RESOLUTION NO. 19-095, Series of 2019

TITLE: A RESOLUTION APPROVING THE FORM OF CAPITAL PLEDGE AGREEMENT BETWEEN REATA RIDGE VILLAGE METROPOLITAN DISTRICT NO. 1 AND REATA RIDGE VILLAGE METROPOLITAN DISTRICT NO. 2

WHEREAS, THE TOWN COUNCIL OF PARKER FINDS:

A. By Resolution No. 16-023 adopted on April 4, 2016, the Town Council of the Town of Parker (the "Town Council") approved the Consolidated Service Plan for Reata Ridge Village Metropolitan District No. 1 ("District No. 1") and Reata Ridge Village Metropolitan District No. 2 ("District No. 2" and together with District No. 1, the "Districts"), with Amended and Restated Exhibits A and C-1 for Reata Ridge Village Metropolitan District No. 2, pursuant to that certain Notice of Intent to Take Certain Actions and Resolution of the Town Council adopted on January 17, 2017, (together with such amended and restated exhibits, the "Service Plan"); and

B. Section V.C of the Service Plan states in part that it is anticipated the Districts, collectively, will undertake the financing and construction of the Public Improvements, and that the Districts will share certain Public Improvements costs (as the term "Public Improvements" is defined in the Service Plan).

C. Pursuant to Section X of the Service Plan, all intergovernmental agreements proposed regarding the subject matter of the Service Plan shall be subject to review and approval by the Town prior to execution thereof by the Districts.

D. In anticipation of the issuance by District No. 2 of its Limited Tax General Obligation Bonds, Series 2019A and its Subordinate Limited Tax General Obligation Bonds, Series 2019B (together, the "Series 2019 Bonds"), to the repayment of which District No. 1 shall pledge its Capital Revenue (as that term is defined in the proposed Capital Pledge Agreement), and which Series 2019 Bonds shall be used for the purpose of financing a portion of the Public Improvements, the Districts have submitted to the Town a proposed Capital Pledge Agreement, which is attached hereto as **Exhibit 1** and incorporated herein by this reference.

E. Pursuant to state statute, the Town of Parker Municipal Code and the Service Plan, the Town Council has authority to review the proposed Capital Pledge Agreement.

F. The Town Council has reviewed the proposed Capital Pledge Agreement and the related information submitted by and on behalf of the Districts in connection therewith and, based upon the representations of the Districts set forth in the proposed Capital Pledge Agreement and in such related information, the Town Council has determined to adopt this resolution approving the execution by the Districts of the form of the proposed Capital Pledge Agreement.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF PARKER, COLORADO, AS FOLLOWS:

Section 1. The foregoing recitals are incorporated in and made a part of this Resolution.

Section 2. Based upon the representations of the Districts, including the representations set forth in the proposed Capital Pledge Agreement and in the related information submitted by and on behalf of the Districts in connection therewith, the Town Council of the Town of Parker hereby authorizes the Districts to execute the Capital Pledge Agreement in substantially the form accompanying this Resolution, subject to Section 3 hereof.

Section 3. Town approval herein of the form of the Capital Pledge Agreement does not in any manner amend, effect, alter, change or constitute any waiver or release of any terms, conditions, provisions, or requirements of the Service Plan or any intergovernmental agreement between the Town and the Districts. Further, Town approval herein of the form of the Capital Pledge Agreement does not in any manner amend, effect, alter, change or constitute any waiver or release of any terms, conditions, provisions, or requirements of any development plans, annexation agreement, subdivision agreement, and other agreement with the Town governing development and the completion of Public Improvements within the Districts, all of which plans and agreements, including without limitation the Approved Development Plan (as defined in the Service Plan), which remain in full force and effect in accordance with their terms. Town approval herein of the form of the Capital Pledge Agreement shall not be construed as a waiver of any of the Town's rights or remedies under the Service Plan, any intergovernmental agreement between the Town and any of the Districts, or any plans and agreements, nor shall the Town approval herein be construed as an approval or endorsement of the terms of the Capital Pledge Agreement.

RESOLVED AND PASSED effective as of the _____ day of _____________, 2019.

TOWN OF PARKER, COLORADO

____

Mike Waid, Mayor

ATTEST:

____

Carol Baumgartner, Town Clerk

EXHIBIT 1

CAPITAL PLEDGE AGREEMENT

This **CAPITAL PLEDGE AGREEMENT** (this "Agreement") is entered into this [2nd] day of December, 2019 between **REATA RIDGE VILLAGE METROPOLITAN DISTRICT NO. 1**, in the Town of Parker, Douglas County, Colorado, a quasi-municipal corporation and a political subdivision duly organized and existing under the constitution and laws of the State of Colorado ("District No. 1") and **REATA RIDGE VILLAGE METROPOLITAN DISTRICT NO. 2**, in the Town of Parker, Douglas County, Colorado, a quasi-municipal corporation and a political subdivision duly organized and existing under the constitution and laws of the State of Colorado ("District No. 2" and, together with District No. 1, collectively, the "Districts"). All capitalized terms used and not otherwise defined in the "Background" below have the respective meanings assigned in Section 1 hereof. This Agreement shall take effect on the Effective Date, as defined herein.

BACKGROUND

A. The organization of District No. 1 was approved by the eligible electors voting at the election of District No. 1 duly called and held on May 3, 2016 in accordance with law and pursuant to due notice. Following such electoral approval, District No. 1 was organized pursuant to an Order and Decree of the District Court, Douglas County, Colorado, filed on May 20, 2016. The organization of District No. 2 was approved by the qualified electors voting at the election of District No. 2 duly called and held on November 7, 2017 in accordance with law and pursuant to due notice. Following such electoral approval, District No. 2 was duly and regularly organized pursuant to an Amended and Restated Order and Decree of the District Court, Douglas County, Colorado, filed on November 28, 2017.

B. The Consolidated Service Plan for both Reata Ridge Village Metropolitan District No. 1 and Reata Ridge Village Metropolitan District No. 2, in the Town of Parker, Colorado, was approved by a resolution of the Town Council of the Town of Parker, Colorado (the "Town Council"), adopted on April 4, 2016 (with Amended and Restated Exhibits A and C-1 for Reata Ridge Village Metropolitan District No. 2, pursuant to that certain Notice of Intent to Take Certain Actions and Resolution of the Town Council adopted on January 17, 2017) (together with such amended and restated exhibits, the "Service Plan"). The Service Plan complies with the applicable provisions of Sections 32-1-101, C.R.S., et seq., as amended (the "Special District Act") and all required governmental approvals have been obtained therefor.

C. At an election of the qualified electors of District No. 1, duly called and held on May 3, 2016 (the "District No. 1 Election"), in accordance with law and pursuant to due notice, a majority of those qualified to vote and voting at the District No. 1 Election voted in favor of, inter alia, the issuance of general obligation indebtedness and the imposition of taxes for the payment thereof, for the purpose of providing certain improvements and facilities. At an election of the qualified electors of District No. 2, duly called and held on Tuesday, November 7, 2017 (the "District No. 2 Election"), in accordance with law and pursuant to due notice, a majority of those qualified to vote and voting at the District No. 2 Election voted in favor of, inter alia, the issuance of general obligation indebtedness and the imposition of taxes for the payment thereof, for the purpose of providing certain improvements and facilities.

