RRC AUTHORITY ESTABLISHMENT AGREEMENT

BY AND BETWEEN

RRC METROPOLITAN DISTRICT NO. 1

RRC METROPOLITAN DISTRICT NO. 2

RRC METROPOLITAN DISTRICT NO. 4

RRC METROPOLITAN DISTRICT NO. 5

AND

RRC METROPOLITAN DISTRICT NO. 6

EFFECTIVE DATE: APRIL 6, 2023

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RRC AUTHORITY ESTABLISHMENT AGREEMENT

THIS **RRC AUTHORITY ESTABLISHMENT AGREEMENT** (the "**Authority Establishment Agreement**" or "**Establishment Agreement**") is made and entered into this 6th day of April, 2023, by and between **RRC METROPOLITAN DISTRICT NO. 1** ("**District No. 1**"), **RRC METROPOLITAN DISTRICT NO. 2** ("**District No. 2**"), **RRC METROPOLITAN DISTRICT NO. 4** ("**District No. 4**"), **RRC METROPOLITAN DISTRICT NO. 5** ("**District No. 5**"), and **RRC METROPOLITAN DISTRICT NO. 6** ("**District No. 6**" and together with District Nos. 1, 2, 4 and 5, the "**Districts**"), each a quasi-municipal corporation and political subdivision of the State of Colorado.

RECITALS

A. The Districts each operate pursuant to the Consolidated Amended and Restated Service Plan for RRC Metropolitan District Nos. 1 and 2 and Service Plan for RRC Metropolitan District Nos. 4-6, which the Board of County Commissioners (the "**BOCC**") of Jefferson County (the "**County**") approved on August 23, 2022, as may be amended from time to time (the "**Service Plan**"), and which is hereby incorporated in this Establishment Agreement by reference.

B. Pursuant to the Colorado Constitution, Article XIV, Sections 18(2)(a) and (b), and Section 29-1-203.5, C.R.S., metropolitan 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 of taxes, and the incurring of debt.

C. Pursuant to Section 29-1-203.5, C.R.S., metropolitan districts may contract with one another for the joint exercise of any function, service or facility lawfully authorized to each, including the establishment of a separate legal entity to do so as a political subdivision and public corporation of the State of Colorado.

D. The Districts exist for the purpose of planning, designing, acquiring, constructing, installing, relocating, redeveloping, financing certain street, sanitation, water, landscaping, parks and recreation, transportation, television relay and translation, security, safety protection improvements, and limited operations and maintenance services, all in accordance with the Service Plan.

E. The Service Plan discloses that the Districts anticipate entering into an intergovernmental agreement governing the relationships between and among the Districts with respect to the financing, construction, and operation of the Public Improvements, which may include forming an authority.

F. At elections of the qualified electors of each of the Districts, in accordance with law and pursuant to due notice, a majority of those qualified to vote and voting at such elections, voted in favor of the Districts entering into intergovernmental agreements. To the extent that this Establishment Agreement, as an intergovernmental agreement, constitutes a Multiple-Fiscal Year Financial Obligation of one or more of the Districts, the same has received voter approval in such elections.

G. The Service Plan describes certain Public Improvements to be financed in accordance with general plans of finance described or permitted in the Service Plan, from either: (1) revenues received from the imposition of mill levies within the Districts; (2) the proceeds of Bonds and other available revenues (including Developer Advances); or (3) any other legally available revenues of the Districts.

H. The Districts agree that the Public Improvements are needed by the Districts and that such Public Improvements will benefit the residents and property owners in the Districts in terms of cost, quality, and level of service.

I. The Districts acknowledge that District No. 2 previously issued its Limited Tax General Obligation Bonds Series 2021(3) issued in the amount of $45,000,000 (the "Previously Issued Bonds"), towards which District No. 1 pledged certain revenues pursuant to that certain Capital Pledge Agreement dated as of December 17, 2021, between District Nos. 1 and 2, and UMB Bank, N.A. (the "**Previously Issued Pledge**" and collectively with the Previously Issued Bonds, the "**Previously Issued Obligations**"), in order to provide certain of the Public Improvements.

J. The Districts agree the coordinated construction, financing, completion, and availability of the Public Improvements in a timely fashion within the Service Area will promote the health, safety, prosperity, security, and general welfare of the current and future inhabitants and current and future property owners within the Districts.

K. The Districts agree that the Authority may finance certain of the Public Improvements; however, the Districts acknowledge that the Districts and the Authority may only issue Bonds or Debt otherwise if the Service Plan is amended in order to increase the **Total Debt Issuance Limitation** (as defined in the Service Plan) of $50,000,000, unless such Bonds or Debt otherwise is exclusively issued in order to refinance the Previously Issued Bonds.

L. The District agree that the Authority may construct the Public Improvements throughout the Service Area, benefiting the Districts, and that each of the Districts may contribute to the costs of construction of such Public Improvements.

M. The Districts agree that, provided the Service Plan is amended in order to increase the Total Debt Issuance Limitation, the Authority may issue Bonds, from time to time, for financing the Public Improvements as set forth herein, and that if the Authority issues Bonds, the Districts will pledge certain revenue to the Authority to repay the Bonds.

N. The Districts agree that, if the Authority issues Bonds, the amount of such Bonds will be based upon estimates of the capital costs of construction of portions of the Public Improvements, as applicable, as they are and may be needed to complete the Project, plus reserve funds, capitalized interest, legal fees, and any other costs associated with the financing or refinancing of the Bonds.

O. The Districts agree the coordinated provision of the Administrative Services for the Districts will promote the health, safety, prosperity, security, and general welfare of the current and future inhabitants and current and future property owners within the Districts.

P. It is the purpose of this Establishment Agreement to bind the Districts concerning the Actual Administrative Costs so that the cost of such services to the entire development known as Red Rocks Ranch, located in Jefferson County, Colorado (the "**Project**"), will be shared by the property owners, taxpayers and fee payers in the Service Area under the numerous circumstances which could occur in the future.

Q. It is the intent of the Districts that the Authority may enter into contracts to provide the Administrative Services.

R. The Districts agree that the coordinated provision of the Administrative Services by the Authority will be financed, primarily, by mill levies imposed by each of the Districts for such purposes.

S. The Districts desire to set forth as provided in this Authority Establishment Agreement their agreement regarding the implementation of guidelines and objectives set forth in the Service Plan for any financing and construction of the Public Improvements, as well as the coordinated provision of the Administrative Services.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants in this Authority Establishment Agreement, the Districts agree as follows:

ARTICLE I : GENERAL PROVISIONS

1.1 Interpretation. This Establishment Agreement shall be subject to the following rules of interpretation:

(a) The terms "herein," "hereunder," "hereby," "hereto," "hereof," and any similar terms, refer to this Establishment Agreement as a whole, including all exhibits, addendums, and amendments and not to any particular article, section, or subdivision of this Establishment Agreement, unless otherwise specifically stated to the contrary.

