			29.00%		20,905,617	20,905,617	2012
2011							29.00%		20,905,617	20,905,617	2013
2012							29.00%		21,323,729	21,323,729	2014
2013							29.00%		21,323,729	21,323,729	2015
2014							29.00%		21,750,203	21,750,203	2016
2015							29.00%		21,750,203	21,750,203	2017
2016							29.00%		22,185,208	22,185,208	2018
2017							29.00%		22,185,208	22,185,208	2019
2018							29.00%		22,628,912	22,628,912	2020
2019							29.00%		22,628,912	22,628,912	2021
2020							29.00%		23,081,490	23,081,490	2022
2021							29.00%		23,081,490	23,081,490	2023
2022							29.00%		23,543,120	23,543,120	2024
2023							29.00%		23,543,120	23,543,120	2025
2024							29.00%		24,013,982	24,013,982	2026
2025							29.00%		24,013,982	24,013,982	2027
2026							29.00%		24,494,262	24,494,262	2028
2027							29.00%		24,494,262	24,494,262	2029
2028	1,001	25,778,026	(25,778,026)	-	-	-	29.00%	-	-	-	2029

This financial information should be read in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and the Accountant's Report.

BANNING LEWIS RANCH METROPOLITAN DISTRICT Nos. 1 and 2
VILLAGE No. 1 PROJECT ONLY
FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
GENERAL FUND ONLY

SCHEDULE OF ESTIMATED DISTRICT SERVICE FEES
FOR THE CALENDAR YEARS ENDING 2007 THROUGH 2029

Collection Year	Residential			Annual District Service Fee per Unit \$1,032 or a monthly fee of \$86	TOTAL DISTRICT SERVICE FEE COLLECTIONS	Collection Year
	Estimated Number of Single-Family Units Phased In Annually	Cumulative Number of Single-Family Units Phased In	Annual District Service Fee per Unit \$1,032 or a monthly fee of \$86			
Inflated annually at:			2%			
2007	13	13	1,032	1,118	2007	
2008	282	295	1,053	310,635	2008	
2009	447	742	1,074	796,908	2009	
2010	218	960	1,095	1,051,200	2010	
2011	41	1,001	1,117	1,118,117	2011	
2012	-	1,001	1,139	1,140,139	2012	
2013	-	1,001	1,162	1,163,162	2013	
2014	-	1,001	1,185	1,186,185	2014	
2015	-	1,001	1,209	1,210,209	2015	
2016	-	1,001	1,233	1,234,233	2016	
2017	-	1,001	1,258	1,259,258	2017	
2018	-	1,001	1,283	1,284,283	2018	
2019	-	1,001	1,309	1,310,309	2019	
2020	-	1,001	1,335	1,336,335	2020	
2021	-	1,001	1,362	1,363,362	2021	
2022	-	1,001	1,389	1,390,389	2022	
2023	-	1,001	1,417	1,418,417	2023	
2024	-	1,001	1,445	1,446,445	2024	
2025	-	1,001	1,474	1,475,474	2025	
2026	-	1,001	1,503	1,504,503	2026	
2027	-	1,001	1,533	1,534,533	2027	
2028	-	1,001	1,564	1,565,564	2028	
2029	-	1,001	1,595	1,596,595	2029	
		1,001		27,697,373		

This financial information should be read in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and the Accountant's Report.

BANNING LEWIS RANCH METROPOLITAN DISTRICT Nos. 1 and 2
VILLAGE No. 1 PROJECT ONLY
FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
GENERAL FUND ONLY