D. 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.

E. The Boards of Directors of District No. 1 and District No. 2 (collectively, the "Boards") have determined that it is necessary to pay the costs of acquiring, constructing, and installing public improvements and facilities benefitting the residents, occupants, property owners and taxpayers of the Districts as well as the public at large, the debt for which was approved at the District No. 1 Election and the District No. 2 Election (the "Project").

F. The Boards have further determined, in order to finance the Project at the lowest cost and with the greatest efficiency, thus benefitting the residents, owners, occupants and taxpayers of the Districts, that the Districts work together to finance the Project.

G. For the purpose of financing costs of the Project, District No. 2 is issuing its Limited Tax General Obligation Bonds, Series 2019A (the "Series 2019A Senior Bonds") and its Subordinate Limited Tax General Obligation Bonds, Series 2019B$_{(3)}$ (the "Series 2019B$_{(3)}$ Subordinate Bonds" and, together with the Series 2019A Senior Bonds, the "Series 2019 Bonds").

H. In order to assist in the financing of the Project, the District No. 1 Board determined that District No. 1 shall levy ad valorem property taxes and pay the revenue derived therefrom to the Bond Trustee on behalf of District No. 2 for the purpose of paying and securing the Series 2019 Bonds (and any additional District Obligations), all as more particularly provided herein.

I. Pursuant to the District No. 1 Election, District No. 1 has voter authorized but unissued authorization to incur indebtedness in the amounts and for the purposes set forth below:

[District No. 1 Voted Debt Authorization Table Appears on Following Page]

District No. 1 Voted Debt Authorization	
Purpose	**Principal Amount Voted**
Street Improvements	$7,300,000
Parks and Recreation	7,300,000
Water	7,300,000
Sanitation/Storm Sewer	7,300,000
Transportation	7,300,000
Mosquito Control	7,300,000
Safety Protection	7,300,000
Fire Protection	7,300,000
Television Relay	7,300,000
Security	7,300,000
TOTAL PUBLIC IMPROVEMENTS	$73,000,000
Operations and Maintenance	7,300,000
Refunding	7,300,000
Private Agreements	7,300,000
Intergovernmental Agreements	7,300,000
TOTAL	$102,200,000

J. This Agreement constitutes a multiple fiscal year financial obligation of District No. 1 within the meaning of Article X, Section 20 of the Colorado Constitution (TABOR). Accordingly, the District No. 1 Board has determined to allocate the indebtedness of District No. 1 represented by this Agreement to the "Intergovernmental Agreements" category of indebtedness authorized at the District No. 1 Election in an amount equal to the total amount of Capital Revenue actually collected by District No. 1 and paid to District No. 2 under this Agreement. District No. 1 shall make (or cause to be made) such allocation annually in District No. 1's annual audited financial statements.

K. The Districts have determined that the execution of this Agreement and the issuance of the Series 2019 Bonds and other District Obligations, if any, for the purpose of financing or refinancing the Project are in the best interests of the Districts and the residents, occupants, property owners, and taxpayers thereof.

AGREEMENT

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. Definitions. As used herein, unless the context expressly indicates otherwise, the words defined below and capitalized in the text of this Agreement shall have the respective meanings set forth below:

"*Additional Senior Obligation Capital Revenue*" means the sum of the following, less the costs of collection: (a) the ad valorem property tax revenue derived from imposition of the District No. 1 Senior Capital Levy and (b) if pledged to the applicable Additional Senior Obligations under the Governing Instrument pursuant to which they are issued and secured, the Specific Ownership Tax revenue allocable to such District No. 1 Senior Capital Levy.

"*Additional Senior Obligations*" means indebtedness issued by District No. 2 after the Effective Date which constitutes a Senior Obligation.

"*Additional Subordinate Obligation Capital Revenue*" means the sum of the following, less the costs of collection: (a) the ad valorem property tax revenue derived from imposition of the District No. 1 Subordinate Capital Levy and (b) if pledged to the applicable Additional Subordinate Obligations under the Governing Instrument pursuant to which they are issued and secured, the Specific Ownership Tax revenue allocable to such District No. 1 Subordinate Capital Levy.

"*Additional Subordinate Obligations*" means indebtedness issued by District No. 2 after the Effective Date which constitutes a Subordinate Obligation.

"Agreement" means this Capital Pledge Agreement as the same may be amended from time to time in accordance with the provisions hereof and the applicable Governing Instruments.

"*Agreement Termination Date*" means the first date on which no District Obligations are Outstanding within the meaning of the applicable Governing Instrument(s); *provided, however*, that in no event shall the term of this Agreement extend beyond the Maximum Debt Mill Levy Imposition Term.

"*Boards*" means, collectively, the District No. 1 Board and the District No. 2 Board.

"Bond Trustee" means (a) with respect to the Series 2019 Bonds, BOKF, NA, in Denver, Colorado, or any successor thereof and, (b) with respect to any other District Obligation, the trustee, paying agent, custodian or other administrative agent acting as such with respect to the applicable District Obligation under the applicable Governing Instrument.

"*Bond Year*" means (a) with respect to the Series 2019A Senior Bonds and any other Senior Obligations, the period commencing December 2 of any calendar year through and including December 1 of the immediately succeeding calendar year, and (b) with respect to the Series 2019B(3) Subordinate Bonds and any other Subordinate Obligations, the period commencing December 16 of any calendar year through and including December 15 of the immediately succeeding calendar year.

"Bondholders" means the registered owners from time to time of the District Obligations.

"*Capital Mill Levy*" means, for each tax levy year, the number of mills equal to the sum of: (a) the District No. 1 Senior Obligation Mill Levy and (b) the District No. 1 Subordinate Obligation Mill Levy.

"*Capital Revenue*" means the sum of the (a) Senior Capital Revenue; (b) the Subordinate Capital Revenue; (c) the Additional Senior Obligation Capital Revenue; and (d) the Additional Subordinate Obligation Capital Revenue.

"*Certified Public Accountant*" means a certified public accountant within the meaning of Section 12-2-115, C.R.S., and any amendment thereto, licensed to practice in the State of Colorado.

"*District No. 1*" means Reata Ridge Village Metropolitan District No. 1, in the Town of Parker, Douglas County, Colorado.

"*District No. 1 Accountant*" means (a) as of the date hereof, Simmons & Wheeler, P.C., Englewood, Colorado, and (b) as of any other date, the firm or individual then serving as the accountant for the District.

"*District No. 1 Assessed Value*" the assessed valuation of the taxable property of District No. 1, as such assessed valuation is certified from time to time by the appropriate county assessor.

"*District No. 1 Board*" means the Board of Directors of District No. 1.

"*District No. 1 Election*" means the election of the eligible electors of District No. 1, duly called and held on May 3, 2016 in accordance with law and pursuant to due notice.

"*District No. 1 Maximum Cost Allowance*" means, for fiscal year 2020 (being tax levy year 2019 and tax collection year 2020), the amount of $50,000, and increasing by 1.0% in each year thereafter.

"*District No. 1 Operations Cost Allowance"* means the amount set forth in District No. 1's budget as the anticipated annual costs of administration and operations for the applicable fiscal year (which fiscal year is also the tax collection year related to the levy year in which the Operations Levy is certified); *provided, however*, that such annual cost allowance shall not exceed the applicable Maximum Cost Allowance in any year.

"*District No. 1 Operations Levy*" means, for each tax levy year, that number of mills the imposition of which will produce ad valorem property tax revenue equal to the District No. 1 Operations Cost Allowance for the corresponding tax collection year (being the applicable fiscal year of District No. 1 for purposes of determining the Operations Cost Allowance).

