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MEMORANDUM

To: Board of Directors, Beebe Draw Farms Authority

From: McGeady Sisneros, P.C.

Date: July 29, 2014

Re: Phased Exclusion and Inclusion of Property

REI Limited Liability Company (the "**Developer**") is the owner of 82 lots (the "**Property**") currently located within the boundaries of Beebe Draw Farms Metropolitan District No. 2 ("**District No. 2**"). The Amended and Restated Consolidated Service Plan for Beebe Draw Farms Metropolitan District No. 1 ("**District No. 1**") and District No. 2 (collectively with District No. 1, the "**Districts**"), the Authority Establishment Agreement (the "**AEA**"), and that certain Inclusion Exclusion Agreement by and between the Districts and the Authority, dated May 10, 2011(the "**Inclusion Exclusion Agreement**"), contemplate that the Property within District No. 2 will develop in phases, and the Developer will petition for the exclusion of portions of the Property from District No. 2, and petition for inclusion of such property into District No. 1, ***prior to the issuance of the first certificate of occupancy for a single family residence within such phase***. The following memorandum outlines the policies set forth in the Inclusion Exclusion Agreement for such inclusions and exclusions to proceed.

1. Exclusion Process from District No. 2

(a) ***Petition for Exclusion.*** On or before the 30th day after the approval of a building permit for construction of the first home within a phase of the Property, the Developer shall file a Petition for Exclusion (the "**Exclusion Petition**") with the District No. 2 Board of Directors for exclusion of such phase.

(b) ***Exclusion Hearing.*** Within thirty (30) days of receipt of the Exclusion Petition, the District No. 2 Board of Directors shall conduct a public hearing on such exclusion (the "**Exclusion Hearing**"), the procedure for which is as follows:

(i) District No. 2 must publish notice[1] of the Exclusion Hearing, a one-time publication in The Greeley Tribune, providing the (i) date; time and location of such meeting; (ii) the names and addresses of the petitioners; and (iii) notice that all persons interested shall appear at such time and place and show cause in writing why the Exclusion Petition should not be granted.

(ii) The Board will hear the Exclusion Petition at the scheduled Exclusion Hearing and grant or deny the Exclusion Petition, in whole or in part, with or without conditions.

(iii) Assuming the Board grants the Exclusion Petition, the Board shall adopt a Resolution approving the Exclusion Petition and authorize legal counsel to file a certified copy of the findings with the Weld County District Court asking the Court to issue an Order for Exclusion (the "**Exclusion Order**") to exclude the property from the boundaries of District No. 2.

(iv) The exclusion will become effective upon the date the Exclusion Order is recorded in the real property records of Weld County (See Section 3 below).

(v) Developer acknowledged in the Inclusion Exclusion Agreement, and pursuant to State Statute, any property excluded from District No. 2 shall remain subject to any property taxes or mill levies assessed for outstanding obligations of District No. 2

(c) *Note: at any time prior to the Exclusion Hearing, the Developer may amend the Exclusion Petition to remove portions of the Property from the Exclusion Petition.*

2. <u>Inclusion Process into District No. 1</u>

(a) ***Petition for Inclusion.*** Simultaneous with the Developer's filing of an Exclusion Petition with District No. 2, the Developer shall also submit a Petition for Inclusion (the "**Inclusion Petition**") for the same property as indicated on the Exclusion Petition to the Board of Directors for District No.1.

(b) ***Inclusion Hearing.*** Within thirty (30) days of receipt of the Inclusion Petition, the District No. 1 Board of Directors shall conduct a public hearing on such inclusion (the "**Inclusion Hearing**"), the procedure for which is as follows:

(i) District No. 1 must publish notice[2] of the Inclusion Hearing, a one-time publication in The Greeley Tribune, providing the (i) date; time and location of such

[1] Although the statute does not require a certain time frame for which the publication must occur prior to the hearing, we recommend publication occur at least five (5) working days prior to the hearing.
[2] Although the statute does not require a certain time frame for which the publication must occur prior to the hearing, we recommend publication occur at least five (5) working days prior to the hearing.

meeting; (ii) the names and addresses of the petitioners; and (iii) notice that all persons interested shall appear at such time and place and show cause in writing why the Inclusion Petition should not be granted.

(ii) The Board will hear the Inclusion Petition at the scheduled Inclusion Hearing and grant or deny the Inclusion Petition, in whole or in part, with or without conditions.

(iii) Assuming the Board grants the Inclusion Petition, the Board shall adopt a Resolution approving the Inclusion Petition and authorize legal counsel to file a certified copy of the findings with the Weld County District Court asking the Court to issue an Order for Inclusion (the "**Inclusion Order**") to include the property into the boundaries of District No. 1.

(iv) The inclusion will become effective upon the date the Inclusion Order is recorded in the real property records of Weld County (See Section 3 below).

(c) *Note: at any time prior to the Inclusion Hearing, the Developer may amend the Inclusion Petition to remove portions of the Property from the Inclusion Petition.*

3. <u>Recordation of the Orders</u>

(a) ***Order of Recordation.*** Pursuant the Inclusion Exclusion Agreement, the Districts agree that the Orders shall be recorded in the following order:

(i) First, the Inclusion Order shall be recorded with the real property records of Weld County; and

(ii) Second, immediately following the recording of the Inclusion Order, the Exclusion Order shall be recorded with the real property records of Weld County.

4. <u>Failure to Include/Exclude Property</u>

(a) ***Failure to Exclude by District No. 2.*** Pursuant to the Inclusion Exclusion Agreement, in the event District No. 2 determines after the Exclusion Hearing not to exclude a parcel that was the subject of such Exclusion Hearing, District No. 2 shall not be permitted to incur any additional debt, including any pledge agreements with the Authority providing for the imposition of ad valorem property taxes by District No. 2 and payment of the proceeds thereof to the Authority, or issuing bonds to third parties.

(b) ***Failure to Include by District No. 1*** Pursuant to the Inclusion Exclusion Agreement, in the event District No. 1 determines after the Inclusion Hearing not to include a parcel that was the subject of such Inclusion Hearing, District No. 1 shall be required to impose the Additional O&M Mill Levy required by the AEA (but not in excess of the District No. 1 Mill Levy Cap of 40 mills) to recoup revenues that would otherwise have been generated from the un-

included property. District No. 2, however, shall not increase its operations and maintenance mill levy in such a situation.

5. Use of revenues pledged from District No. 2 to the Authority

(a) ***Capital Pledge Agreement.*** Pursuant to the AEA, immediately prior to the issuance of a certificate of occupancy for a single family residence within a particular phase, District No. 2 shall enter into a "Subsequent Pledge Agreement" regarding the revenues pledged by District No. 2 for payment to District No. 1 ("Pledged Revenues"). The first Subsequent Pledge Agreement entered into by District No. 2 immediately prior to the first exclusion of property therefrom will be in the form attached as **Exhibit A** hereto ("First Subsequent Pledge Agreement"). Such First Subsequent Pledge Agreement is intended to accomplish the refunding in full of the District No. 2 Initial Pledge Agreement, entered into on June 14, 2011, and commence the forty (40) year obligation to impose ad valorem property taxes to generate revenues for deposit into the Infrastructure Account and the Amenity Account from the date immediately prior to the first exclusion. All additional Subsequent Pledge Agreements, entered into after the first Subsequent Pledge Agreement shall be in the form attached as **Exhibit B** hereto

(b) ***Payment by District 2 to Authority.*** Pursuant to the AEA, District No. 2 agrees to remit to the Authority, as soon as practicable upon receipt, all revenues comprising Pledged Revenues.

(c) ***Deposit of Funds by District No. 1.*** Pursuant to the AEA, the Authority agrees that it shall promptly deposit all Pledged Revenues received by it in accordance with any Subsequent Pledge Agreements, into the Infrastructure Account or the Amenity Account and shall cause the same to be applied to the Actual Capital Costs relating to Infrastructure or Amenities, respectively, as more particularly provided for in the AEA.

(i) Note: The AEA does allow for District No. 2 to directly deposit the Pledged Revenues into the Infrastructure Account or Amenity Account, as directed by the Authority and in accordance with the AEA.

(d) ***Use of Pledged Revenue by the Authority.*** The Authority is required, per the AEA, to provide to the District, not less than 180 days after the end of each fiscal year, a report indicating, separately, the amounts of Property Tax Revenues, Specific Ownership Tax Revenues, and Development Fees received by the Authority and deposited into the Infrastructure Account and Amenities Account. Such report shall also provide the amount of Pledged Revenues disbursed from the Infrastructure Account and Amenities Account to fund Roads and, separately, Water (both as defined in the AEA) and the amount of Pledged Revenues disbursed from the Amenity Account to fund Amenities (as defined in the AEA).

EXHIBIT A

District No. 2 Capital Pledge Agreement (First Exclusion)

EXHIBIT B

District No. 2 Capital Pledge Agreement (Subsequent Exclusions)

EXHIBIT A

District No. 2 Capital Pledge Agreement (First Exclusion)

DISTRICT NO. 2 CAPITAL PLEDGE AGREEMENT
(FIRST EXCLUSION)

This **DISTRICT NO. 2 CAPITAL PLEDGE AGREEMENT (FIRST EXCLUSION)** (the "**Agreement**" or "**Pledge Agreement**"), is made and entered into and dated as of _____ __, 20__ by and between BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 2 (the "**District**"), a quasi-municipal corporation and political subdivision of the State of Colorado and BEEBE DRAW FARMS AUTHORITY (the "**Authority**"), a separate legal entity. All capitalized terms used herein and not otherwise defined shall have the meanings assigned them in Article I hereof.