SCHEDULE OF ESTIMATED REIMBURSEMENTS
FOR THE CALENDAR YEARS ENDING 2007 THROUGH 2029

Collection Year	DEVELOPER REIMBURSEMENTS FOR RECREATION CENTER					CHARTER SCHOOL REIMBURSEMENTS			TOTAL REIMBURSEMENTS	
	Certain Operating Expenses	Percentage to be Reimbursed by the Developer	Developer Reimbursements for Certain Operating Expenses	Management Fees	Developer Reimbursements for 50% of Management Fees	Total Developer Reimbursements	Landscape Maintenance	Percentage to be Reimbursed by the Charter School		Total Charter School Reimbursements
Expenses Inflated at:	\$258,810			\$30,000			\$30,000			
	2.0%			2.0%			2.0%			
2007	77,643	60%	46,586	7,500	3,750	50,336	3,733	75%	2,800	53,136
2008	258,810	60%	155,286	30,000	15,000	170,286	30,000	75%	22,500	192,786
2009	263,986	60%	158,392	30,600	15,300	173,692	30,600	75%	22,950	196,642
2010	269,266	40%	107,706	31,212	15,606	123,312	31,212	75%	23,409	146,721
2011		0%	-		-	-	31,836	75%	23,877	23,877
2012							32,473	75%	24,355	24,355
2013							33,122	75%	24,842	24,842
2014							33,785	75%	25,339	25,339
2015							34,461	75%	25,845	25,845
2016							35,150	75%	26,362	26,362
2017							35,853	75%	26,890	26,890
2018							36,570	75%	27,427	27,427
2019							37,301	75%	27,976	27,976
2020							38,047	75%	28,535	28,535
2021							38,808	75%	29,106	29,106
2022							39,584	75%	29,688	29,688
2023							40,376	75%	30,282	30,282
2024							41,184	75%	30,888	30,888
2025							42,007	75%	31,505	31,505
2026							42,847	75%	32,136	32,136
2027							43,704	75%	32,778	32,778
2028							44,578	75%	33,434	33,434
2029	869,705		467,970	99,312	49,656	517,626	822,703	75%	617,027	1,134,653

This financial information should be read in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and the Accountant's Report.

BANNING LEWIS RANCH METROPOLITAN DISTRICT Nos. 1 and 2
VILLAGE No. 1 PROJECT ONLY
FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
GENERAL FUND ONLY

SCHEDULE OF ESTIMATED OPERATING EXPENSES

FOR THE CALENDAR YEARS ENDING 2007 THROUGH 2029

Collection Year	FIXED EXPENSES					VARIABLE EXPENSES					TOTAL EXPENSES	
	Annual Administrative Expenses	Annual Landscape Expenses	Swimming Pool Expenses	Recreation Center Expenses	Total Fixed Expenses	Estimated Number of Single-Family Units Phased in Annually	Cumulative Number of Single-Family Units Phased in	Trash Removal & Recycling \$8.50 per/month	Internet & Cable Service \$42.50 per/month	Billing Service \$4.00 per/month		Total Variable Expenses
Expenses Inflated at:	126,000 2.0%	297,500 2.0%	\$123,900 2.0%	\$300,710 2.0%				\$102 2.0%	\$510 2.0%	\$48 2.0%		
2007	70,748	46,600	37,170	90,213	244,731	13	13	111	553	52	716	245,447
2008	126,557	297,500	123,900	300,710	848,667	282	295	30,692	153,459	14,443	198,594	1,047,261
2009	129,088	303,450	126,378	306,724	865,640	447	742	78,689	393,443	37,030	509,162	1,374,882
2010	131,670	309,519	128,906	312,858	882,953	219	960	103,913	519,567	48,900	672,380	1,555,333
2011	134,303	315,709	131,484	319,115	900,612	41	1,001	110,518	552,592	52,009	715,119	1,615,731
2012	136,989	322,024	134,113	325,498	918,624	-	1,001	112,729	563,644	53,049	729,422	1,648,046
2013	139,729	328,464	136,796	332,008	936,996	-	1,001	114,983	574,917	54,110	744,010	1,681,006
2014	142,524	335,033	139,532	338,648	955,736	-	1,001	117,283	586,416	55,192	758,891	1,714,627
2015	145,374	341,734	142,322	345,421	974,851	-	1,001	119,629	598,144	56,296	774,069	1,748,920
2016	148,282	348,569	145,169	352,329	994,348	-	1,001	122,021	610,107	57,422	789,550	1,783,898
2017	151,247	355,540	148,072	359,376	1,014,235	-	1,001	124,462	622,309	58,570	805,341	1,819,576
2018	154,272	362,651	151,033	366,563	1,034,520	-	1,001	126,951	634,755	59,742	821,448	1,855,968
2019	157,358	369,904	154,054	373,894	1,055,210	-	1,001	129,490	647,450	60,936	837,876	1,893,086
2020	160,505	377,302	157,135	381,372	1,076,314	-	1,001	132,080	660,399	62,155	854,634	1,930,948
2021	163,715	384,848	160,278	389,000	1,097,841	-	1,001	134,721	673,607	63,398	871,726	1,969,567
2022	166,989	392,545	163,483	396,780	1,119,797	-	1,001	137,416	687,079	64,666	889,161	2,008,958
2023	170,329	400,396	166,753	404,715	1,142,193	-	1,001	140,164	700,821	65,960	906,945	2,049,138
2024	173,736	408,404	170,088	412,810	1,165,037	-	1,001	142,967	714,837	67,279	925,083	2,090,120
2025	177,210	416,572	173,490	421,066	1,188,338	-	1,001	145,827	729,134	68,624	943,585	2,131,923
2026	180,755	424,903	176,960	429,487	1,212,105	-	1,001	148,743	743,717	69,997	962,457	2,174,562
2027	184,370	433,401	180,499	438,077	1,236,347	-	1,001	151,718	758,591	71,397	981,706	2,218,053
2028	188,057	442,069	184,109	446,838	1,261,074	-	1,001	154,753	773,763	72,825	1,001,341	2,262,415
2029	191,818	450,911	187,791	455,775	1,286,295	-	1,001	157,848	789,238	74,281	1,021,367	2,307,662
	3,525,625	8,168,048	3,419,514	8,299,277	23,412,464	1,001		2,737,708	13,688,542	1,288,333	17,714,583	41,127,047