(b) All definitions and terms shall include both the singular and the plural, and all capitalized words or terms shall have the definitions set forth in the Recitals and Section 2.1.

(c) The captions or headings of this Establishment 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 Establishment Agreement.

(d) The term "and" can mean "or," and the term "or can mean "and," in any provision, article, or section of this Establishment Agreement.

1.2 Effective Date and Term. This Establishment Agreement shall be effective as of the Effective Date and shall continue to be in full force and effect unless each District agrees to terminate this Establishment Agreement; provided, however, that no District shall be permitted to terminate this Establishment Agreement if there is outstanding Debt. Prior to termination of this Establishment Agreement, another governmental entity must assume any Public Improvements owned, and the services performed by, the Authority.

1.3 Inactive Status and Return to Active Status. The Districts acknowledge that one or more of the Districts may elect to become inactive pursuant to the Act, and may determine to remain inactive, in any one or more of the years this Establishment Agreement is in effect. Any other metropolitan district duly organized pursuant to the Act may become party to this Establishment Agreement provided (i) there is unanimous agreement of the Board affirming same, (ii) the requesting district's board of directors unanimously agrees, and (iii) the requesting district executes this Establishment Agreement.

1.4 Purpose and Scope of Authority Establishment Agreement. This Establishment Agreement shall be governed, in general, by the following provisions in this Section 1.4. The Districts agree that the statements of intention set forth in this Section 1.4 are essential to the proper interpretation of this Establishment Agreement and are intended to clarify the general intent of specific provisions contained in this Establishment Agreement. The following statements are illustrative of the Districts' intentions and while they are to be used to construe and govern this Establishment Agreement, the statements are not intended to constitute an all-inclusive statement of the intentions of the Districts. Reference shall also be made to the Service Plan for the purpose of construing this Establishment Agreement.

(a) The Service Plan describes the individual Districts and contemplates that the Districts will provide services and Public Improvements to serve the Project. The ability of the Districts to effectively coordinate the provision of and financing of the Public Improvements and services set forth in the Service Plan will serve to effectuate the development of the Project in accordance with the land use regulations and development standards of the County, as applicable.

(b) The Districts intend to cooperate with one another and with the Authority to effectuate the coordination and provision of the Administrative Services by the Authority in a manner that is allocated among the Districts and the residents and taxpayers of the Districts. The Districts also intend, should the Authority issue Debt, to cooperate with one another and with the Authority to effectuate the financing of the Public Improvements in a manner that is allocated among the Districts and the residents and taxpayers of the Districts.

(c) The Districts shall be responsible for the Multiple-Fiscal Year Financial Obligation as set forth in this Establishment Agreement to fund the Actual Administrative Costs and any Actual Capital Costs of the Public Improvements.

(d) The Districts acknowledge and agree that only the Districts have the right to enforce this Authority Establishment Agreement. The Districts expressly declare that no person or entity shall be construed as a Third-Party beneficiary of this Establishment Agreement except the Developer.

1.5 Incorporation of Recitals. The Recitals set forth above are incorporated into this Establishment Agreement by this reference.

ARTICLE II : DEFINITIONS

2.1 Definitions. As used in this Authority Establishment Agreement, unless the context indicates otherwise, the words and terms defined below and capitalized throughout the text of this Establishment Agreement shall have the respective meanings set forth below.

(a) "**Act**" shall mean Title 32, Article 1, C.R.S.

(b) "**Actual Administrative Costs**" shall mean, collectively, the Authority Administrative Costs, the District Administrative Costs, the Construction Administrative Costs, and the reimbursement to the Developer of the Developer Operating Advances.

(c) "**Actual Capital Costs**" shall mean those costs which are to be incurred by the Authority for the purpose of planning, designing, constructing, financing and acquiring the Public Improvements including, but not limited to, the following:

(i) All costs of labor and materials attributable to the actual construction or acquisition of the Public Improvements from Third-Parties and all related components and materials used for the Public Improvements, all costs incurred for the acquisition of water rights, water storage rights, and all other costs or fees due or paid under cost recovery or other agreements with Third-Parties, together with all costs incurred to obtain financing for the Public Improvements;

(ii) All costs attributable to the construction or acquisition of the Public Improvements or any part or component thereof incurred as a result of change orders approved in accordance with any construction contract;

(iii) All costs incurred for planning, design, engineering, construction, management, landscape architecture and engineering, soil testing and inspection, and line and systems testing and inspection attributable to the Public Improvements, including legal fees;

(iv) Site, permit and right-of-way or easement acquisition costs, including legal fees;

(v) All bond costs including the principal and redemption price of, and interest and premium on, any Bonds, including any scheduled mandatory or cumulative sinking fund payments and any mandatory redemption or principal prepayment amounts as provided in the bond documents and accumulation or replenishment of any reserves or surplus funds relating to the Debt, customary fees related to the issuance of the Debt (including, but not limited to, fees of a trustee, paying agent, rebate agent, and provider of liquidity or credit facility), remarketing the Debt, and any reimbursement due to a provider of liquidity or credit facility securing any Debt;

(vi) All legal, bond issuance, credit enhancement, accounting, interest costs, and reserve funds incurred in connection with the financing, construction or acquisition of the Public Improvements;

(vii) All costs for Bonds, insurance, construction administration, financial, inspections, appraisals, and other professional fees;

(viii) Any other capital costs, expenses or expenditures associated with the financing, construction or acquisition of the Public Improvements; and

(ix) Reimbursement to the Developer for Developer Capital Advances to fund the items in Section 2.1(b)(i)-(viii), above.

(d) "**Administrative Services**" shall mean, collectively, the Authority Administrative Services, the District Administrative Services, and the Construction Administrative Services

(e) "**Alternate Board Member**" shall mean an alternate Authority Board Member, appointed from among a District's Board of Directors and authorized to serve on the Board in the event the District's regular Board Member does not attend a meeting or is no longer qualified to serve. Each District appointing more than one Alternate Board Member shall establish an order according to which each shall be authorized to serve on the Board.

(f) "**Amended Final Budget**" shall have the meaning set forth in Section 8.3 hereof.

(g) "**Authority**" shall mean the RRC Authority established pursuant to this Authority Establishment Agreement.

(h) "**Authority Administrative Costs**" shall mean those costs incurred by the Authority for the purpose of providing the Authority Administrative Services.