RECITALS

WHEREAS, the District and Beebe Draw Farms Metropolitan District No. 1 ("**District No. 1**" and, together with the District, the "**Districts**") are special metropolitan districts organized pursuant to Section 32-1-101, C.R.S. et seq. and operate in accordance with a Amended and Restated Consolidated Service Plan for the Beebe Draw Farms Metropolitan District Nos. 1 & 2, dated _____ __, 2011, as approved by the Board of County Commissioners of Weld County, Colorado on _____ __, 2011 (the "**Service Plan**"); and

WHEREAS, pursuant to the Colorado Constitution Article XIV, Section 18(2)(a), and Section 29-1-203, C.R.S., the Districts may cooperate or contract with each other to provide any function, service or facility lawfully authorized to each, and any such contract may provide for the sharing of costs, the imposition and collection of taxes, and the incurring of debt; and

WHEREAS, the Service Plan discloses and establishes the necessity for, and desirability of an intergovernmental agreement between the Districts concerning the financing, construction, operation and maintenance of Public Improvements (hereinafter defined) contemplated in the Service Plan and concerning the provision of essential services in the community to be served by the Districts; and

WHEREAS, in furtherance of the foregoing, and as permitted by Section 29-1-203(4), C.R.S., the Authority was established pursuant to a Beebe Draw Farms Authority Establishment Agreement dated as of ____ __, 2011, between the Districts (the "**Establishment Agreement**"); and

WHEREAS, the Establishment Agreement created the Authority and sets forth an overall plan for financing, construction, ownership, operation and maintenance of the Public Improvements agreed upon by the Districts and intended to facilitate the provision of such Public Improvements in a timely and efficient manner, and to allocate the costs thereof equitably among the users of such Public Improvements, through cooperation among the Authority and the Districts; and

WHEREAS, in accordance with the Service Plan and Establishment Agreement, the District and the Authority anticipate that the District may issue, from time to time, revenue bonds (as more particularly defined herein, the "**Revenue Bonds**") for the purpose of funding the Actual Capital Costs (defined herein); and

WHEREAS, as contemplated by the Establishment Agreement, the District and the Authority have previously entered into an Initial District No. 2 Capital Pledge Agreement dated _____ __, 20__ (the "**Initial Pledge Agreement**") to provide for the funding of Actual Capital Costs through the imposition by the District of an ad valorem property tax mill levy, as more particularly provided therein; and

WHEREAS, as contemplated by the Establishment Agreement, the District and the Authority now desire to enter into this District No. 2 Capital Pledge Agreement (First Exclusion) for the purpose of refunding in full the Payment Obligation represented by the Initial Pledge Agreement, and continuing to provide for the funding of Actual Capital Costs through the imposition by the District of an ad valorem property tax mill levy, as more particularly provided herein; and

WHEREAS, at an election of the qualified electors of the District duly called for and held on November 2, 2010 (the "**Election**"), in accordance with law and pursuant to due notice, a majority of eligible electors who voted at such election voted in favor of the issuance of general obligation indebtedness and the imposition of taxes for the payment thereof, for the purpose of funding certain improvements and facilities, including the Public Improvements, as follows:

Authorization	
Purpose	**Total**
Streets	$44,000,000
Water	44,000,000
Parks and Recreation	44,000,000

WHEREAS, pursuant to the Initial Pledge Agreement, the District acknowledged that, with respect to the indebtedness represented by this Capital Pledge Agreement, based upon the Principal Portion of the Payment Obligations hereunder (as defined herein, $26,125,508), there is sufficient authorization in each of the afore-described categories of debt to authorize the full amount of such indebtedness, the District does not intend to issue any other indebtedness that would require such authorization (taking into account the authorization that would remain if such amount were applied to each of the afore-described categories of debt), and therefore determined to allocates the authority for debt contained in the Election for specific infrastructure categories to the indebtedness represented by the Initial Pledge Agreement as the revenues generated hereunder are applied to specific infrastructure uses; and

WHEREAS, District is entering into this Agreement for the purpose of refunding in full its Payment Obligation under the Initial Pledge Agreement and the Principal Portion of the Payment Obligation represented by this Agreement bears interest at a rate that is lower than the rate of interest borne by the Principal Portion of the Payment Obligation represented by the Initial Pledge Agreement and, as a result, no additional electoral authorization is required with respect to this Agreement; and [NEED TO ENSURE RATES ARE SET TO ALLOW THIS, ADD ALLOCATION OF PRINCIPAL, IF ANY, IN EXCESS OF ORIGINAL AGREEMENT]

WHEREAS, the District has determined and hereby determines that the execution of this Pledge Agreement, to facilitate the purposes of this Pledge Agreement and the Establishment

Agreement, and the provision of the Public Improvements are in the best interests of the District and the residents, property owners, and taxpayers thereof and that the financing plan set forth in the Establishment Agreement and implemented, in part, through the execution and delivery of this Pledge Agreement is necessary for the timely and efficient provisions of the Public Improvements and equitable allocation of the costs thereof among the users of the Public Improvements; and

WHEREAS, all amendments to this Agreement made pursuant hereto and not in conflict with the ballot questions, the Service Plan or the Establishment Agreement, which authorized the debt represented by this Agreement, shall be deemed part of this Agreement and fully authorized by such ballot questions.

COVENANTS

NOW, THEREFORE, for and in consideration of the promises and the mutual covenants and stipulations herein, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Interpretation. In this Agreement, unless the context expressly indicates otherwise, the words defined below shall have the meanings set forth below:

(a) The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms, refer to this Agreement as a whole and not to any particular article, section, or subdivision hereof; the term "heretofore" means before the date of execution of the Agreement; and the term "hereafter" means after the date of execution of this Agreement.

(b) All definitions, terms, and words shall include both the singular and the plural, and all capitalized words or terms shall have the definitions set forth in Section 1.02 hereof.

(c) Words of the masculine gender include correlative words of the feminine and neuter genders, and words importing the singular number include the plural number and vice versa.

(d) The captions or headings of this Agreement are for convenience only, and in no way define, limit, or describe the scope or intent of any provision, article, or section of this Agreement.

(e) All schedules, exhibits, and addenda referred to herein are incorporated herein by this reference.

Section 1.02. Definitions. As used herein, unless the context expressly indicates otherwise, the words defined below and capitalized throughout the text of this Agreement shall have the respective meanings set forth below. Capitalized terms used and not otherwise defined (including but not limited to Amenities, Amenity Account, Infrastructure, Infrastructure Account

and Required O&M Mill Levy) shall have the meanings assigned them in the Establishment Agreement.

(a) "Actual Capital Costs" shall mean, collectively, "Actual Capital Costs" as defined in the Establishment Agreement and, in addition, any O&M Shortfall funded from the Amenity Account or Infrastructure Account in accordance with Section 5.2 of the Establishment Agreement.

(b) "Agreement" or "Pledge Agreement" shall mean this Agreement and any amendment hereto made in accordance herewith.

(c) "Authority" means Beebe Draw Farms Authority, formed pursuant to the Establishment Agreement.

(d) "Assignment Agreement" shall mean any agreement entered into between the Authority and the District that provides for the assignment by the Authority to the District of a specified portion of Pledged Revenues deposited in, or to be deposited in, the Infrastructure Account or Amenity Account in accordance with this Pledge Agreement and the Establishment Agreement, which Assignment Agreement is intended to secure payment of Revenue Bonds and/or Developer Revenue Obligations of the District.

(e) "Board" or "Boards" shall mean the lawfully organized Boards of Directors of the Districts.

(f) "Board of County Commissioners" shall mean the Board of County Commissioners for Weld County, Colorado.

(g) "Bond Documents" shall mean any resolution, indenture, reimbursement agreement or other agreement entered into or adopted by the District in connection with the issuance of Revenue Bonds.

(h) "Bondholder" means the beneficial owner of any Revenue Bond.

(i) "Developer" shall have the meaning assigned it in the Establishment Agreement.

(j) "Developer Revenue Obligations" shall mean notes, bonds or other indebtedness issued by the District and payable to the Developer for the purpose of funding Actual Capital Costs and payable from all or a portion of the Pledged Revenues assigned by the Authority to the District in accordance with an Assignment Agreement.

(k) "Development Fees" shall have the meaning assigned it in the Establishment Agreement.

(l) "District" shall mean Beebe Draw Farms Metropolitan District No. 2.

(m) "District No. 1" shall mean Beebe Draw Farms Metropolitan District No. 1.

(n) "Effective Date" shall mean _____ __, 20__.

(o) "Establishment Agreement" means the Beebe Draw Farms Authority Establishment Agreement dated ____ __, 2011, between the District and District No. 1.

(p) "Maximum Annual Limited Receipts" shall mean, for any particular calendar year, the dollar amount that would result from the imposition of an ad valorem property tax levy of 50 mills (without adjustment) on the final certified assessed valuation of the District, as certified to the District by the County Assessor on the immediately preceding December 10.

(q) "Mill Levy Certification Date" means December 10 of each year, on or prior to which date an ad valorem property tax levy is required to be certified to the County Board in accordance with Section 2.04 hereof and state law.

(r) "1998 Bond Mill Levy" means, for any particular Mill Levy Certification Date, the ad valorem property tax levy required to be imposed upon property within the boundaries of District No. 1 for the payment of the debt service costs (including principal, interest, mandatory redemption price, trustee and paying agent fees) for the General Obligation Bonds, Series 1998 issued by District No. 1.

(s) "Payment Obligation" shall mean the District's obligation to pay the Actual Capital Costs in accordance with the provisions hereof, but solely from Pledged Revenues, to the extent available.

(t) "Pledged Revenues" means, collectively, Property Tax Revenues, Specific Ownership Tax Revenues, and Development Fees.

(u) "Principal Portion" means an amount equal to $26,125,508, representing the principal component of the Payment Obligation hereunder.

(v) "Property Tax Revenues" means all moneys derived from imposition of the Required Mill Levy by the District, but excluding Specific Ownership Tax Revenues.

(w) "Public Improvements" means, collectively, Infrastructure and Amenities, as more particularly defined in the Establishment Agreement.

(x) "Required Mill Levy" means, with respect to any particular Mill Levy Certification Date, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year, commencing in tax levy year 20__ (tax collection year 20__), in an amount equal to 50 mills less the 1998 Bond Mill Levy for such Mill Levy Certification Date, and less the Required O&M Mill Levy for such Mill Levy Certification Date; provided that:

(i) in the event the method of calculating assessed valuation is changed after the date hereof, the 50 mills described above will be increased or decreased to reflect such changes, such increases or decreases to be determined by the District in good faith (such determination to be binding and final) so that to

the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation; and

(ii) notwithstanding anything herein to the contrary, in no event shall the Required Mill Levy exceed 50 mills, except under the circumstances set forth in Section 2.03(b) hereof, and subject to the limitations set forth therein, and, in the event that the Required Mill Levy as calculated pursuant to the foregoing would exceed 50 mills and Section 2.03(b) is not applicable, then the Required Mill Levy shall be reduced to equal 50 mills; and

(iii) notwithstanding anything herein to the contrary, in no event may the Required Mill Levy be established at a mill levy rate which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

(y) "Revenue Bonds" shall mean notes, bonds or other indebtedness issued by the District for the purpose of funding Actual Capital Costs and payable from all or a portion of the Pledged Revenues assigned by the Authority to the District in accordance with an Assignment Agreement, excluding Developer Revenue Obligations.

(z) "Service Plan" shall mean the Amended and Restated Consolidated Service Plan for the Beebe Draw Farms Metropolitan District Nos. 1 & 2, dated _____ __, 2011, as approved by the Board of County Commissioners of Weld County, Colorado on _____ __, 2011.

(aa) "Specific Ownership Tax Revenues" shall mean the specific ownership taxes remitted to the District pursuant to Section 42-3-107, C.R.S., or any successor statute, as a result of its imposition of the Required Mill Levy.

(bb) "Subsequent Pledge Agreements" means pledge agreements entered into between the District and the Authority subsequent to the date hereof providing for the imposition of ad valorem property taxes by the District and payment of the proceeds thereof to the Authority, as contemplated by the Establishment Agreement.

(cc) "Supplemental Act" means the "Supplemental Public Securities Act," being Title 11, Article 57, Part 2, Colorado Revised Statutes, as amended.

(dd) "Termination Date" shall mean _____ ___, 20__ (i.e., the imposition of taxes hereunder shall not be made after tax levy year 20__ and such taxes shall not be collected after tax collection year 20__) [REFLECT 40 YEAR TERM].

ARTICLE II

PAYMENT OBLIGATION

Section 2.01. No Additional Electoral Approval Required. The authorization for issuance of debt, fiscal year spending, revenue collections and other constitutional matters requiring voter approval for purposes of this Agreement, was approved at an election held for the District on November 2, 2010, in accordance with law and pursuant to due notice. The performance of the terms of this Agreement requires no further electoral approval.