This financial information should be read in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and the Accountant's Report.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT Nos. 1 and 2
VILLAGE No. 1 PROJECT**

**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS
AND ACCOUNTING POLICIES**

December 6, 2007

NOTE 1) NATURE AND LIMITATION OF FORECAST

This forecast of financial information is for the purpose of a financial analysis of the General Fund of the Banning Lewis Ranch Metropolitan District No. 1 ("District No. 1") and Banning Lewis Ranch Metropolitan District No. 2 ("District No. 2") (collectively, the "Districts") as it relates to the Village No. 1 Project, located in El Paso County (the "County"), Colorado. The forecast displays how operating expenses will be funded from forecasted cash receipts under the following assumptions.

This financial forecast presents, to the best knowledge and belief of the Board of Directors of the Districts (collectively, "Management"), the Districts' expected cash position and results of cash receipts and disbursements for the forecast period for the General Fund. Accordingly, the forecast reflects Management's judgment, as of December 6, 2007, the date of this forecast, of the expected conditions within the Districts and the Districts' expected course of action.

The assumptions disclosed herein are those that Management believes are significant to the forecast; however, they are not all-inclusive. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Assumptions relating to the market values of the residential property and the build out schedule of such property are particularly sensitive as they relate to the forecast. A small variation in these assumptions could have a large effect on the forecasted results. There is a high probability that the forecasted assessed values derived from these assumptions will vary from the actual future assessed values.

The forecast is expressed in terms of 2007 dollars, with adjustments for inflation as follows. The market values of residential properties are forecasted to increase 2% compounded annually, starting in 2008, through build-out. Market values of residential properties are forecasted to increase 2% biennially pursuant to the reassessment of property required by State statute. Homeowner fees, reimbursements and operating costs are expected to increase 2% compounded annually.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT Nos. 1 and 2
VILLAGE No. 1 PROJECT**

**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS
AND ACCOUNTING POLICIES**

December 6, 2007

NOTE 2) DEVELOPER

Properties within the Districts are currently being developed by the Banning Lewis Ranch Company, LLC (the "Developer"), a Delaware limited liability company. Certain members of Management are associated with or related to the Developer.

The Developer has provided the information regarding the number of residential units estimated to be built each year and the initial sales values for the residential properties to be developed, based upon their knowledge and experience in developing other properties.

NOTE 3) BASIS OF ACCOUNTING

The basis of accounting for this forecast is the cash basis, which is a basis of accounting that is different from that required by the generally accepted accounting principles under which the Districts will prepare their financial statements.

NOTE 4) PROPERTY TAXES

The primary source of revenue or cash receipts will be ad valorem property taxes. Property taxes are determined annually by Management and are certified to the County Commissioners as to rate or levy based upon the assessed valuation of the property within the Districts. The County Assessor determines the assessed valuation. The levy is expressed in terms of mills. A mill is equal to 1/10 of one cent per dollar of assessed valuation.

The Gallagher Amendment to the Colorado Constitution states that residential assessed values Statewide must be approximately 45% of total assessed values. When the market values of residential property increase faster than the values of nonresidential property, the residential assessment ratio must decline to keep the 45 percent/55 percent ratio.

According to information as set forth in the Colorado Legislative Council Staff Memorandum entitled "Focus Colorado: Economic and Revenue Forecast, 2006-2011" issued on December 20, 2006, the residential assessment ratio is forecasted to remain at 7.96% through 2010 and decline to 7.72% in 2011 for collection year 2012. The forecasts of the Legislative Council Staff are estimates only, do not have the force of law, and may or may not occur as forecasted.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT Nos. 1 and 2
VILLAGE No. 1 PROJECT**

**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS
AND ACCOUNTING POLICIES**

December 6, 2007

NOTE 4) PROPERTY TAXES (continued)

This forecast has included the current residential assessment ratio of 7.96% throughout the term of the forecast period, since it is assumed that in the event the residential assessment ratio changes, Management will increase or decrease the mill levy, (as authorized under the Consolidated Service Plan) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes.