"*District No. 1 Senior Capital Levy*" means the ad valorem mill levy required to be imposed by District No. 1 hereunder which, when combined with the District No. 2 Senior Capital Levy, will produce sufficient revenue for payment of any Additional Senior Obligations issued hereafter and, if applicable, the funding and replenishing of any Senior Obligation Reserve Fund and/or Senior Obligation Surplus Fund created under the Governing Instrument pursuant to which such Additional Senior Obligations are issued and secured.

"*District No. 1 Senior Obligation Mill Levy*" means: (a) with respect to the Series 2019A Senior Bonds, the District No. 1 Senior Required Mill Levy and, (b) with respect to any Additional Senior Obligations, the District No. 1 Senior Capital Levy.

"*District No. 1 Senior Required Mill Levy*" shall mean the following:

(a) Subject to paragraphs (b) and (c) below, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of District No. 1 each year in an amount which, *when combined with the District No. 2 Senior Tax Revenue*, will produce ad valorem property tax revenue in an amount sufficient to fund the Series 2019A Senior Bond Fund for the relevant Bond Year and pay the Series 2019A Senior Bonds as they come due and, if necessary, replenish the Series 2019A Senior Reserve Fund to the amount of the Series 2019A Senior Bond Reserve Requirement, but (i) not in excess of 47.678 mills *less* the District No. 1 Operations Levy, and (ii) if the amount on deposit in the Series 2019A Senior Surplus Fund is less than the Series 2019A Senior Bond Maximum Surplus Amount, not less than 47.678 mills *less* the District No. 1 Operations Levy, or such lesser mill levy which, after deduction of the District No. 1 Operations Levy, will fund the Series 2019A Senior Bond Fund for the relevant Bond Year and pay the Series 2019A Senior Bonds as they come due, will replenish the Series 2019A Senior Reserve Fund to the amount of the Series 2019A Senior Bond Reserve Requirement and will fund the Series 2019A Senior Surplus Fund to the Series 2019A Senior Bond Maximum Surplus Amount; *provided however*, that if, after the date of issuance of the Series 2019A Senior Bonds, there are changes in the ratio of actual valuation to assessed valuation, pursuant to Article X, Section 3(1)(b) of the Colorado Constitution and legislation implementing such Section, with respect to any class or classes (as classified by the Douglas County Assessor) of taxable property upon which District No. 1 is authorized to certify its ad valorem property tax mill levies, then the maximum and minimum mill levies stated above shall be increased or decreased to reflect such change, such mill levy increases or decreases to be determined by the District No. 1 Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by such maximum and minimum mill levies, as so adjusted, are neither diminished nor enhanced as a result of such changes (as applicable to the class or classes of property of taxable property upon which the District is authorized to certify its ad valorem property tax mill levies, each, a "Gallagher Event"). *Pursuant to the Service Plan, such mill levies shall not be adjusted for any reason other than a Gallagher Event.*

(b) If the District No. 1 Senior Required Mill Levy as calculated in accordance with paragraph (a) above is *less* than the maximum mill levy of 47.678 mills (subject to adjustment for Gallagher Events occurring after the date of issuance of the Bonds), District No. 1 shall cause the District No. 1 Accountant to compute the District No. 1 Senior Required Mill Levy in accordance with the provisions of Section 2.10 hereof.

(c) Notwithstanding anything in this Agreement or the Series 2019A Senior Indenture to the contrary, in no event may the District No. 1 Senior Required Mill Levy be established at a mill levy which would constitute a material departure from the requirements of the Service Plan, or cause District No. 1 to derive tax revenue in any year in excess of the maximum tax increases permitted by District No. 1's electoral authorization, and if the District No. 1 Senior 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 District No. 1's electoral authorization or would create a material departure from the Service Plan, the District No. 1 Senior Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded and no material departure from the Service Plan occurs.

"*District No. 1 Subordinate Capital Levy*" means the ad valorem mill levy required to be imposed by District No. 1 hereunder which, when combined with the District No. 2 Subordinate Capital Levy, will produce sufficient revenue for payment of any Additional Subordinate Obligations issued hereafter in the manner contemplated under the Governing Instrument pursuant to which such Additional Subordinate Obligations are issued and secured.

"*District No. 1 Subordinate Obligation Mill Levy*" means: (a) with respect to the Series 2019A Subordinate Bonds, the District No. 1 Subordinate Required Mill Levy and, (b) with respect to any Additional Subordinate Obligations, the District No. 1 Subordinate Capital Levy.

"*District No. 1 Subordinate Required Mill Levy*" shall have the following meaning:

(a) Subject to paragraph (c) below, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of District No. 1 each year equal to 47.678 mills *less* the District No. 1 Senior Obligation Mill Levy and *less* the District No. 1 Operations Levy, or, *subject to paragraph (b) below*, such lesser mill levy which, *when combined with the District No. 2 Subordinate Tax Revenue,* will be sufficient to pay all of the principal of, premium, if any, and interest on the Series 2019B$_{(3)}$ Subordinate Bonds in full; *provided however*, that if, after the date of issuance of the Series 2019B$_{(3)}$ Subordinate Bonds, there are changes in the ratio of actual valuation to assessed valuation, pursuant to Article X, Section 3(1)(b) of the Colorado Constitution and legislation implementing such Section, with respect to any class or classes (as classified by the Douglas County Assessor) of taxable property upon which the District is authorized to certify its ad valorem property tax mill levies, then the maximum and minimum mill levies stated above shall be increased or decreased to reflect such change, such mill levy increases or decreases to be determined by the District No. 1 Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by such maximum and minimum mill levies, as so adjusted, are neither diminished nor enhanced as a result of such changes (as applicable to the class or classes of property of taxable property upon which the District is authorized to certify its ad valorem property tax mill levies, each, a "Gallagher Event"). *Pursuant to the Service Plan, such mill levies shall not be adjusted for any reason other than a Gallagher Event*. It is the stated intent under

this Agreement that, if the sum of the District No. 1 Senior Obligation Mill Levy and the District No. 1 Operations Levy equals or exceeds 47.678 mills (as adjusted as described above for Gallagher Events occurring after the date of issuance of the Series 2019B$_{(3)}$ Subordinate Bonds) in any year, the District No. 1 Subordinate Required Mill Levy for that year shall be zero.

(b) If the District No. 1 Subordinate Required Mill Levy as calculated in accordance with paragraph (a) above is *less* than the maximum mill levy of 47.678 mills less the District No. 1 Senior Obligation Mill Levy and less the District No. 1 Operations Levy (subject to adjustment for Gallagher Events occurring after the date of issuance of the Series 2019B$_{(3)}$ Subordinate Bonds), District No. 1 shall cause the District No. 1 Accountant to compute the District No. 1 Subordinate Required Mill Levy in accordance with the provisions of 2.10 hereof.

(c) Notwithstanding anything in this Agreement or the Series 2019B$_{(3)}$ Subordinate Indenture to the contrary, in no event may the District No. 1 Subordinate Required Mill Levy be established at a mill levy which would constitute a material departure from the requirements of the Service Plan, or cause District No. 1 to derive tax revenue in any year in excess of the maximum tax increases permitted by District No. 1's electoral authorization, and if the District No. 1 Subordinate 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 District No. 1's electoral authorization or would create a material departure from the Service Plan, the District No. 1 Subordinate Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded and no material departure from the Service Plan occurs.