(i) "**Authority Administrative Services**" shall mean any and all services associated with the administration of the Authority, including, but not limited to, accounting, auditing, insurance, management, and legal services, general operations and maintenance, compliance with this Establishment Agreement and all applicable statutory and regulatory provisions, administering the Funding Account, and those tasks, services, and/or functions performed by or on behalf of the Authority or provided to the Authority.

(j) "**Authority Establishment Agreement**" or "**Establishment Agreement**" shall mean this Authority Establishment Agreement and any exhibits, addendums, and amendments hereto made in accordance with this Establishment Agreement.

(k) "**Board**" shall mean the Board of Directors of the Authority.

(l) "**Board Meeting**" shall mean a regular or special meeting of the Board Members convened pursuant to Section 3.4 of this Establishment Agreement.

(m) "**Board Member(s)**" shall mean a director of the Board.

(n) "**BOCC**" shall mean the Board of County Commissioners of Jefferson County.

(o) "**Bonds**" shall mean any general obligation bonds, revenue bonds, refunding bonds, notes, debentures or other evidences of a borrowing that constitute multiple fiscal year obligations under Article X, Section 20 of the Colorado Constitution; provided, however that the definition of Bonds shall not include any of the following: multiple fiscal year obligations established by intergovernmental agreements between and among any one or more of the Districts and/or the Authority; or intergovernmental agreements between any one of the Districts and/or the Authority and any other government, including, but not limited to, the County.

(p) "**Budget Year**" shall mean the year (immediately following the applicable Planning Year) during which the Actual Administrative Costs and Actual Capital Costs are to be incurred.

(q) "**Bylaws**" shall mean any bylaws adopted by the Board, as the same may be amended from time to time. In the absence of any bylaw(s) adopted by the Board or addressing a particular circumstance or interpretation of bylaws adopted by the Board, the Board and any committees established by the Board shall refer to *Robert's Rules of Order*.

(r) "**Construction**" shall include, but not be limited to, construction, expansion, acquisition, repair, and replacement of the Public Improvements.

(s) "**Construction Schedule**" shall mean the schedule showing any Public Improvements planned for Construction to commence during the Budget Year.

(t) "**Construction Administrative Costs**" shall mean those costs incurred by the Authority for the purpose of providing the Construction Administrative Services.

(u) "**Construction Administrative Services**" shall mean any and all services associated with the administration, consulting, and/or management of Construction.

(v) "**County**" shall mean Jefferson County, Colorado.

(w) **"C.R.S."** shall mean the Colorado Revised Statutes as such statutes are amended from time to time. In the event of a repeal of a statute cited in this Establishment Agreement, the procedure contained in the statute immediately prior to repeal shall apply; provided, however, that if such repealed statute is replaced by another statute, then the new statute shall apply.

(x) "**Debt**" shall mean any Bonds, notes, agreements, instruments, or other obligations issued or incurred by the Authority, and payable from *ad valorem* property taxes of the Districts, and other District revenues, including, but not limited to, fees, rates, tolls and charges or any other multiple-fiscal year financial obligation whatsoever for payment of which any of the Districts has promised to impose an *ad valorem* property tax mill levy.

(y) "**Developer**" shall mean Lennar Colorado, LLC, a Colorado limited liability company, or its designated successors and permitted assigns.

(z) "**Developer Advances**" shall mean, collectively, the Developer Capital Advances and the Developer Operating Advances.

(aa) "**Developer Capital Advances**" shall mean funds advanced by the Developer for payment of Actual Capital Costs, including the amounts previously advanced by the Developer for this purpose.

(bb) "**Developer Operating Advances**" shall mean funds advanced by the Developer for payment of Actual Administrative Costs including the amounts previously advanced by the Developer for this purpose.

(cc) "**District Administrative Costs**" shall mean those costs incurred by the Authority for the purpose of providing the District Administrative Services.

(dd) "**District Administrative Services**" shall mean any and all services associated with the administration of the Districts, including, but not limited to, accounting, auditing, insurance, management, and legal services, general operations and maintenance, and compliance with the Service Plan and all applicable statutory and regulatory provisions.

(ee) "**District Board**" or "**District Boards**" shall mean the lawfully organized board(s) of directors of the Districts, as applicable.

(ff) "**Districts**" shall mean all districts formed and operating pursuant to Title 32, C.R.S., which agree to the terms and conditions set forth in this Establishment Agreement, and which are unanimously accepted as members of the Authority, including: (i) District No. 1, (ii) District No. 2, (iii) District No. 4, (iv) District No. 5, (v) District No. 6, and (vi) any other district that becomes a party to this Establishment Agreement.

(gg) **"Effective Date"** shall mean April 6, 2023.

(hh) "**Establishment Agreement**" or "**Authority Establishment Agreement**" shall mean this Authority Establishment Agreement and any exhibits, addendums, and amendments hereto made in accordance with this Establishment Agreement.

(ii) "**Event of Default**" shall mean any one or more of the events or the existence of one or more of the conditions set forth in Section 12.1 of this Establishment Agreement.

(jj) "**Expanded Notice**" shall mean, in addition to notice being posted as required by the Act, notification being provided by one of the following methods: (a) publication in a newspaper circulated within the County; (b) an insert with a monthly utility billing statement; (c) email or comparable then-current technology to all property owners. To constitute an Expanded Notice, publication must be made by one of the foregoing methods no less than thirty (30) days prior to the date of the meeting at which consideration of a final decision on the matter will be considered and not more than sixty (60) days before the date of such meeting. Such Expanded Notice shall include the address of the Authority's office where the names and addresses of the Districts may be obtained, as well as the Authority's telephone number, fax number, email address, and names of its Officers.

(kk) "**Fee**" shall mean any type of charge to any portion of the Service Area for services or facilities provided through the Authority and/or any community-wide services or facilities provided through the Authority.

(ll) "**Final Budget**" shall mean the final budget in any year, and as may be amended within the fiscal year, as established and approved by the Board following public hearings for the payment of projected Actual Administrative Costs and Actual Capital Costs.

(mm) "**Funding Account**" shall mean the account owned, established, and managed by the Board.

(nn) "**Manager**" shall mean any professional manager or management company hired by the Board that is experienced and knowledgeable in the management of authorities or local governments.

(oo) "**Multiple-Fiscal Year Financial Obligation**" shall mean the obligation of the Districts evidenced hereunder, whereby the Districts covenant to pay their respective shares of the Actual Administrative Costs and their respective share of the Actual Capital Costs.

(pp) "**Officer(s)**" shall mean, as applicable, an officer of the Authority, such as the President, Secretary, Treasurer, and/or Assistant Secretary of the Authority.

(qq) "**Planning Year**" shall mean the year immediately preceding the corresponding Budget Year.