Section 2.02. Funding of Actual Capital Costs Generally.

(a) In exchange for the Authority's agreement to provide for the acquisition, construction, improvement and equipping of the Amenities and the Infrastructure, in accordance with the Establishment Agreement and as more particularly provided in Section 2.05(c) below, and in exchange for the purchase by any Bondholder of Revenue Bonds (if any) issued to fund Actual Capital Costs and payable from Pledged Revenues generated hereunder, the District hereby agrees to pay to the Authority for the payment of Actual Capital Costs, but solely from the sources specified herein, the amount of $26,125,508, plus interest thereon at the rate of [14.9]% per annum (calculated in accordance with subparagraph (b) hereof), or such lesser amount as may be funded from the Pledged Revenues (the "**Payment Obligation**").

(b) Interest shall accrue on the outstanding balance of the Principal Portion of the Payment Obligation (initially $26,125,508) at the rate of [14.9]% per annum, and shall be calculated monthly based upon the outstanding Principal Portion as of the end of each month. Accrued but unpaid interest shall compound semi-annually on each June 1 and December 1, commencing on the first June 1 or December 1 (whichever is the earliest) to occur after the date of execution of this Agreement.

(c) Pledged Revenues received by the Authority (including any amounts payable to the Authority but assigned to the District in accordance with any Assignment Agreement) shall be applied, first, to the payment of accrued interest and, second, to the outstanding principal balance of the Payment Obligation.

(d) The Payment Obligation constitutes a limited tax obligation of the District payable solely from and to the extent of the Pledged Revenues. The Pledged Revenues are hereby pledged by the District to the Authority (and, to the extent of any Bondholders, for the benefit of such Bondholders), for the payment of Actual Capital Costs in accordance with the provisions hereof. The Payment Obligation shall constitute an irrevocable lien upon the Pledged Revenues. The District hereby elects to apply all of the provisions of the Supplemental Act to this Pledge Agreement and the Payment Obligation.

Section 2.03. Limitations on Payment Obligation.

(a) In no event shall the total or annual obligations of the District hereunder exceed the maximum amounts permitted under its electoral authority and any other

applicable law. The entire Payment Obligation will be deemed defeased and no longer outstanding upon the earlier of: (i) the payment by the District of such amount; or (ii) the Termination Date.

(b) In accordance with the definition of Required Mill Levy set forth in Section 1.02 hereof, the Required Mill Levy may not exceed 50 mills, except as specifically provided in this Section 2.03(b). In the event that, for the purpose of funding Actual Capital Costs, the District determines to issue Revenue Bonds and, in connection therewith, enters into an Assignment Agreement with the Authority relating to revenues payable hereunder for the purpose of providing for the payment of such Revenue Bonds, if and only if such Revenue Bonds satisfy the conditions of Section 32-1-1101(6)(a)(I), (II), (III) or (IV), C.R.S. (the satisfaction of which shall be determined by the District and stated in the applicable Assignment Agreement) then so long as such Revenue Bonds are outstanding, the following provisions shall apply:

(i) subparagraph (ii) of the definition of Required Mill Levy shall not apply; and

(ii) in no event shall the District receive in any year under any Assignment Agreement for the payment of Revenue Bonds which do not satisfy Section 32-1-1101(6)(a)(I), (II), (III) or (IV), C.R.S., or under any Assignment Agreement for the payment of a Developer Revenue Obligation, Property Tax Revenues and Specific Ownership Tax Revenues resulting from the imposition of the Required Mill Levy by the District in excess of the Maximum Annual Limited Receipts for such year; and

(iii) In no event shall the Authority retain in any year, after the payment (or retention by the District) of any amounts due to the District in accordance with an Assignment Agreement, revenues resulting from the imposition by the District of the Required Mill Levy (whether Property Tax Revenues or Specific Ownership Tax Revenues) in excess of the Maximum Annual Limited Receipts for such year. Any amounts in excess thereof shall [be deducted by the District from the amount of Property Tax Revenues otherwise payable to the Authority] in the succeeding year, and shall be applied by the District to any lawful purpose. Notwithstanding any of the foregoing, this paragraph shall not operate to modify or limit any amounts payable by the District to the Authority in accordance with any other agreements between the District and the Authority or the Establishment Agreement, including the obligation of the District to pay proceeds of the Required O&M Mill Levy to the Authority in accordance with the Establishment Agreement.

Section 2.04. Imposition of Required Mill Levy.

(a) In order to fund the Payment Obligation, the District agrees to levy on all of the taxable property of the District, in addition to all other taxes, direct annual taxes in tax levy year 20__ (tax collection year 20__), and in each year thereafter (but in no event after the Termination Date), in the amount of the Required Mill Levy. Nothing herein

shall be construed to require the District to impose an ad valorem property tax levy for the payment of the Payment Obligation in excess of the Required Mill Levy or after the Termination Date.

(b) The parties hereto acknowledge that Article 5 of the Establishment Agreement sets forth a process by which the Authority will develop and submit to the Districts an annual operating budget. In order to facilitate the determination of the Required Mill Levy by the District, the Authority shall provide to the District, the preliminary and final Required O&M Mill Levy and the 1998 Bonds Mill Levy for the immediately succeeding Mill Levy Certification Date, in the time and manner set forth in the Establishment Agreement.

(c) No later than December 5 of each year, the District shall provide written notice to the Authority of the Required Mill Levy that the District intends to certify on the immediately succeeding Mill Levy Certification Date, and the District shall certify the same on or before December 10 unless notified by the Authority that the Required Mill Levy as determined by the District is not in compliance with the requirements of this Agreement.

(d) The District acknowledges that it has actively participated in the development of the plan to finance Actual Capital Costs as set forth in the Establishment Agreement and herein, including the calculation of the Required Mill Levy as set forth herein, that such calculation is designed to correlate to the benefit to the District of the Public Improvements financed by the Pledged Revenues (and, Revenue Bonds, if any) and that the calculation of the Required Mill Levy in accordance with the foregoing and obligation of the District to impose the same in each year during the term of this Agreement shall be final and binding upon the District.

(e) This Section 2.04 is hereby declared to be the certificate of the District to the Board of County Commissioners indicating the aggregate amount of taxes to be levied for the purposes of paying the Payment Obligation due hereunder.

(f) It shall be the duty of the District annually at the time and in the manner provided by law for the levying of the District's taxes, if such action shall be necessary to effectuate the provisions of this Agreement, to ratify and carry out the provisions hereof with reference to the levy and collection of the ad valorem property taxes herein specified, and to require the officers of the District to cause the appropriate officials of Weld County, to levy, extend and collect said ad valorem taxes in the manner provided by law for the purpose of providing funds for the payment of the amounts to be paid hereunder promptly as the same, respectively, become due. Said taxes, when collected, shall be applied only to the payment of the amounts to be paid hereunder.

(g) Said taxes shall be levied, assessed, collected, and enforced at the time and in the form and manner and with like interest and penalties as other general taxes in the State of Colorado.

(h) The District shall pursue all reasonable remedies to collect, or cause the collection of, delinquent ad valorem taxes within its boundaries.

Section 2.05. Payment and Application of Revenues.

(a) Subject to Section 2.09 hereof, the District hereby agrees to remit to the Authority [as soon as practicable upon receipt], all revenues comprising Pledged Revenues.

(b) All amounts payable by the District hereunder shall be paid in lawful money of the United States of America by check mailed or delivered, or by wire transfer, to the Authority (or at the direction of Authority, any other entity in accordance with applicable Bond Documents).

(c) The Authority hereby agrees that, subject to Section 2.09, the Authority shall promptly deposit all Pledged Revenues received by it in accordance with this Agreement into the Infrastructure Account or the Amenity Account established under the Establishment Agreement and shall cause the same to be applied to Actual Capital Costs relating to Infrastructure or Amenities, respectively, as more particularly provided in the Establishment Agreement; provided, however, that, notwithstanding the foregoing, the Pledged Revenues may be directly deposited by the District into the Infrastructure Account or Amenity Account, as directed by the Authority and in accordance with the Establishment Agreement. Without limiting the foregoing, the Authority hereby agrees to undertake and diligently pursue the provision of Public Improvements in accordance with the Establishment Agreement, to the extent funding is available therefor from the Pledged Revenues payable hereunder. The Authority and the District acknowledge that the Establishment Agreement, including the provisions thereof relating to the deposit and use of moneys in the Infrastructure Account and Amenity Account, may not be amended or modified in any way without the prior written consent of the District.

(d) The Authority shall provide to the District, not less than 180 days after the end of each fiscal year, a report indicating, separately, the amounts of Property Tax Revenues, Specific Ownership Tax Revenues and Development Fees received by the Authority and deposited into the Infrastructure Account and Amenity Account. Such report shall also provide the amount of Pledged Revenues disbursed from the Infrastructure Account to fund Roads and, separately, Water (both as defined in the Establishment Agreement), and the amount of Pledged Revenues disbursed from the Amenity Account to fund Amenities.

Section 2.06. Effectuation of Pledge of Security, Current Appropriation. The sums herein required to pay the amounts due hereunder are hereby appropriated for that purpose, and said amounts for each year shall be included in the annual budget and the appropriation resolution or measures to be adopted or passed by the Board of the District in each year while any of the obligations herein authorized are outstanding and unpaid. No provisions of any constitution, statute, resolution or other order or measure enacted after the execution of this Agreement shall in any manner be construed as limiting or impairing the obligation of the District to levy ad valorem property taxes, or as limiting or impairing the obligation of the

District to levy, administer, enforce and collect the ad valorem property taxes as provided herein for the payment of the obligations hereunder.

Furthermore, the District acknowledges that purchasers and credit enhancers of the Developer Revenue Obligations and the Revenue Bonds may incur costs and expenses, and will have otherwised purchased or provided credit enhancement for the Developer Revenue Obligations and Revenue Bonds, in reliance upon the promise of the District to impose the Required Mill Levy and pay the Pledged Revenues generated therefrom to the Authority in accordance with this Agreement and, as a result, such parties shall be entitled to rely on the payment obligations of the District to the Authority contained hereunder. Accordingly, it is acknowledged by the parties hereto that the purpose of this Section 2.06 is to ensure that the Authority receives all payments due herein in a timely manner in order to provide for the payment of amounts due to such parties.

Section 2.07. Limited Defenses; Specific Performance. It is understood and agreed by the District that its obligations hereunder are absolute, irrevocable, and unconditional except as specifically stated herein, and so long as any obligation of the District hereunder remains unfulfilled, the District agrees that notwithstanding any fact, circumstance, dispute, or any other matter, it will not assert any rights of setoff, counterclaim, estoppel, or other defenses to its Payment Obligation, or take or fail to take any action which would delay a payment to the Authority or the Authority's ability to receive payments due hereunder. Notwithstanding that this Agreement specifically prohibits and limits defenses and claims of the District, in the event that the District believes that it has valid defenses, setoffs, counterclaims, or other claims other than specifically permitted by this Agreement, it shall, nevertheless, make all payments as described herein and then may attempt or seek to recover such payments by actions at law or in equity for damages or specific performance, respectively.