"*District No. 2*" means Reata Ridge Village Metropolitan District No. 2, in the Town of Parker, Douglas County, Colorado.

"*District No. 2 Accountant*" means (a) as of the date hereof, Simmons & Wheeler, P.C., Englewood, Colorado, and (b) as of any other date, the firm or individual then serving as the accountant for the District.

"*District No. 2 Assessed Value*" has the meaning ascribed to the defined term "Assessed Valuation" in the Series 2019A Senior Indenture.

"*District No. 2 Board*" means the Board of Directors of District No. 2.

"*District No. 2 Election*" means the election of the eligible electors of District No. 2, duly called and held on Tuesday, November 7, 2017 in accordance with law and pursuant to due notice.

"*District No. 2 Senior Capital Levy*" means the ad valorem mill levy required to be imposed by District No. 2 for payment of any Additional Senior Obligations by the Governing Instrument pursuant to which such Additional Senior Obligations are issued and secured.

"*District No. 2 Senior Required Mill Levy*" has the meaning ascribed to the defined term "Senior Required Mill Levy" in the Series 2019A Senior Indenture.

"*District No. 2 Senior Tax Revenue*" means, when calculating the District No. 1 Senior Required Mill Levy for certification in any tax levy year, the ad valorem property tax revenue expected to be received in the related tax collection year as a result of the imposition by District No. 2 of the District No. 2 Senior Required Mill Levy in that same tax levy year.

"*District No. 2 Subordinate Capital Levy*" means the ad valorem mill levy required to be imposed by District No. 2 for payment of any Additional Subordinate Obligations by the Governing Instrument pursuant to which such Additional Subordinate Obligations are issued and secured.

"*District No. 2 Subordinate Required Mill Levy*" has the meaning ascribed to the defined term "Subordinate Required Mill Levy" in the Series 2019B$_{(3)}$ Subordinate Indenture.

District No. 2 Subordinate Tax Revenue" means, when calculating the District No. 1 Subordinate Required Mill Levy for certification in any tax levy year, the ad valorem property tax revenue expected to be received in the related tax collection year as a result of the imposition by District No. 2 of the District No. 2 Subordinate Required Mill Levy in that same tax levy year.

"*District Obligations*" means, collectively, all of the following, to the extent issued to finance or refinance the Project: (a) the Series 2019A Senior Bonds; (b) the Series 2019B$_{(3)}$ Subordinate Bonds; (c) any Additional Senior Obligations; and (d) any Additional Subordinate Obligations.

"*Districts*" means, collectively, District No. 1 and District No. 2.

"*Effective Date*" means the date on which District No. 2 issues the Series 2019 Bonds.

"*Fiscal Year*" means, with respect to the Districts, the period commencing on January 1 of the applicable year and continuing through and including December 31 of the same year, or any other fiscal year of the Districts adopted or required in accordance with applicable law.

"*Governing Instrument*" means (a) with respect to the Series 2019A Senior Bonds, the Series 2019A Senior Indenture; (b) with respect to the Series 2019B$_{(3)}$ Subordinate Bonds, the Series 2019$_{(3)}$ Subordinate Indenture; (c) with respect to the Series 2019 Bonds collectively, the Series 2019 Indentures; (d) with respect to any other District Obligations, the resolution, indenture, agreement or other instrument(s) governing such District Obligations.

"*Maximum Debt Mill Levy Imposition Term*" has the meaning ascribed to such term in the Service Plan

"Outstanding" has the following meanings: (a) with respect to the Series 2019 Bonds, such term has the meanings ascribed thereto, respectively, in the Series 2019 Indentures and (b) with respect to any other District Obligation, such term has the meaning ascribed thereto in the applicable Governing Instrument.

"*Payment Obligation*" has the meaning assigned to such term in Section 2.04(a) hereof.

"*Project*" means the acquisition, construction, and installation of public improvements and facilities benefitting the residents, occupants, property owners, and taxpayers of the Districts as well as the public at large, the debt for which was approved at the District No. 1 Election and the District No. 2 Election, including, without limitation, necessary or appropriate equipment.

"*Senior Capital Revenue*" means the sum of the following, less costs of collection: (a) the ad valorem property tax revenue derived from imposition of the District No. 1 Senior Required Mill Levy and (b) the Specific Ownership Tax revenue allocable to the District No. 1 Senior Required Mill Levy.

"*Senior Mill Levy Proportion*" means, with respect to any relevant levy year, the proportion of the District No. 1 Senior Required Mill Levy and the District No. 2 Senior Required Mill Levy, each stated as a percentage of the sum of the total. The Senior Mill Levy Proportion will change from time to time as a result of the occurrence of Gallagher Events, if any (as applicable to the District No. 1 Senior Required Mill Levy and/or the District No. 2 Senior Required Mill Levy, respectively) after the issuance of the Series 2019 Bonds.

"*Senior Obligation*" means indebtedness of District No. 2 meeting the definition of a "Senior Bond" within the meaning of the Series 2019 Indentures (which includes the Series 2019A Senior Bonds), provided that any such obligation is issued in accordance with the applicable provisions of all Governing Instruments then in effect.

"*Senior Obligation Reserve Fund*" means any fund or account created for the purpose of securing the payment of Additional Senior Obligations where such fund or account is initially fully funded on the date of issuance of the Additional Senior Obligations from the proceeds thereof or from any source other than the revenue pledged thereto or to any other Senior Obligations.

"*Senior Obligation Surplus Fund*" means any fund or account created for the purpose of securing the payment of Additional Senior Obligations, provided that such fund or account is not initially fully funded on the date of issuance of the Additional Senior Obligations but, rather, is to be funded from revenues pledged to such Additional Senior Obligations remaining after payment of the debt service on such Additional Senior Obligations and, if so provided in the applicable Governing Instrument, after the replenishment of any Senior Obligation Reserve Fund securing such Additional Senior Obligations.

"*Series 2019 Bonds*" means, collectively, the Series 2019A Senior Bonds and the Series 2019B(3) Subordinate Bonds.

"*Series 2019 Indentures*" means, collectively, the Series 2019A Senior Indenture and the Series 2019B(3) Subordinate Indenture.

"*Series 2019A Senior Bond Fund*" means the Senior Bond Fund relating to the Series 2019A Senior Bonds established, held and maintained under the Series 2019A Senior Indenture.

"*Series 2019A Senior Bond Maximum Surplus Amount*" has the meaning ascribed to the defined term "Maximum Surplus Amount" in the Series 2019A Senior Indenture.

"*Series 2019A Senior Bond Reserve Requirement*" has the meaning ascribed to the defined term "Reserve Requirement" in the Series 2019A Senior Indenture.

"*Series 2019A Senior Bonds*" means the General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2019A, issued by District No. 2.

"*Series 2019A Senior Indenture*" means the Indenture of Trust, dated as of the date of issuance of the Series 2019A Senior Bonds, between District No. 2 and the Bond Trustee pursuant to which the Series 2019A Senior Bonds are issued, as the same may be supplemented or amended from time to time in accordance with the provisions thereof.

"*Series 2019A Senior Surplus Fund*" means the Surplus Fund relating to the Series 2019A Senior Bonds established, held and maintained under the Series 2019A Senior Indenture.

"*Series 2019A Senior Reserve Fund*" means the Reserve Fund relating to the Series 2019A Senior Bonds established, held and maintained under the Series 2019A Senior Indenture.