(rr) "**Present**" or "**Present at a Meeting**" shall mean either being physically present at a Board Meeting or attending a Board Meeting via phone or some other electronic device.

(ss) "**Previously Issued Bonds**" shall mean District No. 2's Limited Tax General Obligation Bonds Series 2021$_{(3)}$ issued in the amount of $45,000,000.

(tt) "**Previously Issued Pledge**" shall mean District No. 1's obligations associated with that certain Capital Pledge Agreement dated as of December 17, 2021, between District Nos. 1 and 2, and UBM Bank, N.A., in connection with the Previously Issued Bonds.

(uu) "**Previously Issued Obligations**" shall mean, collectively, the Previously Issued Bonds and the Previously Issued Pledge.

(vv) "**Project**" shall mean the development or property commonly referred to as Red Rocks Ranch.

(ww) "**Public Improvements**" shall mean those improvements and facilities to be financed and constructed as authorized under the Service Plan necessary for the completion of the Project.

(xx) "**Service Area**" shall have the same meaning as set forth in Section 3.2 of this Establishment Agreement.

(yy) "**Service Plan**" shall have the same meaning as set forth in Recital A of this Establishment Agreement.

(zz) "**Specific Ownership Tax Revenues**" shall mean the specific ownership taxes remitted to the Districts, pursuant to Section 42-3-107, C.R.S., or any successor statute, because of its imposition of their respective mill levies.

(aaa) "**State**" shall mean the State of Colorado.

(bbb) "**Tax Code**" shall mean Internal Revenue Code of 1986, as amended.

(ccc) "**Third-Party**" or "**Third-Parties**" shall mean any individual, corporation, joint venture, estate, limited liability company, trust, partnership, association, or other legal entity including governmental entities, other than the Districts, the Developer, or the Authority.

(ddd) "**Total Debt Issuance Limitation**" shall have the meaning as set forth in the Service Plan.

ARTICLE III : ESTABLISHMENT OF AUTHORITY

3.1 Establishment of Authority. The Authority is organized as a separate legal entity to be a political subdivision and public corporation of the State of Colorado pursuant to the power of Article XIV of the Colorado Constitution and in conformity with the provisions of Sections 29-1-203 and 29-1-203.5, C.R.S.

3.2 Service Area. The service area of the Authority shall consist of the combined service area(s) of the Districts, as the same may change from time to time.

3.3 Purpose. The purpose of the Authority is to coordinate the provision of the Administrative Services and otherwise effectuate the development of the Public Improvements for the benefit of the Districts, the residents, users, and property owners, including the Developer. By the establishment of the Authority, the Districts will be able to achieve efficiencies in the general administration, operations, and maintenance of the Districts, managing Construction, and any designing, planning, construction, acquisition, and financing of the Public Improvements by the Authority. It is the intent that the Authority will provide residents and property owners the opportunity to participate in the Project through representation on the Board.

3.4 Governing Body. The Authority shall be governed and directed by the Board, according to the following:

(a) Appointment of Board Members by Districts. Each District may appoint one (1) member to the Board.

(b) Eligibility to Serve as a Board Member. To be eligible to be appointed as a Board Member, the candidate must be currently serving on the District Board from which it is being appointed to represent. District Nos. 4, 5 and 6 shall each appoint a different individual.

(c) Alternate Board Members. Each District may appoint from among its Board of Directors one or more Alternate Board Member(s) to serve as an Alternate Board Member in the event such District's appointed Board Member does not attend a Board meeting or is no longer qualified to serve.

(d) Vacancies. In the event of a vacancy on the Board, whether by expiration of a term, resignation, by virtue of the fact that the Board Member is no longer qualified to serve on the applicable District Board, or for any other reason, the applicable District shall appoint a successor Board Member within thirty (30) days of such vacancy.

(e) Contact Notice. Each District shall provide one another and the Authority with written notice of the appointment, and the name and contact information for each Board Member and Alternate Board Member so appointed.

(f) Term. Each Board Member's term on the Board shall be coincident with that Board Member's term on the District's Board of the District(s) from which the Board Member has been appointed. There shall be no limit on the number of terms a Board Member may serve on the Board.

(g) Compensation. Board Members may receive compensation for their services from the Authority for their service as a Board Member in a manner similar to directors of special districts under the Act. The Board shall adopt a resolution implementing this provision before any compensation is paid to any Board Member.

(h) Meetings.

(i) Regular meetings of the Board shall be held at such place, on such date, and at such time as the Board shall, by resolution or motion, establish from time to time, and in accordance with the requirements for special districts under the Act.

(ii) At least two (2) meetings of the Board shall be held annually.

(iii) Special meetings of the Board may be held at such place, on such day, and at such hour as the Board may determine.

(iv) Notices of all meetings shall be the same as meetings for special districts under the Act except for those matters requiring Expanded Notice as more fully set forth in this Establishment Agreement.

(v) Action of the Board shall be taken at a duly noticed regular or special meeting; provided, however, that after the closing on the first sale of a residential unit by a homebuilder to an end user, the following items shall require approval of the Board after providing Expanded Notice and discussion at a minimum of two (2) public meetings prior to approval (approval may be at the second meeting):

(1) adoption of the Final Budget; or

(2) Issuance of Bonds.

(i) Quorum. A Quorum is established by a majority of Board Members being present at a Board Meeting, which shall mean being either physically present at or Board Meeting or attending a Board Meeting via phone or by some other electronic device ("**Present**" or "**Present at a Meeting**"). If less than a majority of the Board Members then in office is Present at a Meeting, a majority of the Board Members Present shall constitute a quorum for the Meeting. If no Board Members are Present, the Secretary or other Officer may continue the Meeting to a different time and place, and in such case the Secretary shall notify all absent Board Members of the time and place of such continued Meeting.

(j) Voting Process.

(i) Each Present Board Member or Alternate Board Member shall have one (1) vote; provided however, if the same person is appointed by multiple Districts to serve as Board Member or Alternate Board Member, that person shall only have one (1) vote as a Board Member.

(ii) Each Present Board Member shall vote according to the policy established by the District the Board Member is representing.

(iii) Voting by proxy is prohibited.

(iv) In the event a vacancy is not filled as described in this Establishment Agreement, such vacancy shall cause the vote of such vacant Board seat to be waived on any matter coming before the Board and the related voting requirement, if any, shall be reduced until such time as the vacancy is filled.

(k) Conflict Disclosures. All Board Members shall disclose conflicts of interest as required of officers or board members of special districts in accordance with Colorado law, as the same may be amended from time to time.

(l) Oath. Each Board Member shall take an oath of office substantially as required of directors of special districts under the Act.