The Consolidated Service Plan allows a maximum mill levy for operations and maintenance of 10 mills. The forecast assumes that the Districts will impose 20 mills for operations and maintenance beginning in 2009 collection year. The Districts may be required to amend the Consolidated Service Plan in order to raise the mill levy above the current maximum of 10 mills allowed under the Consolidated Service Plan.

The assessed valuation for the Districts is dependent upon the build-out schedule of the residential properties within the Districts. The forecasted development build-out schedule and conversion to assessed valuation is presented as a Schedule of Estimated Assessed Valuation.

The assessed value of all taxable property within District No. 2 as certified by the County on November 21, 2007 is \$1,557,420. The forecast assumes that the assessed value of the Village No. 1 Project within District No. 2 is 10% of the market value of the 26 homes expected to be completed in 2007. Therefore, for purposes of the forecast, the beginning assessed value of the Village No. 1 Project is expected to be \$188,500 for collection year 2008.

Land value for property platted and improved is forecasted to increase in value as such platting and completion of infrastructure occurs at 10% of the total estimated market value of the completed residence. The land value is subsequently reduced during the year in which the residence is expected to be completed. The assessment ratio for such platted and improved vacant lots is 29% until construction commences.

The property taxes resultant from the above mill levy and assessed valuation have been reduced for the County Treasurer's 1.5% fee for collection of the taxes and further reduced by 0.5% to allow for uncollectible taxes.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT Nos. 1 and 2
VILLAGE No. 1 PROJECT**

**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS
AND ACCOUNTING POLICIES**

December 6, 2007

NOTE 5) SPECIFIC OWNERSHIP TAXES

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The forecast assumes that the Districts' share will be equal to approximately 10% of the net property taxes collected by the General Fund.

NOTE 6) DISTRICT SERVICE FEES

District No. 1 imposes a District Service Fee (the "Fee") of \$86 per month per dwelling unit on all dwelling units within the District's service area. The Fee is used to defray the cost of the provision of services (including but not limited to broadband cable services, trash services, and park and recreation services) and covenant enforcement and design review services to such units. The Fee is forecasted to be imposed beginning December 1, 2007. The forecast expects the Fee to increase 2% compounded annually beginning in 2008.

NOTE 7) REIMBURSEMENTS

The Developer has agreed to reimburse the Districts for certain operating costs related to the Recreation Center. These costs include trash, utilities, cleaning, cleaning supplies, management, security services and miscellaneous. All of these costs with the exception of management fees will be reimbursed at the rate of 60% for 2007 through 2009 and at 40% in 2010. Management fees will be reimbursed at 50% for 2007 through 2010. The forecast assumes that no Developer reimbursements will be received after build out is complete, beginning in 2011.

The Districts expect to enter into a reimbursement agreement with a Charter School located with the Districts' boundaries for a portion of the Districts' landscape maintenance costs. Under the anticipated agreement, the Charter School will reimburse the Districts 75% of the landscape costs to the extent of \$30,000, inflated 2% annually.

The reimbursements from the Developer and the Charter School for 2007 are prorated for a portion of the year. All forecasted reimbursements are displayed on the Schedule of Estimated Reimbursements.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT Nos. 1 and 2
VILLAGE No. 1 PROJECT**

**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS
AND ACCOUNTING POLICIES**

December 6, 2007

NOTE 8) DEVELOPER CONTRIBUTIONS

The forecast assumes that the Developer will contribute funds to the Districts in the amount of the operating expenses related to the Village No. 1 Project in excess of the cash receipts generated from the Village No. 1 Project. The forecast does not support the ability of the Districts to repay such contributions to the Developer. The estimated amounts and timing of Developer contributions are shown on the Summary page of the forecast.

NOTE 9) INTEREST INCOME

The forecast includes interest income earned on monies that are forecasted to be on deposit or invested by the Districts in the cumulative surplus cash balance at the prior year-end at an interest rate of 4.00% through the entire forecast period.

NOTE 10) OPERATING EXPENSES

Fixed operating expenses include landscape, swimming pool and recreation center operations and maintenance as well as the services necessary to maintain the Districts' administrative viability such as legal, management, accounting and audit, insurance, and other administrative expenses. The fixed operating expenses are forecasted to inflate 2% annually. Variable expenses include trash removal and recycling, internet and cable service, and billing service. The variable expenses are based on cost per month per single family unit and are increased for inflation at 2% compounded annually. The fixed and variable expenses for 2007 are prorated for a portion of the year. All forecasted expenses are displayed on the Schedule of Estimated Operating Expenses.

This information should be read in connection with the accompanying Accountant's Report and forecast of financial information.