Section 2.08. Future Exclusion of Property. The parties agree that this Agreement constitutes "indebtedness" as contemplated by Section 32-1-503, C.R.S. Any property excluded from the District after the date hereof is to remain liable for the imposition of the Required Mill Levy and payment of the proceeds thereof in accordance with the provisions hereof, to the same extent as such property otherwise remains liable for the debt of the District, as provided in Section 32-1-503, C.R.S.. In the event that any order providing for the exclusion of property from the District does not so provide and specifically indicate the liability of such excluded property for the obligations set forth herein, the Authority and the District hereby agree to take all actions reasonably necessary to cause the property owners of such proposed excluded property to covenant to assume all responsibilities under this Agreement, which covenants shall run with the land and shall be in a form satisfactory to the Authority.

Section 2.09. Future Debt of the District.

(a) The parties acknowledge that, in accordance with the Establishment Agreement, the District may issue Revenue Bonds or enter into Developer Revenue Obligations for the purpose of funding Actual Capital Costs relating to Infrastructure and, with the consent of the Authority, Amenities, which Revenue Bonds and Developer Revenue Obligations are intended to be payable from Pledged Revenues assigned to the District pursuant to an Assignment Agreement, which are otherwise required, in

accordance with this Agreement, to be paid to the Authority and deposited into the Infrastructure Account and Amenity Account, as applicable. The parties also acknowledge that, as contemplated by the Establishment Agreement, the Authority and the District expect to enter into Subsequent Pledge Agreements.

(b) The District agrees that it will not issue or incur bonds, notes, or other obligations payable in whole or in part from, or constituting a lien upon, the general ad valorem taxes of District or payable from any other revenues of the District or otherwise constituting indebtedness (whether or not subject to annual appropriation), other than Subsequent Pledge Agreements, Revenue Bonds and Developer Revenue Obligations issued in compliance with the Establishment Agreement and this Agreement.

(c) Notwithstanding the provisions of Section 2.05(c) hereof, the District and the Authority may enter into an Assignment Agreement providing that all or any portion of the Pledged Revenues payable hereunder and required to be deposited into the Infrastructure Account and Amenity Account shall, instead, be disbursed by the District to a trustee or paying agent or to the Developer, for payment of Revenue Bonds and/or Developer Revenue Obligations, in which case the provisions of such Assignment Agreement shall control. Notwithstanding the foregoing, any Assignment Agreement shall provide that the portions of such Pledged Revenues that would otherwise be applied, in accordance with the Establishment Agreement, to costs of Amenities or Infrastructure, shall be applied to the payment of Revenue Bonds or Developer Revenue Obligations funding Amenities or Infrastructure, respectively. In no event shall an Assignment Agreement abrogate the intended allocation of Pledged Revenues between costs of Amenities and Infrastructure, as provided in the Establishment Agreement.

(d) [The Authority hereby agrees to cooperate in the amendment of this Pledge Agreement to modify the definition of Required Mill Levy if necessary, in the determination of the District, to facilitate the issuance of Revenue Bonds by the District.]

(e) Notwithstanding any other provision of this Agreement, the District shall not impose, in accordance with a Subsequent Pledge Agreement or any other agreement, in any given year, an aggregate debt service and capital mill levy in excess of 50 mills (adjusted for changes in the method of calculating assessed valuation in the same manner, and to the extent permitted, as provided in the definition of "Required Mill Levy" herein) less the Required O&M Mill Levy required to be imposed in such year.

(f) At least once a year as required by applicable state law, the District will cause an audit to be performed of the records relating to revenues and expenditures of the District. In addition, at least once a year as required by applicable state law, the District will cause a budget to be prepared and adopted. Copies of the budget and the audit will be filed and recorded in the places, time, and manner as required by applicable state law.

Section 2.10. Representations and Warranties of the District. The District hereby makes the following representations and warranties:

(a) The District is a quasi-municipal corporation and political subdivision duly organized and validly existing under the laws of the State of Colorado.

(b) The District has all requisite corporate power and authority to execute, deliver, and to perform its obligations under this Pledge Agreement. The District's execution, delivery, and performance of this Pledge Agreement have been duly authorized by all necessary action.

(c) The District is not in violation of any of the applicable provisions of law or any order of any court having jurisdiction in the matter, which violation could reasonably be expected to materially adversely affect the ability of the District to perform its obligations hereunder. The execution, delivery and performance by the District of this Pledge Agreement (i) will not violate any provision of any applicable law or regulation or of any order, writ, judgment or decree of any court, arbitrator, or governmental authority, (ii) will not violate any provision of any document or agreement constituting, regulating, or otherwise affecting the operations or activities of the District in a manner that could reasonably be expected to result in a material adverse effect, and (iii) will not violate any provision of, constitute a default under, or result in the creation or imposition of any lien, mortgage, pledge, charge, security interest, or encumbrance of any kind on any of the revenues or other assets of the District pursuant to the provisions of any mortgage, indenture, contract, agreement, or other undertaking to which the District is a party or which purports to be binding upon the District or upon any of its revenues or other assets which could reasonably be expected to result in a material adverse effect.

(d) The District has obtained all consents and approvals of, and has made all registrations and declarations with any governmental authority or regulatory body required for the execution, delivery, and performance by the District of this Pledge Agreement.

(e) There is no action, suit, inquiry, investigation, or proceeding to which the District is a party, at law or in equity, before or by any court, arbitrator, governmental or other board, body, or official which is pending or, to the best knowledge of the District threatened, in connection with any of the transactions contemplated by this Pledge Agreement nor, to the best knowledge of the District is there any basis therefor, wherein an unfavorable decision, ruling, or finding could reasonably be expected to have a material adverse effect on the validity or enforceability of, or the authority or ability of the District to perform its obligations under, this Pledge Agreement.

(f) This Pledge Agreement constitutes the legal, valid, and binding obligation of the District, enforceable against the District in accordance with its terms (except as such enforceability may be limited by bankruptcy, moratorium, or other similar laws affecting creditors' rights generally and provided that the application of equitable remedies is subject to the application of equitable principles).

Section 2.11. Representations and Warranties of the Authority. The Authority hereby makes the following representations and warranties:

(a) The Authority is a separate legal entity duly organized and validly existing under the laws of the State of Colorado.

(b) The Authority has all requisite corporate power and authority to execute, deliver, and to perform its obligations under this Pledge Agreement. The Authority's execution, delivery, and performance of this Pledge Agreement have been duly authorized by all necessary action.

(c) The Authority is not in violation of any of the applicable provisions of law or any order of any court having jurisdiction in the matter, which violation could reasonably be expected to materially adversely affect the ability of the Authority to perform its obligations hereunder. The execution, delivery and performance by the Authority of this Pledge Agreement (i) will not violate any provision of any applicable law or regulation or of any order, writ, judgment or decree of any court, arbitrator, or governmental authority, (ii) will not violate any provision of any document or agreement constituting, regulating, or otherwise affecting the operations or activities of the Authority in a manner that could reasonably be expected to result in a material adverse effect, and (iii) will not violate any provision of, constitute a default under, or result in the creation or imposition of any lien, mortgage, pledge, charge, security interest, or encumbrance of any kind on any of the revenues or other assets of the Authority pursuant to the provisions of any mortgage, indenture, contract, agreement, or other undertaking to which the Authority is a party or which purports to be binding upon the Authority or upon any of its revenues or other assets which could reasonably be expected to result in a material adverse effect.

(d) The Authority has obtained all consents and approvals of, and has made all registrations and declarations with any governmental authority or regulatory body required for the execution, delivery, and performance by the Authority of this Pledge Agreement.

(e) There is no action, suit, inquiry, investigation, or proceeding to which the Authority is a party, at law or in equity, before or by any court, arbitrator, governmental or other board, body, or official which is pending or, to the best knowledge of the Authority threatened, in connection with any of the transactions contemplated by this Pledge Agreement nor, to the best knowledge of the Authority is there any basis therefor, wherein an unfavorable decision, ruling, or finding could reasonably be expected to have a material adverse effect on the validity or enforceability of, or the authority or ability of the Authority to perform its obligations under, this Pledge Agreement.

(f) This Pledge Agreement constitutes the legal, valid, and binding obligation of the Authority, enforceable against the Authority in accordance with its terms (except as such enforceability may be limited by bankruptcy, moratorium, or other similar laws affecting creditors' rights generally and provided that the application of equitable remedies is subject to the application of equitable principles).

ARTICLE III

EVENTS OF DEFAULT AND REMEDIES

Section 3.01. Events of Default. The occurrence or existence of any one or more of the following events shall be an "Event of Default" hereunder, and there shall be no default or Event of Default hereunder except as provided in this Section:

(a) The District fails or refuses to impose the Required Mill Levy or to remit the Pledged Revenues, as required by the terms of this Pledge Agreement and subject to Section 2.09 hereof;

(b) any representation or warranty made by any party in this Pledge Agreement proves to have been untrue or incomplete in any material respect when made and which untruth or incompletion would have a material adverse effect upon any other party;

(c) any party fails in the performance of any other of its covenants in this Pledge Agreement, and such failure continues for sixty (60) days after written notice specifying such default and requiring the same to be remedied is given to any of the parties hereto; or

(d) (i) any party shall commence any case, proceeding, or other action (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, or other similar official for itself or for any substantial part of its property, or any party shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any party any case, proceeding, or other action of a nature referred to in clause (i) and the same shall remain not dismissed within ninety (90) days following the date of filing; or (iii) there shall be commenced against any party any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, distraint, or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed, or bonded pending appeal within ninety (90) days from the entry thereof, or (iv) any party shall take action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) any party shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due.

Section 3.02. Remedies for Events of Default. Upon the occurrence and continuance of an Event of Default, any party may proceed to protect and enforce its rights against the party or parties causing the Event of Default by mandamus or such other suit, action, but solely for the purpose of seeking specific performance.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Pledge of Pledged Revenues. The creation, perfection, enforcement, and priority of the pledge of revenues to secure or pay the Payment Obligation shall be governed by Section 11-57-208 of the Supplemental Act and this Pledge Agreement. The Pledged Revenues shall immediately be subject to the lien of such pledge without any physical delivery, filing, or further act. The lien of such pledge shall be valid, binding, and enforceable as against all persons having claims of any kind in tort, contract, or otherwise against the District irrespective of whether such persons have notice of such liens.

Section 4.02. No Recourse against Officers and Agents. Pursuant to Section 11-57-209 of the Supplemental Act, if a member of the Boards of Directors of the District or the Authority, or any officer or agent of the District or Authority acts in good faith, no civil recourse shall be available against such member, officer, or agent for, with respect to the District, payment of the Payment Obligation or, with respect to the Authority, provision of the Public Improvements. Such recourse shall not be available either directly or indirectly through the Authority or the District, or otherwise, whether by virtue of any constitution, statute, rule of law, enforcement of penalty, or otherwise. By the acceptance of this Pledge Agreement and as a part of the consideration hereof, the Authority and the District each specifically waives any such recourse.