(m) Officers. The officers of the Authority shall be a President, Secretary, Treasurer, and Assistant Secretary (individually, an "**Officer**", and collectively, the "**Officers**"). In addition to the duties designated by the Board, the duties of the Officers shall include:

(i) The President shall preside at all meetings of the Board and, except as otherwise delegated by the Board or provided in this Establishment Agreement, shall execute all legal instruments of the Authority.

(ii) The Secretary shall maintain the official records of the Authority, including the minutes of meetings of the Board, and a register of the names and addresses of the Districts, Board Members, Alternate Board Members, and Officers and shall issue notice of meetings, attest and affix the corporate seal, as applicable, to all documents of the Authority and perform such other duties as the Board may prescribe from time to time. The Secretary may be an individual other than a Board Member.

(iii) The Treasurer shall serve as financial Officer of the Authority.

3.5 Powers. In general, the Authority shall have the power to exercise all powers that are now or may in the future be conferred by law upon a political subdivision and public corporation organized pursuant to Sections 29-1-203 and 29-1-203.5, C.R.S., or essential to the provision of its functions, services, and facilities, subject to such limitations as are or may be prescribed by law or in this Establishment Agreement. In accordance with Subsection 29-1-203.5(2)(a), C.R.S., the Authority is expressly authorized to exercise any general power of a special district specified in Part 10 of Article 1 of, Title 32, C.R.S., so long as each of the Districts may lawfully exercise the power; provided, however, that pursuant to Subsection 29-1-203.5(2)(b), C.R.S., the Authority may not levy a tax or exercise the power of eminent domain. The Authority is further authorized to exercise the powers established in Subsection 29-1-203.5(3), C.R.S. To the extent permitted by law and subject to the limitations set forth in this Establishment Agreement, powers and duties of the Board, which shall be exercised by approval of a majority of the present and voting Board Members, unless otherwise specified in this Establishment Agreement, include, without limitation, the following:

(a) To establish such bylaws, rules, regulations, procedures, and policies as may be reasonably necessary for the administration of the Authority and access to and use of the Public Improvements.

(b) To plan, design, acquire, construct, install, relocate, and/or redevelop, and finance the Public Improvements according to the procedures set forth in this Establishment Agreement.

(c) To own, operate, and manage the Public Improvements as set forth in this Establishment Agreement, and to cooperate with other governmental entities with respect to the Public Improvements.

(d) To collect from the Districts and administer revenues for all such purposes in this Establishment Agreement, subject to the terms of this Establishment Agreement and limitations of law.

(e) To determine the Actual Administrative Costs and Final Budget for the Public Improvements and the mill levy required to be imposed by each District.

(f) To determine the Actual Capital Costs and Final Budget for the Public Improvements and the anticipated revenues generated from the Districts pursuant to the pledge set forth below.

(g) To acquire, hold, lease (as lessor or lessee), sell, or otherwise dispose of (subject to the limitations set forth in this Establishment Agreement) any legal or equitable interest in real or personal property utilized for the authorized purposes of the Authority.

(h) To conduct the business and affairs of the Authority in the best interests of, and for the benefit of, the Districts and their inhabitants.

(i) To enter into, make, and perform contracts of every kind with the Districts, including the agreements attached to this Establishment Agreement, the United States, any state or political subdivision thereof, or any county, city, town, municipality, city and county, any special district formed pursuant to Title 32, C.R.S., or any predecessor thereof, authority, or person or individual, firm, association, partnership, corporation, or any other organization of any kind with the capacity to contract for any of the purposes contemplated under this Establishment Agreement.

(j) To set Fees, rates, tolls, and charges and penalties.

(k) To employ agents and employees, and engage accountants, attorneys, engineers, and other consultants and to appoint Officers of the Authority.

(l) To sue and be sued in the name of the Authority.

(m) To have and use a corporate seal.

(n) To adopt operating and capital budgets.

(o) To authorize the employment or engagement of such employees, agents, suppliers, consultants, and contractors, as deemed necessary in the discretion of the Board, subject to the limitations of any adopted budgets.

(p) To report to the Districts on the progress of plans for and development of the Public Improvements.

(q) To keep minutes of the Board's meetings.

(r) To ensure compliance with all Colorado statutes that apply to the Authority, including the provisions of Parts 1 (Local Government Budget Law of Colorado), 5 (Local Government Uniform Accounting Law), and 6 (Local Government Audit Law) of Article 1, Title 29, C.R.S.

ARTICLE IV : ADMINISTRATIVE SERVICES

4.1 Administrative Services. The Authority shall perform the following administrative services for, or in conjunction with, each District:

(a) Serving as the "official custodian" and repository for the Districts' records, files space, incidental office supplies and photocopying, meeting, and reception services.

(b) Coordination of all Board meetings, to include:

(i) Preparation and distribution of agenda and information packets;

(ii) Preparation and distribution of meeting minutes;

(iii) Attendance at Board meetings;

(iv) Preparation, filing, and posting of legal notices required in conjunction with the meeting; and

(v) Other details incidental to meeting preparation and follow-up.

(c) Ongoing maintenance of an accessible, secure, organized, and complete filing system for the Districts' official records.

(d) Monthly preparation of checks and coordination of postings.

(e) Periodic coordination for financial report preparation and review of financial reports.

(f) Insurance administration, including evaluating risks, comparing coverage, processing claims, completing applications, monitoring expiration dates, processing routine written and telephone correspondence, etc. Ensure that all contractors and subcontractors maintain the required coverage for the applicable District's benefit.

(g) Election administration, including preparation of election materials, publications, legal notices, pleadings, conducting training sessions for election judges and generally assisting in conducting elections.

(h) Budget preparation, including preparation of proposed budgets, preparation of required and necessary publications, legal notices, resolutions, certifications, notifications, and correspondence associated with the adoption of the annual budget and certification of the tax levies.

(i) Response to inquiries, questions, and requests for information from the applicable District's property. and residents and others.

(j) Drafting proposals, bidding, contract and construction administration, and supervision of contractors.

(k) Analysis of financial condition and alternative financial approaches and coordination of bond issue preparation.

(l) Oversee investment of each District's funds based on investment policies established by the Districts' Boards in accordance with State and federal law.

(m) Provide liaison and coordination with other governments.

(n) Coordinate activities and provide information as requested to external auditors engaged by the Districts' Boards.

(o) Coordinate legal, accounting, engineering, and other professional services to the Districts.

(p) Perform other services with respect to the operation and management of each District as requested by the applicable District's Board.

In addition to these services, when other services are, in the professional opinion of the Board, necessary, the Authority may, with the approval of a District, provide professional services to such District in lieu of retaining consultants or contractors to provide those services.