"*Series 2019B$_{(3)}$ Subordinate Bond Fund*" means the Subordinate Bond Fund relating to the Series 2019B$_{(3)}$ Subordinate Bonds established, held and maintained under the Series 2019B$_{(3)}$ Subordinate Indenture.

"*Series 2019B$_{(3)}$ Subordinate Bonds*" means the Subordinate General Obligation Limited Tax Bonds, Series 2019B$_{(3)}$, issued by District No. 2.

"*Series 2019B$_{(3)}$ Subordinate Indenture*" means the Indenture of Trust, dated as of the date of issuance of the Series 2019B$_{(3)}$ Subordinate Bonds, between District No. 2 and the Bond Trustee pursuant to which the Series 2019B$_{(3)}$ Subordinate Bonds are issued, as the same may be supplemented or amended from time to time in accordance with the provisions thereof.

"*Service Plan*" has the meaning set forth in Recital B hereof.

"*Specific Ownership Tax*" means the specific ownership taxes collected by the county and remitted to the District pursuant to Section 42-3-107, C.R.S., or any successor statute.

"*State*" means the State of Colorado.

"*Subordinate Capital Revenue*" means the sum of the following, less costs of collection: (a) the ad valorem property tax revenue derived from imposition of the District No. 1 Subordinate Required Mill Levy and (b) the Specific Ownership Tax revenue allocable to the District No. 1 Subordinate Required Mill Levy.

"*Subordinate Mill Levy Proportion*" means, with respect to any relevant levy year, the proportion of the District No. 1 Subordinate Required Mill Levy and the District No. 2 Subordinate Required Mill Levy, each stated as a percentage of the sum of the total. The Subordinate Mill Levy Proportion will change from time to time as a result of the occurrence of

Gallagher Events, if any (as applicable to the District No. 1 Subordinate Required Mill Levy and/or the District No. 2 Subordinate Required Mill Levy, respectively) after the date of issuance of the Series 2019 Bonds.

"*Subordinate Obligation*" means indebtedness of District No. 2 meeting the definition of a "Subordinate Bond" within the meaning of the Series 2019 Indentures (which includes the Series 2019B(3) Subordinate Bonds), provided that any such obligation is issued in accordance with the applicable provisions of all Governing Instruments then in effect.

"*Supplemental Act*" shall mean the Supplemental Public Securities Act, Sections 11-57-201, et seq., C.R.S., as the same may be amended from time to time.

Section 1.02. Interpretation. In this Agreement, unless the context expressly indicates otherwise, the words defined below shall have the meanings set forth below:

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms, refer to this Agreement as a whole and, except for use of the term "hereof" where the context so indicates, such terms shall not refer 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.

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 1.01 hereof.

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.

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.

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

ARTICLE II

PAYMENT OBLIGATION

Section 2.01. Electoral Authorization.

(a) ***Election***. The voted authorization for District No. 1 to incur multiple fiscal year financial obligations for intergovernmental agreements and the total maximum repayment cost relating thereto was approved at the District No. 1 Election as required by Article X, Section 20 of the Colorado Constitution.

(b) ***Allocation of Voted Authorization***. The District No. 1 Board has determined that the indebtedness represented by this Agreement shall be allocated to the category of indebtedness approved at the District No. 1 Election entitled

"Intergovernmental Agreements." The District No. 1 Board has further determined that the amount of indebtedness to be so allocated shall be that amount equal to the total amount of Capital Revenue actually collected by District No. 1 and paid to the Bond Trustee on behalf of District No. 2 under this Agreement. District No. 1 covenants and agrees that it shall make (or cause to be made) such allocation annually in District No. 1's audited financial statements. Accordingly, the continual performance by District No. 1 of its obligations under this Agreement in accordance with the terms hereof requires no further electoral approval.

(c) ***Limits of Electoral Authorization***. In no event shall the total or annual obligations of District No. 1 hereunder exceed the maximum amounts permitted under The District No. 1 Election. Upon payment by District No. 1 hereunder of the maximum amounts authorized by The District No. 1 Election, the obligations of District No. 1 under this Agreement will be deemed defeased and no longer outstanding.

Section 2.02. The Project. District No. 2 shall issue the Series 2019 Bonds for the purpose of financing and refinancing the Project. Additional District Obligations may also be issued from time to time, subject to the limitations of the Series 2019 Indentures and any other Governing Instrument then in effect, for the purpose of financing and/or refinancing the Project. District No. 1 hereby acknowledges and agrees that the completion of the Project provides benefits to District No. 1's residents, property owners and taxpayers, and in consideration of the issuance of the Series 2019 Bonds by District No. 2 for purposes of financing the Project, District No. 1 agrees to impose the Capital Mill Levy and pay the Capital Revenue to the Bond Trustee on behalf of District No. 2 for the purpose of paying and securing the Series 2019 Bonds and any additional District Obligations.

Section 2.03. Prepayment Prohibited. Because the actual dollar amount of District No. 1's obligations hereunder cannot be ascertained with any certainty at any time, District No. 1 shall not be permitted to prepay its obligations hereunder.

Section 2.04. Pledge; Multiple Fiscal Year Financial Obligation.

(a) ***Multiple Fiscal Year Financial Obligation***. The obligations of District No. 1 to (i) to certify and impose the Capital Mill Levy and enforce the collection of the ad valorem property taxes derived therefrom; (ii) to enforce collection of the other Capital Revenue; and (iii) to pay the Capital Revenue to the Bond Trustee on behalf of District No. 2 in accordance with the terms hereof (the "Payment Obligation") shall constitute multiple fiscal year financial obligations of District No. 1 within the meaning of Article X, Section 20 of the Colorado Constitution.

(b) ***Pledge of Capital Revenue***. District No. 1 hereby assigns to the Bond Trustee on behalf of District No. 2 all of its right, title and interest in and to the Capital Revenue and pledges the same to the Bond Trustee on behalf of District No. 2 for the purpose of paying and securing the Series 2019 Bonds and any other District Obligations. The lien of such pledge on the Capital Revenue shall constitute a first priority and exclusive lien thereon. District No. 2 shall take whatever action may be necessary to further assure the pledge of the Capital Revenue to the Bond Trustee under the Series

2019 Indentures and any other applicable Governing Instrument for the benefit of the Bondholders from time to time, and the pledge of the Capital Revenue to the various District Obligations Outstanding from time to time shall have the priority set forth in the applicable Governing Instruments.

(c) ***Payment Obligation; Supplemental Act***. The Payment Obligation of District No. 1 shall be secured by the pledge of the Capital Revenue to the Bond Trustee on behalf of District No. 2. District No. 1 hereby elects to apply all of the provisions of the Supplemental Act to its Payment Obligation under this Agreement and to the pledge of the Capital Revenue to the Bond Trustee on behalf of District No. 2 securing such obligation.

(d) ***Remittance of Capital Revenue***. District No. 2 hereby authorizes and directs District No. 1 to pay (or cause to be paid) all Capital Revenue to the Bond Trustee pursuant to written instructions provided by the Bond Trustee, as the same may from time to time be revised pursuant to written instructions provided by the Bond Trustee to District No. 1 with a copy to District No. 2. On and after the Effective Date, District No. 1 shall remit (or cause the remittance of) the Capital Revenue to the Bond Trustee not later than thirty (30) days following the receipt thereof.