Section 4.03. Refunding of Initial Pledge Agreement. As contemplated by the Establishment Agreement, the parties agree that this Agreement is entered into for the purpose of refunding in full all obligations of the District, including the Payment Obligation, under the Initial Pledge Agreement. The Authority agrees to accept delivery of this Agreement as payment in full of the Payment Obligation under the Initial Pledge Agreement, and agrees that the Initial Pledge Agreement is hereby cancelled and shall be of no further force and effect.

Section 4.04. Conclusive Recital. Pursuant to Section 11-57-210 of the Supplemental Act, this Pledge Agreement contains a recital that it is issued pursuant to certain provisions of the Supplemental Act, and such recital is conclusive evidence of the validity and the regularity of this Pledge Agreement after its delivery for value.

Section 4.05. Limitation of Actions. Pursuant to Section 11-57-212, C.R.S., no legal or equitable action brought with respect to any legislative acts or proceedings in connection with the authorization, execution, or delivery of this Pledge Agreement shall be commenced more than thirty days after the authorization of this Pledge Agreement.

Section 4.06. Notices. Except as otherwise provided herein, all notices or payments required to be given under this Agreement shall be in writing and shall be hand delivered or sent by certified mail, return receipt requested, or air freight, to the following addresses:

If to District:

With copies to:

If to the Authority:

With copies to:

All notices or documents delivered or required to be delivered under the provisions of this Agreement shall be deemed received one (1) day after hand delivery or three (3) days after mailing. Either party by written notice so provided may change the address to which future notices shall be sent.

Section 4.07. Miscellaneous.

(a) This Pledge Agreement and the Establishment Agreement constitute the final, complete, and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Pledge Agreement and supersedes all prior and contemporaneous understandings or agreements of the parties. This Pledge Agreement may not be contradicted by evidence of any prior or contemporaneous statements or agreements. In the event of any conflict between provisions of this Pledge Agreement and any other agreement between the District and the Authority, provisions of this Pledge Agreement shall control. No party has been induced to enter into this Pledge Agreement by, nor is any party relying on, any representation, understanding, agreement, commitment, or warranty outside those expressly set forth in this Pledge Agreement.

(b) If any term or provision of this Pledge Agreement is determined to be illegal, unenforceable, or invalid in whole or in part for any reason, such illegal, unenforceable, or invalid provisions or part thereof shall be stricken from this Pledge Agreement, and such provision shall not affect the legality, enforceability, or validity of the remainder of this Pledge Agreement. If any provision or part thereof of this Pledge Agreement is stricken in accordance with the provisions hereof, then such stricken provision shall be replaced, to the extent possible, with a legal, enforceable, and valid provision that is as similar in tenor to the stricken provision as is legally possible.

(c) It is intended that there be no third party beneficiaries of this Pledge Agreement, other than the Bondholders (if any), District No. 1 and the Developer.

(d) This Pledge Agreement may not be assigned or transferred by any party without the prior written consent of each of the other parties.

(e) This Pledge Agreement shall be governed by and construed under the applicable laws of the State of Colorado.

(f) Venue for any and all claims brought by either Party to enforce any provision of this Agreement shall be the District Court in and for the County of Weld, State of Colorado.

(g) This Pledge Agreement may be amended or supplemented by the parties, but any such amendment or supplement must be in writing and must be executed by all parties.

(h) If the date for making any payment or performing any action hereunder shall be a legal holiday or a day on which banks in Denver, Colorado are authorized or required by law to remain closed, such payment may be made or act performed on the next succeeding day which is not a legal holiday or a day on which banks in Denver, Colorado are authorized or required by law to remain closed.

(i) Each party has participated fully in the review and revision of this Pledge Agreement. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in interpreting this Pledge Agreement. The language in this Pledge Agreement shall be interpreted as to its fair meaning and not strictly for or against any party.

(j) This Pledge Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 4.08. Effective Date and Termination Date. This Agreement shall become effective on the Effective Date, and shall remain in effect until the Termination Date.

[Signatures appear on following page.]

IN WITNESS WHEREOF, the District and the Authority have executed this Agreement as of the day and year first above written.

BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 2

By:_____
President

ATTEST:

_____
Secretary

BEEBE DRAW FARMS AUTHORITY

By:_____
President

ATTEST:

_____
Secretary

EXHIBIT B

District No. 2 Capital Pledge Agreement (Subsequent Exclusions)

DISTRICT NO. 2 CAPITAL PLEDGE AGREEMENT
(_____ EXCLUSION)

This **DISTRICT NO. 2 CAPITAL PLEDGE AGREEMENT (_____ EXCLUSION)** (the "**Agreement**" or "**Pledge Agreement**"), is made and entered into and dated as of _____ __, 20___ by and between BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 2 (the "**District**"), a quasi-municipal corporation and political subdivision of the State of Colorado and BEEBE DRAW FARMS AUTHORITY (the "**Authority**"), a separate legal entity. All capitalized terms used herein and not otherwise defined shall have the meanings assigned them in Article I hereof.

RECITALS

WHEREAS, the District and Beebe Draw Farms Metropolitan District No. 1 ("**District No. 1**" and, together with the District, the "**Districts**") are special districts organized pursuant to Section 32-1-101, C.R.S. et seq. and operate in accordance with a Amended and Restated Consolidated Service Plan for the Beebe Draw Farms Metropolitan District Nos. 1 & 2, dated _____ __, 2011, as approved by the Board of County Commissioners of Weld County, Colorado on _____ __, 2011 (the "**Service Plan**"); and

WHEREAS, pursuant to the Colorado Constitution Article XIV, Section 18(2)(a), and Section 29-1-203, C.R.S., the Districts may cooperate or contract with each other to provide any function, service or facility lawfully authorized to each, and any such contract may provide for the sharing of costs, the imposition and collection of taxes, and the incurring of debt; and

WHEREAS, the Service Plan discloses and establishes the necessity for, and desirability of an intergovernmental agreement between the Districts concerning the financing, construction, operation and maintenance of Public Improvements (hereinafter defined) contemplated in the Service Plan and concerning the provision of essential services in the community to be served by the Districts; and

WHEREAS, in furtherance of the foregoing, and as permitted by Section 29-1-203(4), C.R.S., the Authority was established pursuant to a Beebe Draw Farms Authority Establishment Agreement dated as of ____ __, 2011, between the Districts (the "**Establishment Agreement**"); and

WHEREAS, the Establishment Agreement created the Authority and sets forth an overall plan for financing, construction, ownership, operation and maintenance of the Public Improvements agreed upon by the Districts and intended to facilitate the provision of such Public Improvements in a timely and efficient manner, and to allocate the costs thereof equitably among the users of such Public Improvements, through cooperation among the Authority and the Districts; and

WHEREAS, in accordance with the Service Plan and Establishment Agreement, the District and the Authority anticipate that the District may issue, from time to time, revenue bonds (as more particularly defined herein, the "**Revenue Bonds**") for the purpose of funding the Actual Capital Costs (defined herein); and

WHEREAS, as contemplated by the Establishment Agreement, the District and the Authority have previously entered into an Initial Pledge Agreement dated _____ __, 20__ (the "**Initial Pledge Agreement**") to provide for the funding of Actual Capital Costs through the imposition by the District of an ad valorem property tax mill levy, as more particularly provided therein; and

WHEREAS, as contemplated by the Establishment Agreement, the District and the Authority have previously entered into a District No. 2 Capital Pledge Agreement (First Exclusion) dated _____ __, 20__ [INSERT ADDITIONAL PLEDGE AGREEMENTS EXECUTED PRIOR TO THIS PLEDGE AGREEMENT] (collectively, the "**Prior Pledge Agreements**") to provide for the funding of Actual Capital Costs through the imposition by the District of an ad valorem property tax mill levy, as more particularly provided therein; and

WHEREAS, as contemplated by the Establishment Agreement, the District and the Authority now desire to enter into this District No. 2 Capital Pledge Agreement (_____ Exclusion) to provide for the funding of additional Actual Capital Costs through the imposition by the District of an ad valorem property tax mill levy, as more particularly provided herein; and

WHEREAS, at an election of the qualified electors of the District duly called for and held on November 2, 2010 (the "**Election**"), in accordance with law and pursuant to due notice, a majority of eligible electors who voted at such election voted in favor of the issuance of general obligation indebtedness and the imposition of taxes for the payment thereof, for the purpose of funding certain improvements and facilities, including the Public Improvements, as follows:

Authorization	
Purpose	**Total**
Streets	$44,000,000
Water	44,000,000
Parks and Recreation	44,000,000

WHEREAS, the District has determined and hereby determines that the execution of this Pledge Agreement, to facilitate the purposes of this Pledge Agreement and the Establishment Agreement, and the provision of the Public Improvements are in the best interests of the District and the residents, property owners, and taxpayers thereof and that the financing plan set forth in the Establishment Agreement and implemented, in part, through the execution and delivery of this Pledge Agreement is necessary for the timely and efficient provisions of the Public Improvements and equitable allocation of the costs thereof among the users of the Public Improvements; and

WHEREAS, the District hereby acknowledges that, with respect to the indebtedness represented by this Capital Pledge Agreement, based upon the Principal Portion of the Payment Obligations hereunder (as defined herein, $_____), and assuming that the full amount of the Principal Portion of each of the Initial Pledge Agreement and the Prior Pledge Agreements were applied to each of the afore-described categories of debt, there is sufficient authorization in each of the afore-described categories of debt to authorize the full amount of such indebtedness, the District does not intend to issue any other indebtedness that would require such authorization

(taking into account the authorization that would remain if such Principal Portion relating to this Pledge Agreement were applied to each of the afore-described categories of debt), and therefore determines to allocates the authority for debt contained in the Election for specific infrastructure categories to the indebtedness represented by the Pledge Agreement as the revenues generated hereunder are applied to specific infrastructure uses; and

WHEREAS, in the event that the District has allocated the authority for debt obtained in the Election for a specific category of indebtedness to any of the Initial Pledge Agreement and the Prior Pledge Agreements (based on the revenues generated thereby thus far), the District has attached record of the same to this Pledge Agreement;

WHEREAS, the District has determined and hereby determines that the execution of this Pledge Agreement, to facilitate the purposes of this Pledge Agreement and the Establishment Agreement, and the provision of the Public Improvements are in the best interests of the District and the residents, property owners, and taxpayers thereof and that the financing plan set forth in the Establishment Agreement and implemented, in part, through the execution and delivery of this Pledge Agreement is necessary for the timely and efficient provisions of the Public Improvements and equitable allocation of the costs thereof among the users of the Public Improvements; and

WHEREAS, all amendments to this Agreement made pursuant hereto and not in conflict with the ballot questions, the Service Plan or the Establishment Agreement, which authorized the debt represented by this Agreement, shall be deemed part of this Agreement and fully authorized by such ballot questions.

COVENANTS

NOW, THEREFORE, for and in consideration of the promises and the mutual covenants and stipulations herein, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Interpretation. In this Agreement, unless the context expressly indicates otherwise, the words defined below shall have the meanings set forth below:

(a) The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms, refer to this Agreement as a whole and not to any particular article, section, or subdivision hereof; the term "heretofore" means before the date of execution of the Agreement; and the term "hereafter" means after the date of execution of this Agreement.

(b) All definitions, terms, and words shall include both the singular and the plural, and all capitalized words or terms shall have the definitions set forth in Section 1.02 hereof.