ARTICLE V : FINANCING OF PUBLIC IMPROVEMENTS

5.1 Electoral Approval. Each of the Districts has authorized, through the affirmative vote of their respective voting electors, the issuance of debt, fiscal year spending, Multiple-Fiscal Year Financial Obligations, revenue collections, and other constitutional matters requiring voter approval for purposes of this Establishment Agreement, as well as the Construction of the Public Improvements, in accordance with law and pursuant to due notice.

5.2 Bond Issuance, Debt, or Multiple-Fiscal Year Financial Obligation Incurrence. Each District shall use its best efforts to meet its funding obligations under this Establishment Agreement through the imposition of mill levies and the collection of any other legally available revenues of the Districts. With regard to the financing of the Actual Capital Costs of the Public Improvements as determined by the Board and required for the phasing and build-out of the Project, the Districts agree that the Authority may issue Bonds (or Debt otherwise) in order to do so; however, only if the Service Plan is amended in order to increase the Total Debt Issuance Limitation of $50,000,000. Notwithstanding the foregoing, the Authority may issue Bonds (or Debt otherwise) exclusively for the purpose of refinancing the Previously Issued Bonds. The Districts acknowledge that, from time to time, the Developer may advance funds to the Authority to assure the Authority has sufficient funds to meet the Actual Administrative Costs. The Authority shall be authorized to enter into service agreements and funding and reimbursement agreements with the Developer, on behalf of all the Districts, for repayment of such obligations in reliance on the Districts' pledge of revenues to the Authority as set forth in this Establishment Agreement. The Authority's issuance of Bonds and incurring of other financial obligations will be in accordance with the parameters set forth in the Service Plan and those parameters set forth in this Establishment Agreement and other agreements between the Districts and the Authority or one of the Districts and the Authority.

5.3 Financial Obligations. If the Service Plan is amended in order to increase the Total Debt Issuance Limitation, the Authority shall have the authority to issue Bonds, notes, or other financial obligations payable solely from revenue derived from one or more of the functions, services, systems, or facilities of the Authority, from money received under contracts entered into by the Authority, property taxes received from the Districts, or from other available money of the Authority. The terms, conditions, and details of any such Bonds, notes, or other financial obligations, including related procedures and refunding conditions, must be set forth in the resolution of the Board authorizing the Bonds, notes, or other financial obligations and must, to the extent practical, be substantially the same as those provided in Part 4 of Article 35, Title 31, C.R.S., relating to water and sewer revenue bonds; except that the purposes for which the same may be issued are not limited to the financing of water or sewage facilities. Bonds, notes, or other financial obligations issued under this Section 5.3 are not an indebtedness of the Authority or the cooperating or contracting parties within the meaning of any provision or limitation specified in the Colorado Constitution or statutes. Each Bond, note, or other financial obligation issued under this Section must recite in substance that it is payable solely from the revenues and other available funds of the Authority pledged for the payment thereof and that it is not a debt of the Authority or the cooperating or contracting parties within the meaning of any provision or limitation specified in the Colorado Constitution or statutes. Notwithstanding anything in this Section to the contrary, Bonds, notes, and other obligations may be issued to mature at such times not beyond forty (40) years from their respective issue dates, shall bear interest at such rates, and shall be sold at, above, or below the principal amount thereof, at a public or private sale, all as determined by the Board. Interest on any Bond, note, or other financial obligation issued under this Section is exempt from taxation except as otherwise may be provided by law. The resolution, trust indenture, or other security agreement under which Bonds, notes, or other financial obligations are issued is a contract with the holders thereof and may contain such provisions as the Board determines to be appropriate and necessary in connection with the issuance thereof and to provide security for the payment thereof, including, without limitation, any mortgage or other security interest in revenue, money, rights, or property of the Authority. The provisions of this Section shall apply to any Bonds issued by the Authority.

(a) The proceeds of any Bonds, the interest on which is intended to be excludable from gross income of the bondholders thereof for federal income tax purposes, shall be used solely to finance items that will not adversely affect the exclusion of such interest from such gross income.

(b) The Districts acknowledge that the Authority may enter into pledge agreements with one or more Districts, pursuant to which such District(s) will be obligated to impose *ad valorem* property taxes for the payment of obligations issued by the Authority to fund Actual Capital Costs of Public Improvements. Notwithstanding any other provision contained in this Establishment Agreement, for so long as there remains in effect between the Authority and any District such a pledge agreement, the provisions of such pledge agreement shall supersede every financial obligation of such District under this Establishment Agreement with respect to the funding of Actual Costs of Public Improvements and the repayment of Developer advances to fund the cost of Administrative Services, any provisions of this Establishment Agreement purporting to require such District to impose *ad valorem* property taxes, or otherwise pay moneys to the Authority to fund Actual Capital Costs of Public Improvements shall be of no force and effect during the terms of such pledge agreement, and the application of any moneys to be imposed, collected, or received by the District under such pledge agreement for the purpose of funding Actual Capital Costs of Public Improvements shall be governed solely by the terms of such pledge agreement.

(c) The Districts acknowledge that the Authority may enter into pledge agreements with one or more Districts, pursuant to which such District(s) will be obligated to impose *ad valorem* property taxes for the payment of the cost of Administrative Services and to fund obligations issued by the Authority to reimburse Developer advances to fund the cost of Administrative Services. Notwithstanding any other provision contained in this Establishment Agreement, for so long as there remains in effect between the Authority and any District such a pledge agreement, the provisions of such pledge agreement shall supersede every financial obligation of such District under this Establishment Agreement with respect to the funding of

Administrative Services and the repayment of Developer Advances to fund the cost of Administrative Services any provisions of this Establishment Agreement purporting to require such District to impose *ad valorem* property taxes, collect Fees, or otherwise pay moneys to the Authority to fund Administrative Services shall be of no force and effect during the terms of such pledge agreement, and the application of any moneys to be imposed, collected, or received by the District under such pledge agreement for the purpose of funding the cost of Administrative Service shall be governed solely by the terms of such pledge agreement.

(d) Notwithstanding any provision of this Establishment Agreement, the pledges contemplated hereunder shall expressly be subordinate to the Previously Issued Obligations. The terms and conditions of the Previously Issued Obligations shall be superior and take precedence over any provision herein and shall otherwise control with respect to any unconditional and irrepealable pledge of revenues respecting District Nos. 1 and 2.

5.4 Funding Account.

(a) Prior to or upon the execution of this Establishment Agreement, the Board will establish the Funding Account.