(e) ***Exclusive Obligations***. District No. 1 acknowledges and agrees that its obligations under this Agreement with respect to the Capital Revenue run exclusively to the Bond Trustee on behalf of District No. 2 for the benefit of the Bondholders from time to time, and there is no prior, superior, subordinate or any other lien on the Capital Revenue other than the lien thereon of the pledge to the Bond Trustee on behalf of District No. 2 hereunder.

Section 2.05. Covenant of Further Assurances. District No. 1 covenants that it will do, execute, acknowledge, and deliver or cause to be done, executed, acknowledged, and delivered, such further acts, instruments, and transfers as District No. 2 or the Bond Trustee may reasonably require for the better assuring, transferring, and pledging unto the Bond Trustee the Capital Revenue.

Section 2.06. Appropriation. The amounts of Capital Revenue required under this Agreement to be paid by District No. 1 to the Bond Trustee on behalf of District No. 2 are hereby appropriated for that purpose, and said amounts for each applicable year shall be included in the annual budget and the appropriation resolution or measures to be adopted or passed by the District No. 1 Board in each Fiscal Year through and including the Fiscal Year immediately preceding the year in which the Agreement Termination Date occurs. 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 obligations of District No. 1 set forth in Section 2.04(a) hereof in the manner provided herein.

Section 2.07. Survival of Payment Obligation. In addition, and without limiting the generality of the foregoing, the Payment Obligation of District No. 1 shall survive any court determination of the invalidity of this Agreement as a result of a failure, or alleged failure, of any

of the directors of the Districts to properly disclose, pursuant to Colorado law, any potential conflicts of interest related hereto in any way.

Section 2.08. Limited Defenses; Specific Performance. It is understood and agreed by District No. 1 that its obligations hereunder are absolute, irrevocable, and unconditional and so long as this Agreement has not been terminated, District No. 1 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 obligations hereunder, or take or fail to take any action which would delay performance of such obligations. Notwithstanding that this Agreement specifically prohibits and limits defenses and claims of District No. 1, in the event that District No. 1 reasonably believes that it has valid defenses, setoffs, counterclaims, or other claims other than specifically permitted by this Section 2.08, it shall, nevertheless, impose the Capital Mill Levy, collect and enforce the collection of the Capital Revenue, and pay all amounts derived therefrom to the Bond Trustee on behalf of District No. 2, and then may attempt or seek to recover such payments by actions at law or in equity for damages or specific performance, respectively.

Section 2.09. Determination of Capital Mill Levy. District No. 1 agrees to cause the District No. 1 Accountant to compute the number of mills constituting the Capital Mill Levy each year, including each component thereof.[*] At least thirty (30) days prior to the date on which District No. 1's annual budget is prepared, District No. 1 shall cause the District No. 1 Accountant to provide to District No. 1, District No. 2, the District No. 2 Accountant, and the Bond Trustee with the following: (i) the number of mills equal to the Capital Mill Levy; (ii) the number of mills comprising each component of the Capital Mill Levy; and (iii) if requested by any of the foregoing, the computations underlying the determination of such mill levies. Absent manifest error, District No. 1 agrees that the District No. 1 Accountant's computation each year of the Capital Mill Levy (and each component thereof) shall be conclusive.

Section 2.10. Determination of Mill Levy Proportions.

(a) ***Senior Mill Levy Proportion***. If in any levy year it is determined that the District No. 1 Senior Required Mill Levy is to be less than its maximum (and therefore, as a result of the proportionate relationship between such levies, the District No. 2 Senior Required Mill Levy is necessarily less than its maximum for the same levy year), the Districts shall cause each of the District No. 1 Accountant and the District No. 2 Accountant to compute the Senior Mill Levy Proportion and the corresponding number of mills which constitute the District No. 1 Senior Required Mill Levy and the District No. 2 Senior Required Mill Levy for such levy year. The Districts shall further cause each of the District No. 1 Accountant and the District No. 2 Accountant to provide in writing to District No. 1, District No. 2 and the Bond Trustee: (i) the Senior Mill Levy Proportion; (ii) the number of mills constituting the District No. 1 Senior Required Mill Levy in such levy year; (iii) the number of mills constituting the District No. 2 Senior Required Mill Levy in such levy year; and (iv) if requested by any of the foregoing, the underlying

[*] The "components" of the Capital Mill Levy to be provided by the District No. 1 Accountant each year consist of: (i) the District No. 1 Senior Required Levy; (ii) the District No. 1 Subordinate Required Mill; (iii) the District No. 1 Senior Capital Levy (if any); and (iv) the District No. 1 Subordinate Capital Levy (if any).

computations. District No. 1 shall be entitled to rely upon such computation when certifying the District No. 1 Senior Required Mill Levy in the applicable levy year, and District No. 2 shall be entitled to rely upon such computation when certifying the District No. 2 Senior Required Mill Levy in the applicable levy year.

(b) ***Subordinate Mill Levy Proportion***. If in any levy year it is determined that the District No. 1 Subordinate Required Mill Levy is to be less than its maximum (and therefore, as a result of the proportionate relationship between such levies, the District No. 2 Subordinate Required Mill Levy is necessarily less than its maximum for the same levy year), the Districts shall cause each of the District No. 1 Accountant and the District No. 2 Accountant to compute the Subordinate Mill Levy Proportion and the corresponding number of mills which constitute the District No. 1 Subordinate Required Mill Levy and the District No. 2 Subordinate Required Mill Levy for such levy year. The Districts shall further cause each of the District No. 1 Accountant and the District No. 2 Accountant to provide in writing to District No. 1, District No. 2 and the Bond Trustee: (i) the Subordinate Mill Levy Proportion; (ii) the number of mills constituting the District No. 1 Subordinate Required Mill Levy in such levy year; (iii) the number of mills constituting the District No. 2 Subordinate Required Mill Levy in such levy year; and (iv) if requested by any of the foregoing, the underlying computations. District No. 1 shall be entitled to rely upon such computation when certifying the District No. 1 Subordinate Required Mill Levy in the applicable levy year, and District No. 2 shall be entitled to rely upon such computation when certifying the District No. 2 Subordinate Required Mill Levy in the applicable levy year.

Section 2.11. Covenant to Impose Capital Mill Levy.

(a) District No. 1 covenants to cause to be levied on all of the taxable property of District No. 1, in addition to all other taxes, direct annual taxes in the amount of the Capital Mill Levy in each year commencing in levy year 2019 and continuing through and including the levy year immediately preceding the year in which the Agreement Termination Date occurs. Nothing herein shall be construed to require District No. 1 to levy an ad valorem property tax for the purposes stated herein in excess of the Capital Mill Levy.

(b) The foregoing provisions of this Agreement are hereby declared to be the certification of the District No. 1 Board to the board or boards of county commissioners of each county in which taxable real or personal property of District No. 1 is located, showing the aggregate amount of taxes to be levied from time to time, in the manner required by law, for the purposes stated in this Agreement.

(c) It shall be the duty of the District No. 1 Board, annually, at the time and in the manner provided by law for levying other District No. 1 taxes, to ratify and carry out the provisions hereof with reference to the levying and collection of taxes; and the Board shall levy, certify, and collect said taxes in the manner provided by law for the purposes stated in this Agreement.

(d) 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, and when collected said taxes shall be paid to District No. 1 as provided by law. The Board shall take all necessary and proper steps to enforce promptly the payment of taxes levied pursuant to this Agreement.

Section 2.12. Additional Covenants.