(c) Words of the masculine gender include correlative words of the feminine and neuter genders, and words importing the singular number include the plural number and vice versa.

(d) The captions or headings of this Agreement are for convenience only, and in no way define, limit, or describe the scope or intent of any provision, article, or section of this Agreement.

(e) All schedules, exhibits, and addenda referred to herein are incorporated herein by this reference.

Section 1.02. Definitions. As used herein, unless the context expressly indicates otherwise, the words defined below and capitalized throughout the text of this Agreement shall have the respective meanings set forth below. Capitalized terms used and not otherwise defined (including but not limited to Amenities, Amenity Account, Infrastructure, Infrastructure Account and Required O&M Mill Levy) shall have the meanings assigned them in the Establishment Agreement.

(a) "Actual Capital Costs" shall mean, collectively, "Actual Capital Costs" as defined in the Establishment Agreement and, in addition, any O&M Shortfall funded from the Amenity Account or Infrastructure Account in accordance with Section 5.2 of the Establishment Agreement.

(b) "Agreement" or "Pledge Agreement" shall mean this Agreement and any amendment hereto made in accordance herewith.

(c) "Assignment Agreement" shall mean any agreement entered into between the Authority and the District that provides for the assignment by the Authority to the District of a specified portion of Pledged Revenues deposited in, or to be deposited in, the Infrastructure Account or Amenity Account in accordance with this Pledge Agreement and the Establishment Agreement, which Assignment Agreement is intended to secure payment of Revenue Bonds and/or Developer Revenue Obligations of the District.

(d) "Authority" means Beebe Draw Farms Authority, formed pursuant to the Establishment Agreement.

(e) "Board" or "Boards" shall mean the lawfully organized Boards of Directors of the Districts.

(f) "Board of County Commissioners" shall mean the Board of County Commissioners for Weld County, Colorado.

(g) "Bond Documents" shall mean any resolution, indenture, reimbursement agreement or other agreement entered into or adopted by the District in connection with the issuance of Revenue Bonds.

(h) "Bondholder" means the beneficial owner of any Revenue Bond.

(i) "Developer" shall have the meaning assigned it in the Establishment Agreement.

(j) "Developer Revenue Obligations" shall mean notes, bonds or other indebtedness issued by the District and payable to the Developer for the purpose of funding Actual Capital Costs and payable from all or a portion of the Pledged Revenues assigned by the Authority to the District in accordance with an Assignment Agreement.

(k) "Development Fees" shall have the meaning assigned it in the Establishment Agreement.

(l) "District" shall mean Beebe Draw Farms Metropolitan District No. 2.

(m) "District No. 1" shall mean Beebe Draw Farms Metropolitan District No. 1.

(n) "Effective Date" shall mean _____ __, 20__.

(o) "Establishment Agreement" means the Beebe Draw Farms Authority Establishment Agreement dated ____ __, 2011, between the District and District No. 1.

(p) "Maximum Annual Limited Receipts" shall mean, for any particular calendar year, the dollar amount that would result from the imposition of an ad valorem property tax levy of 50 mills (without adjustment) on the final certified assessed valuation of the District, as certified to the District by the County Assessor on the immediately preceding December 10.

(q) "Mill Levy Certification Date" means December 10 of each year, on or prior to which date an ad valorem property tax levy is required to be certified to the County Board in accordance with Section 2.04 hereof and state law.

(r) "1998 Bond Mill Levy" means, for any particular Mill Levy Certification Date, the ad valorem property tax levy required to be imposed upon property within the boundaries of District No. 1 for the payment of the debt service costs (including principal, interest, mandatory redemption price, trustee and paying agent fees) for the General Obligation Bonds, Series 1998 issued by District No. 1.

(s) "Payment Obligation" shall mean the District's obligation to pay the Actual Capital Costs in accordance with the provisions hereof, but solely from Pledged Revenues, to the extent available.

(t) "Pledged Revenues" means, collectively, Property Tax Revenues, Specific Ownership Tax Revenues, and Development Fees (but excluding any Development Fees pledged and payable under any Prior Pledge Agreement).

(u) "Principal Portion" means an amount equal to $_____, representing the principal component of the Payment Obligation hereunder.

(v) "Prior Pledge Agreements" means, collectively, District No. 2 Capital Pledge Agreement (First Exclusion) dated _____ __, 20__, between the District and the Authority, [**ADD ALL PRIOR PLEDGE AGREEMENTS**]

(w) "Prior Pledged Capital Mill Levy" means, for any particular Mill Levy Certification Date, the total mill levy required to be imposed by the District for payment of the Payment Obligations under the Prior Pledge Agreements.

(x) "Property Tax Revenues" means all moneys derived from imposition of the Required Mill Levy by the District, but excluding Specific Ownership Tax Revenues.

(y) "Public Improvements" means, collectively, Infrastructure and Amenities, as more particularly defined in the Establishment Agreement.

(z) "Required Mill Levy" means, with respect to any particular Mill Levy Certification Date, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year, commencing in tax levy year 20__ (tax collection year 20__), in an amount equal to 50 mills less the 1998 Bond Mill Levy for such Mill Levy Certification Date, less the Required O&M Mill Levy for such Mill Levy Certification Date, and less the Prior Pledged Capital Mill Levy for such Mill Levy Certification Date; provided that:

(i) in the event the method of calculating assessed valuation is changed after the date hereof, the 50 mills described above will be increased or decreased to reflect such changes, such increases or decreases to be determined by the District in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation; and

(ii) notwithstanding anything herein to the contrary, in no event shall the Required Mill Levy exceed 50 mills, except under the circumstances set forth in Section 2.03(b) hereof, and subject to the limitations set forth therein, and, in the event that the Required Mill Levy as calculated pursuant to the foregoing would exceed 50 mills and Section 2.03(b) is not applicable, then the Required Mill Levy shall be reduced to equal 50 mills; and

(iii) notwithstanding anything herein to the contrary, in no event may the Required Mill Levy be established at a mill levy rate which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

(aa) "Revenue Bonds" shall mean notes, bonds or other indebtedness issued by the District for the purpose of funding Actual Capital Costs and payable from all or a portion of the Pledged Revenues assigned by the Authority to the District in accordance with an Assignment Agreement, excluding Developer Revenue Obligations.

(bb) "Service Plan" shall mean the Amended and Restated Consolidated Service Plan for the Beebe Draw Farms Metropolitan District Nos. 1 & 2, dated _____ __, 2011, as approved by the Board of County Commissioners of Weld County, Colorado on _____ __, 2011.

(cc) "Specific Ownership Tax Revenues" shall mean the specific ownership taxes remitted to the District pursuant to Section 42-3-107, C.R.S., or any successor statute, as a result of its imposition of the Required Mill Levy.

(dd) "Subsequent Pledge Agreements" means pledge agreements entered into between the District and the Authority subsequent to the date hereof providing for the imposition of ad valorem property taxes by the District and payment of the proceeds thereof to the Authority, as contemplated by the Establishment Agreement.

(ee) "Supplemental Act" means the "Supplemental Public Securities Act," being Title 11, Article 57, Part 2, Colorado Revised Statutes, as amended.

(ff) "Termination Date" shall mean _____ ___, 20__ (i.e., the imposition of taxes hereunder shall not be made after tax levy year 20__ and such taxes shall not be collected after tax collection year 20__) [REFLECT 40 YEAR TERM].

ARTICLE II

PAYMENT OBLIGATION

Section 2.01. No Additional Electoral Approval Required. The authorization for issuance of debt, fiscal year spending, revenue collections and other constitutional matters requiring voter approval for purposes of this Agreement, was approved at an election held for the District on November 2, 2010, in accordance with law and pursuant to due notice. The performance of the terms of this Agreement requires no further electoral approval.

Section 2.02. Funding of Actual Capital Costs Generally.

(a) In exchange for the Authority's agreement to provide for the acquisition, construction, improvement and equipping of the Amenities and the Infrastructure, in accordance with the Establishment Agreement and as more particularly provided in Section 2.05(c) below, and in exchange for the purchase by any Bondholder of Revenue Bonds (if any) issued to fund Actual Capital Costs and payable from Pledged Revenues generated hereunder, the District hereby agrees to pay to the Authority for the payment of Actual Capital Costs, but solely from the sources specified herein, the amount of $_____, plus interest thereon at the rate of ____% per annum (calculated in accordance with subparagraph (b) hereof), or such lesser amount as may be funded from the Pledged Revenues (the "**Payment Obligation**").

(b) Interest shall accrue on the outstanding balance of the Principal Portion of the Payment Obligation (initially $_____) at the rate of _____% per annum, and shall be calculated monthly based upon the outstanding Principal Portion as of the end of each month. Accrued but unpaid interest shall compound semi-annually on each June 1 and December 1, commencing on the first June 1 or December 1 (whichever is the earliest) to occur after the date of execution of this Agreement.

(c) Pledged Revenues received by the Authority (including any amounts payable to the Authority but assigned to the District in accordance with any Assignment Agreement) shall be applied, first, to the payment of accrued interest and, second, to the outstanding principal balance of the Payment Obligation.

(d) The Payment Obligation constitutes a limited tax obligation of the District payable solely from and to the extent of the Pledged Revenues. The Pledged Revenues are hereby pledged by the District to the Authority (and, to the extent of any Bondholders, for the benefit of such Bondholders), for the payment of Actual Capital Costs in accordance with the provisions hereof. The Payment Obligation shall constitute an irrevocable lien upon the Pledged Revenues. The District hereby elects to apply all of the provisions of the Supplemental Act to this Pledge Agreement and the Payment Obligation.

Section 2.03. Limitations on Payment Obligation.

(a) In no event shall the total or annual obligations of the District hereunder exceed the maximum amounts permitted under its electoral authority and any other applicable law. The entire Payment Obligation will be deemed defeased and no longer outstanding upon the earlier of: (i) the payment by the District of such amount; or (ii) the Termination Date.

(b) In accordance with the definition of Required Mill Levy set forth in Section 1.02 hereof, the Required Mill Levy may not exceed 50 mills, except as specifically provided in this Section 2.03(b). In the event that, for the purpose of funding Actual Capital Costs, the District determines to issue Revenue Bonds and, in connection therewith, enters into an Assignment Agreement with the Authority relating to revenues payable hereunder for the purpose of providing for the payment of such Revenue Bonds, if and only if such Revenue Bonds satisfy the conditions of Section 32-1-1101(6)(a)(I), (II), (III) or (IV), C.R.S., (the satisfaction of which shall be determined by the District and stated in the applicable Assignment Agreement) then so long as such Revenue Bonds are outstanding, the following provisions shall apply:

(i) subparagraph (ii) of the definition of Required Mill Levy shall not apply; and

(ii) in no event shall the District receive in any year under any Assignment Agreement for the payment of Revenue Bonds which do not satisfy Section 32-1-1101(6)(a)(I), (II), (III) or (IV), C.R.S., or under any Assignment Agreement for the payment of a Developer Revenue Obligation, Property Tax

Revenues and Specific Ownership Tax Revenues resulting from the imposition of the Required Mill Levy by the District in excess of the Maximum Annual Limited Receipts for such year; and

(iii) In no event shall the Authority retain in any year, after the payment (or retention by the District) of any amounts due to the District in accordance with an Assignment Agreement, revenues resulting from the imposition by the District of the Required Mill Levy (whether Property Tax Revenues or Specific Ownership Tax Revenues) in excess of the Maximum Annual Limited Receipts for such year. Any amounts in excess thereof shall [be deducted by the District from the amount of Property Tax Revenues otherwise payable to the Authority] in the succeeding year, and shall be applied by the District to any lawful purpose. Notwithstanding any of the foregoing, this paragraph shall not operate to modify or limit any amounts payable by the District to the Authority in accordance with any other agreements between the District and the Authority or the Establishment Agreement, including the obligation of the District to pay proceeds of the Required O&M Mill Levy to the Authority in accordance with the Establishment Agreement.