(b) All revenue received by the Districts (exclusive of any revenue received from any debt service mill levy imposed to pay the Previously Issued Obligations) will be transferred monthly to the Authority for deposit in the Funding Account and application in accordance with the Final Budget for the Budget Year. Notwithstanding the foregoing, if any Bond document with respect to any outstanding obligations of any District requires revenue to be deposited directly with a bond trustee or other Third-Party, including, without limitation, those Bond documents associated with the Previously Issued Obligations, the applicable District(s) shall be entitled to make such payments directly, and the failure to deposit such funds into the Funding Account shall not be considered a default under this Establishment Agreement. Upon request, the District(s) making such deposits shall provide the remaining Districts with appropriate supporting documentation evidencing that such deposits are being made in a timely manner.

(c) The Authority shall, pursuant to the Districts' respective Final Budgets, deposit the required portion of revenues from Bond proceeds and any other revenues received from other legally available sources, including Developer Capital Advances, into the Funding Account.

(d) Each District acknowledges that the Authority may borrow funds for deposit into the Funding Account in reliance on each District's covenants to comply with the requirements of this Establishment Agreement.

5.5 Disbursement of Funds. The Board shall have the sole authority to withdraw monies from the Funding Account for use in the payment of Actual Capital Costs and Actual Administrative Costs as specified by the Final Budget for the Authority. Such funds, together with any interest thereon, shall be used only to pay Actual Capital Costs and Actual Administrative Costs incurred by the Authority. The Authority shall provide each District with an annual audit reflecting funds withdrawn and payments made from the Funding Account.

5.6 Interest on Bonds. With respect to the Bonds, the Districts covenant they will not take any action or omit to take any action, if such action or omission would cause the interest on such Bonds to lose such any of the following applicable exclusion(s):

(a) exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code;

(b) exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except to the extent such interest is required to be included in the adjusted current earnings adjustments applicable to corporations under Section 56 of the Tax Code in calculating corporate alternative minimum taxable income; or

(c) exclusion from State taxable income or State alternative minimum taxable income under present State law.

Without limiting the generality of the foregoing, the Authority shall maintain such records regarding the investment of the proceeds of any Bonds that are issued by the Authority to fulfill any rebate obligations pursuant to Section 148 of the Tax Code. The foregoing covenant shall remain in full force and effect, notwithstanding the payment in full or defeasance of the Bonds, until the date on which all obligations of the Authority in fulfilling the above covenant under the Tax Code and State law have been met.

5.7 Pledge of Payment. The Districts acknowledge that the Board will determine the Actual Capital Costs and the Actual Administrative Costs and will determine the mill levy that, if imposed by the Districts and together with project Fee revenue, would be sufficient to pay such Actual Capital Costs and Actual Administrative Costs. The Districts further agree to impose such mill levies as are determined by the Board to be sufficient, together with projected Fee revenue, to pay Actual Capital Costs and Actual Administrative Costs, subject to the limitations set forth herein, including, without limitation, those contemplated by Section 5.3(d) and Section 5.4(b). The financial obligations of the Districts to remit District revenues to the Authority to fund the Actual Capital Costs and the Actual Administrative Costs under this Establishment Agreement shall be Multiple-Fiscal Year Financial Obligations of each District payable from *ad valorem* property taxes generated as a result of the certification by each District of a debt service and an operations mill levy, and any Fees, rates, tolls, or other charges of the Districts. The full faith and credit of each District as limited by this Establishment Agreement, is hereby pledged to the punctual payment of the amounts to be paid under this Establishment Agreement. Such amounts shall, to the extent necessary, be paid out of the general revenues of each District or out of any funds available for that purpose.

For the purpose of raising such general revenues, and for the purpose of providing the necessary funds to make payments under this Establishment Agreement as the same become due, subject to the limitations set forth herein, including, without limitation, those contemplated by Section 5.3(d) and Section 5.4(b), the Board of each District shall annually determine, fix, and certify a rate of levy for *ad valorem* property taxes to the County, which when levied on all of the taxable property of such District, shall raise direct *ad valorem* property tax revenues which, when added to other funds of the District legally available therefore, will be sufficient to promptly and fully pay the amounts to be paid under this Establishment Agreement, as well as all other Multiple-Fiscal Year Financial Obligations or general obligation indebtedness of such District, as the same become due. Except as limited by this Establishment Agreement, including, without limitation, by Section 5.3(d) and Section 5.4(b), each District covenants to levy such mills from time to time that are lawful and necessary, together with other moneys of such District, to pay the amounts to be paid under this Establishment Agreement, along with all other general obligation indebtedness or Multiple-Fiscal Year Financial Obligations of such District.

Notwithstanding anything to the contrary set forth in this Establishment Agreement, no District shall be obligated to impose a mill levy in excess of what is allowable under the Service Plan.

5.8 Effectuation of Pledge; Appropriation; Regulatory Amendment. Except as limited by this Establishment Agreement, including, without limitation, by Section 5.3(d) and Section 5.4(b), the amounts to be paid under this Establishment Agreement are hereby appropriated for that purpose, and such amounts shall be included in the annual budgets and the appropriation resolutions or measures to be adopted or passed by each District Board in each year this Establishment Agreement remains in effect. Subject to Section 5.3(d) and Section 5.4(b), the Board shall direct the mill levy to be imposed each year by the Districts. No provisions of any constitution, statute, resolution, or other measure enacted after the execution of this Establishment Agreement shall in any manner be construed as limiting or impairing the obligations of a District to levy, administer, enforce, and collect the *ad valorem* property taxes and other revenues required for the payment of its obligations under this Establishment Agreement.

It shall be the duty of the District Board annually, at the time and in the manner provided by law for the levying of such District's taxes, to ratify and carry out the provisions of this Establishment Agreement regarding the levy and collection of the *ad valorem* property taxes specified under this Establishment Agreement, and to require the officers of the District to cause the appropriate officials of the County, to levy, extend, and collect such taxes in the manner provided by law.

The Districts each acknowledge this Establishment Agreement was voted upon by its respective electorates prior to submission, if any, of this Establishment Agreement to the State Securities Commission (or other regulatory body with jurisdiction) for the State, and/or to other regulatory authorities to obtain required authorizations for the Establishment Agreement to be executed. The Districts anticipated at the time of preparation of the Establishment Agreement that changes or modifications to the Establishment Agreement might be necessary to comply with regulatory requirements. The Establishment Agreement may be modified, and will be deemed to be modified, as necessary to obtain the initial or continuing authorization of any applicable regulatory authorities.