(a) District No. 1 will not issue or incur bonds, notes, or other obligations payable in whole or in part from, or constituting a lien upon the Capital Revenue or any portion thereof, and will not otherwise assign or pledge the Capital Revenue or any portion thereof to any person other than District No. 2 as provided herein.

(b) District No. 1 shall not enter into agreement, or amend or supplement or consent to the amendment or supplement of any agreement to which it is a party or by which it or its property is bound which, in the reasonable judgment of District No. 1, would impair or reduce its Payment Obligation or the ability of District No. 1 to perform its obligations hereunder.

(c) The Districts shall keep and maintain, or cause to be kept and maintained, accurate records and accounting entries reflecting all moneys received or delivered pursuant to this Agreement and the use(s) of such moneys.

(d) District No. 1 shall annually allocate (or cause to be allocated) the total amount of Capital Revenue actually collected by District No. 1 and paid to District No. 2 under this Agreement each year to the voter authorized indebtedness in the category of "Intergovernmental Agreements" obtained pursuant to The District No. 1 Election. District No. 1 shall make (or cause to be made) such allocation annually in District No. 1's audited financial statements.

(e) District No. 1 will maintain its existence and shall not merge or otherwise alter its corporate structure in any manner or to any extent as might impair its obligations hereunder, and District No. 1 will continue to operate and manage District No. 1 in an efficient and economical manner in accordance with all applicable laws, rules, and regulations.

(f) District No. 1 agrees that the District No. 1 Accountant is and will in the future constitute a Certified Public Accountant with expertise in the area of Colorado metropolitan district accounting.

(g) At least once a year District No. 1 will cause an audit to be performed of the records relating to its revenues and expenditures, and District No. 1 shall use its commercially reasonable efforts to have such audit report completed no later than September 30 of each calendar year. The foregoing covenant shall apply notwithstanding any State law audit exemptions that may exist. In addition, at least once a year in the time and manner provided by law, District No. 1 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 provided by law.

(h) At least once a year District No. 2 will cause an audit to be performed of the records relating to its revenues and expenditures, and District No. 2 shall use its commercially reasonable efforts to have such audit report completed no later than September 30 of each calendar year. The foregoing covenant shall apply notwithstanding any State law audit exemptions that may exist. In addition, at least once a year in the time and manner provided by law, District No. 2 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 provided by law.

(i) The Districts will carry general liability, public officials' liability, and such other forms of insurance coverage on insurable property of the Districts upon the terms and conditions as in the judgment of each of the Districts would ordinarily be carried by entities having similar properties of equal value, such insurance being in such amounts as will protect the Districts and their operations, respectively.

(j) Each official of the Districts or other person having custody of any funds of the Districts or responsible for the handling of such funds, shall be bonded or insured against theft or defalcation at all times.

(k) District No. 1 shall not exclude nor consent to the exclusion of any taxable property from within its boundaries unless 100% of the property owners of such proposed excluded property agree in writing to the imposition of the Capital Mill Levy upon their respective property and the payment to District No. 2 of the revenue derived therefrom in accordance with this Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.01. Representations and Warranties of the Districts. Each of the Districts hereby makes the following representations and warranties to the best of its knowledge:

(a) ***District No. 1***.

(i) District No. 1 is a quasi-municipal corporation and political subdivision duly organized and validly existing under the laws of the State of Colorado.

(ii) District No. 1 has all requisite corporate power and authority to execute, deliver, and to perform its obligations under this Agreement. District No. 1's execution, delivery, and performance of this Agreement has been duly authorized by all necessary action.

(iii) District No. 1 is not in violation of any 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 District No. 1 to perform its obligations hereunder. The execution, delivery and performance by District No. 1 of its obligations under this Agreement (A) 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; (B) will not violate any provision of any document or agreement constituting, regulating, or otherwise affecting the operations or activities of District No. 1 in a manner that could reasonably be expected to result in a material adverse effect; and (C) 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 District No. 1 pursuant to the provisions of any mortgage, indenture, contract, agreement, or other undertaking to which District No. 1 is a party or which purports to be binding upon District No. 1, or upon any of its revenues or other assets which could reasonably be expected to result in a material adverse effect.

(iv) District No. 1 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 District No. 1 of this Agreement.

(v) There is no action, suit, inquiry, investigation, or proceeding to which District No. 1 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 District No. 1, threatened, in connection with any of the transactions contemplated by this Agreement nor, to the best knowledge of District No. 1 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 District No. 1 to perform its obligations under, this Agreement.

(vi) This Agreement constitutes a valid and binding obligation of District No. 1, legally enforceable against District No. 1 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).

(vii) The lien of this Agreement on the Capital Revenue is a superior and exclusive pledge and has priority over any and all other obligations and liabilities of District No. 1 which purport to pledge or assign the Capital Revenue or any portion thereof.

(b) ***District No. 2***.

(i) District No. 2 is a quasi-municipal corporation and political subdivision duly organized and validly existing under the laws of the State of Colorado.

(ii) District No. 2 has all requisite corporate power and authority to execute, deliver, and to perform its obligations under this Agreement. District No. 2's execution, delivery, and performance of this Agreement has been duly authorized by all necessary action.

(iii) District No. 2 is not in violation of any 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 District No. 2 to perform its obligations hereunder. The execution, delivery and performance by District No. 2 of this Agreement (A) 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; (B) will not violate any provision of any document or agreement constituting, regulating, or otherwise affecting the operations or activities of District No. 2 in a manner that could reasonably be expected to result in a material adverse effect; and (C) 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 District No. 2 pursuant to the provisions of any mortgage, indenture, contract, agreement, or other undertaking to which District No. 2 is a party or which purports to be binding upon District No. 2 or upon any of its revenues or other assets which could reasonably be expected to result in a material adverse effect.

(iv) District No. 2 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 District No. 2 of this Agreement.

(v) There is no action, suit, inquiry, investigation, or proceeding to which District No. 2 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 District No. 2 threatened, in connection with any of the transactions contemplated by this Agreement nor, to the best knowledge of District No. 2 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 District No. 2 to perform its obligations under, this Agreement.

ARTICLE IV

NON-COMPLIANCE AND REMEDIES

Section 4.01. Events of Non-Compliance. The occurrence or existence of any one or more of the following events shall be an "Event of Non-Compliance" hereunder, and there shall be no default or Event of Non-Compliance hereunder except as provided in this Section:

(a) District No. 1 fails or refuses to impose the Capital Mill Levy or any component thereof;

(b) District No. 1 fails or refuses to collect or enforce the collection of the Capital Revenue or any portion thereof;

(c) District No. 1 fails to remit the Capital Revenue or any portion thereof as required by the terms of this Agreement;

(d) any representation or warranty made by any party to this 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 to this Agreement;

(e) District No. 1's pledge of the Capital Revenue for the purposes stated herein fails to be enforceable with the priority required hereunder;

(f) any party to this Agreement materially fails in the performance of any other of its covenants in this Agreement, and such material failure continues for 60 days after receipt of written notice from the other party specifying such default and requiring the same to be remedied;

(g) District No. 1 commences proceedings for dissolution or consolidation with another metropolitan district during the term of this Agreement; or

(h) (i) any party to this Agreement 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 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 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 4.02. Remedies For Events of Non-Compliance. Subject to Section 2.07 hereof, upon the occurrence and continuance of an Event of Non-Compliance, any party may proceed to protect and enforce its rights against the party or parties causing the Event of Non-

Compliance by mandamus or such other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction, including an action for specific performance. In the event of any litigation or other proceeding to enforce any of the terms, covenants or conditions hereof, the party in such litigation or other proceeding shall obtain, as part of its judgment or award, its reasonable attorneys' fees and costs.