Section 2.04. Imposition of Required Mill Levy.

(a) In order to fund the Payment Obligation, the District agrees to levy on all of the taxable property of the District, in addition to all other taxes, direct annual taxes in tax levy year 20__ (tax collection year 20__), and in each year thereafter (but in no event after the Termination Date), in the amount of the Required Mill Levy. Nothing herein shall be construed to require the District to impose an ad valorem property tax levy for the payment of the Payment Obligation in excess of the Required Mill Levy or after the Termination Date.

(b) The parties hereto acknowledge that Article 5 of the Establishment Agreement sets forth a process by which the Authority will develop and submit to the Districts an annual operating budget. In order to facilitate the determination of the Required Mill Levy by the District, the Authority shall provide to the District, the preliminary and final Required O&M Mill Levy and the 1998 Bonds Mill Levy for the immediately succeeding Mill Levy Certification Date, in the time and manner set forth in the Establishment Agreement.

(c) No later than December 5 of each year, the District shall provide written notice to the Authority of the Required Mill Levy that the District intends to certify on the immediately succeeding Mill Levy Certification Date, and the District shall certify the same on or before December 10 unless notified by the Authority that the Required Mill Levy as determined by the District is not in compliance with the requirements of this Agreement.

(d) The District acknowledges that it has actively participated in the development of the plan to finance Actual Capital Costs as set forth in the Establishment Agreement and herein, including the method for calculation of the Required Mill Levy as

set forth herein, that such calculation is designed to correlate to the benefit to the District of the Public Improvements financed by the Pledged Revenues (and, Revenue Bonds, if any) and that the calculation of the Required Mill Levy in accordance with the foregoing and obligation of the District to impose the same in each year during the term of this Agreement shall be final and binding upon the District.

(e) This Section 2.04 is hereby declared to be the certificate of the District to the Board of County Commissioners indicating the aggregate amount of taxes to be levied for the purposes of paying the Payment Obligation due hereunder.

(f) It shall be the duty of the District annually at the time and in the manner provided by law for the levying of the District's taxes, if such action shall be necessary to effectuate the provisions of this Agreement, to ratify and carry out the provisions hereof with reference to the levy and collection of the ad valorem property taxes herein specified, and to require the officers of the District to cause the appropriate officials of Weld County, to levy, extend and collect said ad valorem taxes in the manner provided by law for the purpose of providing funds for the payment of the amounts to be paid hereunder promptly as the same, respectively, become due. Said taxes, when collected, shall be applied only to the payment of the amounts to be paid hereunder.

(g) Said taxes shall be levied, assessed, collected, and enforced at the time and in the form and manner and with like interest and penalties as other general taxes in the State of Colorado.

(h) The District shall pursue all reasonable remedies to collect, or cause the collection of, delinquent ad valorem taxes within its boundaries.

Section 2.05. Payment and Application of Revenues.

(a) Subject to Section 2.09 hereof, the District hereby agrees to remit to the Authority [as soon as practicable upon receipt], all revenues comprising Pledged Revenues.

(b) All amounts payable by the District hereunder shall be paid in lawful money of the United States of America by check mailed or delivered, or by wire transfer, to the Authority (or at the direction of Authority, any other entity in accordance with applicable Bond Documents).

(c) The Authority hereby agrees that, subject to Section 2.09, the Authority shall promptly deposit all Pledged Revenues received by it in accordance with this Agreement into the Infrastructure Account or the Amenity Account established under the Establishment Agreement and shall cause the same to be applied to Actual Capital Costs relating to Infrastructure or Amenities, respectively, as more particularly provided in the Establishment Agreement; provided, however, that, notwithstanding the foregoing, the Pledged Revenues may be directly deposited by the District into the Infrastructure Account or Amenity Account, as directed by the Authority and in accordance with the Establishment Agreement. Without limiting the foregoing, the Authority hereby agrees to undertake and diligently pursue the provision of Public Improvements in accordance

with the Establishment Agreement, to the extent funding is available therefor from the Pledged Revenues payable hereunder. The Authority and the District acknowledge that the Establishment Agreement, including the provisions thereof relating to the deposit and use of moneys in the Infrastructure Account and Amenity Account, may not be amended or modified in any way without the prior written consent of the District.

(d) The Authority shall provide to the District, not less than 180 days after the end of each fiscal year, a report indicating, separately, the amounts of Property Tax Revenues, Specific Ownership Tax Revenues and Development Fees received by the Authority and deposited into the Infrastructure Account and Amenity Account. Such report shall also provide the amount of Pledged Revenues disbursed from the Infrastructure Account to fund Roads and, separately, Water (both as defined in the Establishment Agreement), and the amount of Pledged Revenues disbursed from the Amenity Account to fund Amenities.

Section 2.06. Effectuation of Pledge of Security, Current Appropriation. The sums herein required to pay the amounts due hereunder are hereby appropriated for that purpose, and said amounts for each year shall be included in the annual budget and the appropriation resolution or measures to be adopted or passed by the Board of the District in each year while any of the obligations herein authorized are outstanding and unpaid. No provisions of any constitution, statute, resolution or other order or measure enacted after the execution of this Agreement shall in any manner be construed as limiting or impairing the obligation of the District to levy ad valorem property taxes, or as limiting or impairing the obligation of the District to levy, administer, enforce and collect the ad valorem property taxes as provided herein for the payment of the obligations hereunder.

Furthermore, the District acknowledges that purchasers and credit enhancers of the Developer Revenue Obligations and the Revenue Bonds may incur costs and expenses, and will have otherwised purchased or provided credit enhancement for the Developer Revenue Obligations and Revenue Bonds, in reliance upon the promise of the District to impose the Required Mill Levy and pay the Pledged Revenues generated therefrom to the Authority in accordance with this Agreement and, as a result, such parties shall be entitled to rely on the payment obligations of the District to the Authority contained hereunder. Accordingly, it is acknowledged by the parties hereto that the purpose of this Section 2.06 is to ensure that the Authority receives all payments due herein in a timely manner in order to provide for the payment of amounts due to such parties.

Section 2.07. Limited Defenses; Specific Performance. It is understood and agreed by the District that its obligations hereunder are absolute, irrevocable, and unconditional except as specifically stated herein, and so long as any obligation of the District hereunder remains unfulfilled, the District agrees that notwithstanding any fact, circumstance, dispute, or any other matter, it will not assert any rights of setoff, counterclaim, estoppel, or other defenses to its Payment Obligation, or take or fail to take any action which would delay a payment to the Authority or the Authority's ability to receive payments due hereunder. Notwithstanding that this Agreement specifically prohibits and limits defenses and claims of the District, in the event that the District believes that it has valid defenses, setoffs, counterclaims, or other claims other than specifically permitted by this Agreement, it shall, nevertheless, make all payments as

described herein and then may attempt or seek to recover such payments by actions at law or in equity for damages or specific performance, respectively.

Section 2.08. Future Exclusion of Property. The parties agree that this Agreement constitutes "indebtedness" as contemplated by Section 32-1-503, C.R.S. Any property excluded from the District after the date hereof is to remain liable for the imposition of the Required Mill Levy and payment of the proceeds thereof in accordance with the provisions hereof, to the same extent as such property otherwise remains liable for the debt of the District, as provided in Section 32-1-503, C.R.S.. In the event that any order providing for the exclusion of property from the District does not so provide and specifically indicate the liability of such excluded property for the obligations set forth herein, the Authority and the District hereby agree to take all actions reasonably necessary to cause the property owners of such proposed excluded property to covenant to assume all responsibilities under this Agreement, which covenants shall run with the land and shall be in a form satisfactory to the Authority.

Section 2.09. Future Debt of the District.

(a) The parties acknowledge that, in accordance with the Establishment Agreement, the District may issue Revenue Bonds or enter into Developer Revenue Obligations for the purpose of funding Actual Capital Costs relating to Infrastructure and, with the consent of the Authority, Amenities, which Revenue Bonds and Developer Revenue Obligations are intended to be payable from Pledged Revenues assigned to the District pursuant to an Assignment Agreement, which are otherwise required, in accordance with this Agreement, to be paid to the Authority and deposited into the Infrastructure Account and Amenity Account, as applicable. The parties also acknowledge that, as contemplated by the Establishment Agreement, the Authority and the District expect to enter into Subsequent Pledge Agreements.

(b) The District agrees that it will not issue or incur bonds, notes, or other obligations payable in whole or in part from, or constituting a lien upon, the general ad valorem taxes of District or payable from any other revenues of the District or otherwise constituting indebtedness (whether or not subject to annual appropriation), other than Subsequent Pledge Agreements, Revenue Bonds and Developer Revenue Obligations issued in compliance with the Establishment Agreement and this Agreement.

(c) Notwithstanding the provisions of Section 2.05(c) hereof, the District and the Authority may enter into an Assignment Agreement providing that all or any portion of the Pledged Revenues payable hereunder and required to be deposited into the Infrastructure Account and Amenity Account shall, instead, be disbursed by the District to a trustee or paying agent or to the Developer, for payment of Revenue Bonds and/or Developer Revenue Obligations, in which case the provisions of such Assignment Agreement shall control. Notwithstanding the foregoing, any Assignment Agreement shall provide that the portions of such Pledged Revenues that would otherwise be applied, in accordance with the Establishment Agreement, to costs of Amenities or Infrastructure, shall be applied to the payment of Revenue Bonds or Developer Revenue Obligations funding Amenities or Infrastructure, respectively. In no event shall an Assignment

Agreement abrogate the intended allocation of Pledged Revenues between costs of Amenities and Infrastructure, as provided in the Establishment Agreement.

(d) [The Authority hereby agrees to cooperate in the amendment of this Pledge Agreement to modify the definition of Required Mill Levy if necessary, in the determination of the District, to facilitate the issuance of Revenue Bonds by the District.]

(e) Notwithstanding any other provision of this Agreement, the District shall not impose, in accordance with a Subsequent Pledge Agreement or any other agreement, in any given year, an aggregate debt service and capital mill levy in excess of 50 mills (adjusted for changes in the method of calculating assessed valuation in the same manner, and to the extent permitted, as provided in the definition of "Required Mill Levy" herein) less the Required O&M Mill Levy required to be imposed in such year.

(f) At least once a year as required by applicable state law, the District will cause an audit to be performed of the records relating to revenues and expenditures of the District. In addition, at least once a year as required by applicable state law, the District will cause a budget to be prepared and adopted. Copies of the budget and the audit will be filed and recorded in the places, time, and manner as required by applicable state law.