ARTICLE V

MISCELLANEOUS

Section 5.01. Pledge of Revenue. The creation, perfection, enforcement, and priority of District No. 1's pledge under this Agreement to the Bond Trustee on behalf of District No. 2 of the Capital Revenue for the purpose of securing its Payment Obligation hereunder shall be governed by Section 11-57-208 of the Supplemental Act and this Agreement. The Capital Revenue 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 District No. 1 irrespective of whether such persons have notice of such lien.

Section 5.02. No Recourse against Officers and Agents. Pursuant to Section 11-57-209 of the Supplemental Act, if a member of District No. 1 Board or any officer or agent of District No. 1 acts in good faith, no civil recourse shall be had against such member, officer, or agent for payment or performance of District No. 1's Payment Obligation hereunder. Such recourse shall not be available either directly or indirectly against District No. 1, or otherwise, whether by virtue of any constitution, statute, rule of law, enforcement of penalty, or otherwise. By the acceptance of this Agreement and as a part of the consideration hereof, District No. 2 and, by execution of the Indenture and any other Governing Instrument, the Bond Trustee, each, for themselves and on behalf of the Bondholders from time to time, specifically waive any such recourse.

Section 5.03. Conclusive Recital. Pursuant to Section 11-57-210 of the Supplemental Act, this Agreement is executed and delivered pursuant to certain provisions of the Supplemental Act, and this recital is conclusive evidence of the validity and the regularity of this Agreement after its delivery for value.

Section 5.04. 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 Agreement shall be commenced more than thirty days after the authorization of this Agreement.

Section 5.05. Notices. Except as otherwise provided herein, all notices, certificates, or other communications required to be given to any of the persons set forth below pursuant to any provision of this Indenture shall be in writing, shall be given either in person or by certified or registered mail, and if mailed, shall be deemed received three (3) days after having been deposited in a receptacle for United States mail, postage prepaid, addressed as follows:

District No. 1: Reata Ridge Village Metropolitan District No. 1
c/o White Bear Ankele Tanaka & Waldron
2154 E. Commons Avenue, Suite 2000
Centennial, Colorado 80122
Attention: Clint Waldron, Esq.
Facsimile: (303) 858-1801
E-mail: cwaldron@wbapc.com

District No. 2: Reata Ridge Village Metropolitan District No. 1
c/o White Bear Ankele Tanaka & Waldron
2154 E. Commons Avenue, Suite 2000
Centennial, Colorado 80122
Attention: Clint Waldron, Esq.
Facsimile: (303) 858-1801
E-mail: cwaldron@wbapc.com

(a) In lieu of mailed notice to any person set forth above, the persons designated above may provide notice by email to any email address set forth above for any other person designated above, or by facsimile transmission to any facsimile number set forth above for such person, and any such notices shall be deemed received upon receipt by the sender of an email or facsimile transmission from such person confirming such receipt, or upon receipt by the sender of such other confirmation of receipt as may be reasonably reliable under the circumstances.

(b) The persons designated above may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, or other communications shall be sent.

(c) Where this Agreement provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice.

Section 5.06. Miscellaneous.

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

(b) If any term or provision of this 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 Agreement, and such provision shall not affect the legality, enforceability, or validity of the remainder of this Agreement. If any provision or part thereof of this 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) This Agreement may not be assigned or transferred by any party without the prior written consent of each of the other parties.

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

(e) This 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.

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

(g) This 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.

(h) Time is of the essence hereof; provided, however, that if the last day permitted or the date otherwise determined for the performance of any act required or permitted under this Agreement falls on a Saturday, Sunday or legal holiday, the time for performance shall be extended to the next succeeding business day, unless otherwise expressly stated.

(i) The Districts shall have the right to access and review each other's records and accounts, on reasonable times during District's regular office hours, for purposes of determining compliance by the Districts with the terms of this Agreement. Such access shall be subject to the provisions of Public Records Act of the State of Colorado contained in Article 72 of Title 24, C.R.S. In the event of disputes or litigation between the parties hereto, all access and requests for such records shall be made in compliance with the Public Records Act.

(j) District No. 1 covenants that it will do, execute, acknowledge, and deliver or cause to be done, executed, acknowledged, and delivered, such acts, instruments, and transfers as may reasonably be required for the performance of its obligations hereunder.

Section 5.07. Third Party Beneficiaries.

(a) District No. 1 acknowledges that the Bond Trustee must be entitled to rely on the performance by District No. 1 of its Payment Obligation hereunder for the benefit of the Bondholders from time to time under the applicable Governing Instruments. In addition, other third parties may provide letters of credit, bond purchase agreements, liquidity instruments, interest rate protection agreements and other financial products providing security for District Obligations (collectively, "Credit Enhancement

Providers") and, as a result, such Credit Enhancement Providers, if any, must also be entitled to rely on the Payment Obligation of District No. 1 hereunder. Accordingly, (a) each Bond Trustee shall be a third party beneficiary hereunder for the benefit of the Bondholders from time to time under the applicable Governing Instruments and (b) each Credit Enhancement Provider for District Obligations shall be a third party beneficiary hereunder; *provided, however*, that the Bond Trustees and Credit Enhancement Providers shall constitute third party beneficiaries solely with respect to District No. 1's Payment Obligation and the obligation of District No. 1 to impose, collect and enforce the collection of the Capital Revenue as provided herein. Nothing in this Section 5.07(a) or elsewhere in this Agreement shall be construed as giving any third party beneficiary any rights other than as specified in the preceding sentence, and in no event shall any third party beneficiary of this Agreement have any right of prior consent to any amendments hereto.

(b) It is intended that there be no third party beneficiaries of this Agreement other than the third party beneficiaries specifically named in Section 5.07(a) above and nothing contained herein, expressed or implied, is intended to give to any person any claim, remedy, or right under or pursuant hereto, and any agreement, condition, covenant, or term contained herein required to be observed or performed by or on behalf of any party hereto shall be for the sole and exclusive benefit of the other party.

Section 5.08. Effective Date and Agreement Termination Date. This Agreement shall become effective on the Effective Date and, subject to the provisions of Section 2.01(c) hereof, shall remain in effect until the Agreement Termination Date unless earlier terminated pursuant to mutual written agreement of the Districts; provided, however, that if any District Obligations are Outstanding, any such earlier termination of this Agreement shall be subject to the applicable provisions of all Governing Instruments then in effect. On the Agreement Termination Date this Agreement shall be deemed fully satisfied, all obligations of the parties hereto shall be discharged, and this Agreement shall terminate and no longer be of any force or effect.

[End of Capital Pledge Agreement; Signatures Appear on Following Page]

IN WITNESS WHEREOF, the authorized officers of District No. 1 and District No. 2 have executed this Capital Pledge Agreement as of the day and year first above written.

REATA RIDGE VILLAGE METROPOLITAN DISTRICT NO. 1

By ________________________________
President

[SEAL]

ATTEST:

____
Secretary or Assistant Secretary

REATA RIDGE VILLAGE METROPOLITAN DISTRICT NO. 2

By ________________________________
President

[SEAL]

ATTEST:

____
Secretary or Assistant Secretary

[Signature Page to Capital Pledge Agreement]