Section 2.10. Representations and Warranties of the District. The District hereby makes the following representations and warranties:

(a) The District is a quasi-municipal corporation and political subdivision duly organized and validly existing under the laws of the State of Colorado.

(b) The District has all requisite corporate power and authority to execute, deliver, and to perform its obligations under this Pledge Agreement. The District's execution, delivery, and performance of this Pledge Agreement have been duly authorized by all necessary action.

(c) The District is not in violation of any of the applicable provisions of law or any order of any court having jurisdiction in the matter, which violation could reasonably be expected to materially adversely affect the ability of the District to perform its obligations hereunder. The execution, delivery and performance by the District of this Pledge Agreement (i) will not violate any provision of any applicable law or regulation or of any order, writ, judgment or decree of any court, arbitrator, or governmental authority, (ii) will not violate any provision of any document or agreement constituting, regulating, or otherwise affecting the operations or activities of the District in a manner that could reasonably be expected to result in a material adverse effect, and (iii) will not violate any provision of, constitute a default under, or result in the creation or imposition of any lien, mortgage, pledge, charge, security interest, or encumbrance of any kind on any of the revenues or other assets of the District pursuant to the provisions of any mortgage, indenture, contract, agreement, or other undertaking to which the District is a party or which purports to be binding upon the District or upon any of its revenues or other assets which could reasonably be expected to result in a material adverse effect.

(d) The District has obtained all consents and approvals of, and has made all registrations and declarations with any governmental authority or regulatory body required for the execution, delivery, and performance by the District of this Pledge Agreement.

(e) There is no action, suit, inquiry, investigation, or proceeding to which the District is a party, at law or in equity, before or by any court, arbitrator, governmental or other board, body, or official which is pending or, to the best knowledge of the District threatened, in connection with any of the transactions contemplated by this Pledge Agreement nor, to the best knowledge of the District is there any basis therefor, wherein an unfavorable decision, ruling, or finding could reasonably be expected to have a material adverse effect on the validity or enforceability of, or the authority or ability of the District to perform its obligations under, this Pledge Agreement.

(f) This Pledge Agreement constitutes the legal, valid, and binding obligation of the District, enforceable against the District in accordance with its terms (except as such enforceability may be limited by bankruptcy, moratorium, or other similar laws affecting creditors' rights generally and provided that the application of equitable remedies is subject to the application of equitable principles).

Section 2.11. Representations and Warranties of the Authority. The Authority hereby makes the following representations and warranties:

(a) The Authority is a separate legal entity duly organized and validly existing under the laws of the State of Colorado.

(b) The Authority has all requisite corporate power and authority to execute, deliver, and to perform its obligations under this Pledge Agreement. The Authority's execution, delivery, and performance of this Pledge Agreement have been duly authorized by all necessary action.

(c) The Authority is not in violation of any of the applicable provisions of law or any order of any court having jurisdiction in the matter, which violation could reasonably be expected to materially adversely affect the ability of the Authority to perform its obligations hereunder. The execution, delivery and performance by the Authority of this Pledge Agreement (i) will not violate any provision of any applicable law or regulation or of any order, writ, judgment or decree of any court, arbitrator, or governmental authority, (ii) will not violate any provision of any document or agreement constituting, regulating, or otherwise affecting the operations or activities of the Authority in a manner that could reasonably be expected to result in a material adverse effect, and (iii) will not violate any provision of, constitute a default under, or result in the creation or imposition of any lien, mortgage, pledge, charge, security interest, or encumbrance of any kind on any of the revenues or other assets of the Authority pursuant to the provisions of any mortgage, indenture, contract, agreement, or other undertaking to which the Authority is a party or which purports to be binding upon the Authority or upon any of its revenues or other assets which could reasonably be expected to result in a material adverse effect.

(d) The Authority has obtained all consents and approvals of, and has made all registrations and declarations with any governmental authority or regulatory body required for the execution, delivery, and performance by the Authority of this Pledge Agreement.

(e) There is no action, suit, inquiry, investigation, or proceeding to which the Authority is a party, at law or in equity, before or by any court, arbitrator, governmental or other board, body, or official which is pending or, to the best knowledge of the Authority threatened, in connection with any of the transactions contemplated by this Pledge Agreement nor, to the best knowledge of the Authority is there any basis therefor, wherein an unfavorable decision, ruling, or finding could reasonably be expected to have a material adverse effect on the validity or enforceability of, or the authority or ability of the Authority to perform its obligations under, this Pledge Agreement.

(f) This Pledge Agreement constitutes the legal, valid, and binding obligation of the Authority, enforceable against the Authority in accordance with its terms (except as such enforceability may be limited by bankruptcy, moratorium, or other similar laws affecting creditors' rights generally and provided that the application of equitable remedies is subject to the application of equitable principles).

ARTICLE III

EVENTS OF DEFAULT AND REMEDIES

Section 3.01. Events of Default. The occurrence or existence of any one or more of the following events shall be an "Event of Default" hereunder, and there shall be no default or Event of Default hereunder except as provided in this Section:

(a) The District fails or refuses to impose the Required Mill Levy or to remit the Pledged Revenues, as required by the terms of this Pledge Agreement and subject to Section 2.09 hereof;

(b) any representation or warranty made by any party in this Pledge Agreement proves to have been untrue or incomplete in any material respect when made and which untruth or incompletion would have a material adverse effect upon any other party;

(c) any party fails in the performance of any other of its covenants in this Pledge Agreement, and such failure continues for sixty (60) days after written notice specifying such default and requiring the same to be remedied is given to any of the parties hereto; or

(d) (i) any party shall commence any case, proceeding, or other action (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution,

composition, or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, or other similar official for itself or for any substantial part of its property, or any party shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any party any case, proceeding, or other action of a nature referred to in clause (i) and the same shall remain not dismissed within ninety (90) days following the date of filing; or (iii) there shall be commenced against any party any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, distraint, or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed, or bonded pending appeal within ninety (90) days from the entry thereof, or (iv) any party shall take action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) any party shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due.

Section 3.02. Remedies for Events of Default. Upon the occurrence and continuance of an Event of Default, any party may proceed to protect and enforce its rights against the party or parties causing the Event of Default by mandamus or such other suit, action, but solely for the purpose of seeking specific performance.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Pledge of Pledged Revenues. The creation, perfection, enforcement, and priority of the pledge of revenues to secure or pay the Payment Obligation shall be governed by Section 11-57-208 of the Supplemental Act and this Pledge Agreement. The Pledged Revenues shall immediately be subject to the lien of such pledge without any physical delivery, filing, or further act. The lien of such pledge shall be valid, binding, and enforceable as against all persons having claims of any kind in tort, contract, or otherwise against the District irrespective of whether such persons have notice of such liens.

Section 4.02. No Recourse against Officers and Agents. Pursuant to Section 11-57-209 of the Supplemental Act, if a member of the Boards of Directors of the District or the Authority, or any officer or agent of the District or Authority acts in good faith, no civil recourse shall be available against such member, officer, or agent for, with respect to the District, payment of the Payment Obligation or, with respect to the Authority, provision of the Public Improvements. Such recourse shall not be available either directly or indirectly through the Authority or the District, or otherwise, whether by virtue of any constitution, statute, rule of law, enforcement of penalty, or otherwise. By the acceptance of this Pledge Agreement and as a part of the consideration hereof, the Authority and the District each specifically waives any such recourse.

Section 4.03. Conclusive Recital. Pursuant to Section 11-57-210 of the Supplemental Act, this Pledge Agreement contains a recital that it is issued pursuant to certain provisions of the Supplemental Act, and such recital is conclusive evidence of the validity and the regularity of this Pledge Agreement after its delivery for value.

Section 4.04. Limitation of Actions. Pursuant to Section 11-57-212, C.R.S., no legal or equitable action brought with respect to any legislative acts or proceedings in connection with the authorization, execution, or delivery of this Pledge Agreement shall be commenced more than thirty days after the authorization of this Pledge Agreement.

Section 4.05. Notices. Except as otherwise provided herein, all notices or payments required to be given under this Agreement shall be in writing and shall be hand delivered or sent by certified mail, return receipt requested, or air freight, to the following addresses:

If to District:

With copies to:

If to the Authority:

With copies to:

All notices or documents delivered or required to be delivered under the provisions of this Agreement shall be deemed received one (1) day after hand delivery or three (3) days after mailing. Either party by written notice so provided may change the address to which future notices shall be sent.

Section 4.06. Miscellaneous.

(a) This Pledge Agreement and the Establishment Agreement constitute the final, complete, and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Pledge Agreement and supersedes all prior and contemporaneous understandings or agreements of the parties. This Pledge Agreement may not be contradicted by evidence of any prior or contemporaneous statements or agreements. In the event of any conflict between provisions of this Pledge Agreement and any other agreement between the District and the Authority, provisions of this Pledge Agreement shall control. No party has been induced to enter into this Pledge Agreement by, nor is any party relying on, any representation, understanding, agreement, commitment, or warranty outside those expressly set forth in this Pledge Agreement.

(b) If any term or provision of this Pledge Agreement is determined to be illegal, unenforceable, or invalid in whole or in part for any reason, such illegal, unenforceable, or invalid provisions or part thereof shall be stricken from this Pledge Agreement, and such provision shall not affect the legality, enforceability, or validity of the remainder of this Pledge Agreement. If any provision or part thereof of this Pledge Agreement is stricken in accordance with the provisions hereof, then such stricken provision shall be replaced, to the extent possible, with a legal, enforceable, and valid provision that is as similar in tenor to the stricken provision as is legally possible.

(c) It is intended that there be no third party beneficiaries of this Pledge Agreement, other than the Bondholders (if any), District No. 1 and the Developer.

(d) This Pledge Agreement may not be assigned or transferred by any party without the prior written consent of each of the other parties.

(e) This Pledge Agreement shall be governed by and construed under the applicable laws of the State of Colorado.

(f) Venue for any and all claims brought by either Party to enforce any provision of this Agreement shall be the District Court in and for the County of Weld, State of Colorado.

(g) This Pledge Agreement may be amended or supplemented by the parties, but any such amendment or supplement must be in writing and must be executed by all parties.

(h) If the date for making any payment or performing any action hereunder shall be a legal holiday or a day on which banks in Denver, Colorado are authorized or required by law to remain closed, such payment may be made or act performed on the next succeeding day which is not a legal holiday or a day on which banks in Denver, Colorado are authorized or required by law to remain closed.

(i) Each party has participated fully in the review and revision of this Pledge Agreement. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in interpreting this Pledge Agreement. The language in this Pledge Agreement shall be interpreted as to its fair meaning and not strictly for or against any party.

(j) This Pledge Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 4.07. Effective Date and Termination Date. This Agreement shall become effective on the Effective Date, and shall remain in effect until the Termination Date.

[Signatures appear on following page.]

IN WITNESS WHEREOF, the District and the Authority have executed this Agreement as of the day and year first above written.

BEEBE DRAW FARMS METROPOLITAN DISTRICT NO. 2

By:_____
President

ATTEST:

_____
Secretary

BEEBE DRAW FARMS AUTHORITY

By:_____
President

ATTEST:

_____
Secretary