5.9 Authority Reliance; Funding Obligations Pending Dispute Resolution. Each District agrees that its funding obligations under the Establishment Agreement are absolute, irrevocable, unconditional, and irrepealable within the meaning of Article XI, Section 6 of the Colorado Constitution. Each District agrees that its authority to modify this Establishment Agreement is limited so as to prohibit a repeal of the obligations set forth in this Establishment Agreement. The Districts each agree, notwithstanding any fact, circumstance, dispute, or any other matter, that they will not take or fail to take any action that would delay a payment to the Authority or impair the Authority's ability to receive payments due under this Establishment Agreement unless expressly permitted by this Establishment Agreement. Each District acknowledges that the Authority may issue revenue Bonds and the Authority may obtain financial commitments and security for its Bonds from Third-Parties, all of whom shall be relying on performance of the payment obligations of the Districts under this Establishment Agreement. The purpose of this Section 5.9 is to ensure that the Authority receives all payments due under this Establishment Agreement in a timely manner so that the Authority may pay Actual Capital Costs and Actual Administrative Costs. Notwithstanding that the bondholders are not in any manner Third-Party beneficiaries of this Establishment Agreement, and do not have any rights in or rights to enforce or consent to amendment of this Establishment Agreement, each District agrees that during the pendency of any litigation that may arise under this Establishment Agreement, all payments shall be made by such District for the purpose of enabling the Authority to make payments on Bonds it may issue. If a District believes it has valid defenses, setoffs, counterclaims, or other claims, it shall make all payments to the Authority as described in this Establishment Agreement and attempt to seek to recover such payments by actions at law or in equity for damages or specific performance.

5.10 Parameters for Bond Issuance. Unless otherwise previously approved in writing by the County, all Bonds issued by the Authority shall be subject to the applicable provisions of the Service Plan.

ARTICLE VI : CONSTRUCTION OF PUBLIC IMPROVEMENTS

6.1 Construction and Acquisition of Public Improvements. The Authority shall have the non-exclusive right and power to construct and acquire Public Improvements pursuant to a process and procedure set forth in the Bylaws, if any, and as provided in this Establishment Agreement.

6.2 Diligence. If required by the Act, or any agreement between the Authority or the Districts and another governmental entity, a contract for construction of approved Public Improvements as applicable, shall be publicly bid and approved at a public meeting.

6.3 Public Improvements Process. Prior to the approval of a construction contract for approved Public Improvements:

(a) The Board may determine the operations and maintenance and repair and replacement costs associated with such Public Improvements for purposes of the impact on the operations and maintenance budget in the current and future years. The Board shall schedule, phase, and configure the Public Improvements to adequately and economically provide for the needs of the Districts' residents and property owners, and as development demands require.

(b) The Authority shall obtain all necessary governmental approvals, and exercise reasonable efforts to comply and cause its designated contractors to comply with State and other applicable rules, laws, regulations, and orders.

(c) Any Construction of Public Improvements by the Authority shall be commenced on a timely basis, subject to receipt of all necessary governmental approvals and the terms of this Establishment Agreement.

(d) The Authority shall make available during normal business hours to the Districts copies of any and all Construction contracts and related documents concerning the Public Improvements that it may provide, and shall deliver copies of such documents to the requesting District following receipt of a written request. The Authority shall diligently and continuously prosecute to completion the Construction or acquisition otherwise of any Public Improvements that it may provide.

(e) The Board shall have the authority to establish a construction committee that may approve contracts and change orders related to the design, planning and construction of the Public Improvements provided by the Authority within parameters established by the Board at a public meeting.

(f) In case of emergencies, the Board may approve contracts that shall be ratified at the next Board meeting, so long as it facilitates Construction of the Public Improvements within the Final Budget.

6.4 County Requirements. The facility and service standards of the Authority shall be compatible with those of the County and such other governmental entities as may be applicable.

ARTICLE VII : PUBLIC IMPROVEMENT OWNERSHIP; OPERATIONS AND MAINTENANCE SERVICES

7.1 Ownership and Maintenance of Public Improvements.

(a) The Authority does not acquire any interest in any Public Improvements by or through the Districts' execution of this Establishment Agreement. If the Authority shall acquire any interest in any Public Improvements, the acquisition of any such ownership interest shall be facilitated pursuant to documentation separate and distinct from this Establishment Agreement.

(b) By execution of this Establishment Agreement and establishment of the Authority otherwise, the Districts do not obligate or make the Authority responsible for operating or maintaining any Public Improvements. Nevertheless, the Authority may operate and maintain Public Improvements, or contract for the provision of operations and maintenance services relating to the Public Improvements.

7.2 Provision of Administrative Services. Within the constraints of the Final Budget and appropriations for such purposes, the Board shall supervise and cause to be performed all Administrative Services, regardless of location, including, but not limited to, the following:

(a) Draft proposals, bidding (if required by laws applying to special districts), contracts, and provide contract administration and supervision of service providers;

(b) Supervise and ensure contract compliance by all service contractors, including the establishment and maintenance of preventive maintenance programs;

(c) Procure all inventory, parts, tools, equipment and other supplies necessary to perform the services required;

(d) Retain service providers and professional services to perform duties which may include, but are not limited to, the following:

(i) Operations and maintenance of the Districts, including mosquito, weed and animal control;

(ii) Cooperation with State, County and Federal authorities in providing such tests as are necessary to maintain compliance with appropriate governmental standards;

(iii) Permitting and supervision of the connection of lines to private developments;

(iv) Coordinate Construction with various utility companies to ensure minimum interference with Authority maintenance responsibilities and assets owned by the Authority;

(v) Perform routine maintenance and repairs necessary to continue the efficient operation of assets;

(vi) Provide for the services of subcontractors necessary to maintain and continue the efficient operation of assets; and

(vii) Provide for emergency preparedness, consisting of a centralized telephone number maintained to provide adequate response to emergencies.

7.3 Manager. The Authority may hire or engage a Manager to assist in the implementation of the Administrative Services.

(a) The Actual Administrative Costs shall be determined during the budget process.

(b) The Authority shall make available copies of all service contracts to the Districts.

(c) Any agreement governing a Manager's agency with respect to Bond financed Public Improvements shall comply with all applicable federal income tax requirements if interest on the Bonds is intended to be excluded from gross income of the bondholders for federal income tax purposes.

ARTICLE VIII : BUDGET PROCESS

8.1 Adoption. The Authority shall establish in the Bylaws an annual budget process. At a minimum, the Authority budget process shall require the Authority to furnish to each District the following:

(a) An accounting of any estimated carryover balances from prior years; and

(b) A proposed schedule for deposits based on the expected timing for receipt of funds generated from (i) the Districts' *ad valorem* property taxes and specific ownership taxes; (ii) Developer Capital Advance(s) and Developer Operating Advances to the Authority or Districts; and/or (iii) other rates, Fees, tolls, and other charges that may be imposed by the Authority or any of the Districts from time to time in accordance with State law.

(c) The Authority shall observe the Previously Issued Obligations during the Authority budget process.

8.2 Annual Appropriation. On or before December 10th of each year throughout the term of this Establishment Agreement, each of the Districts and the Authority agree to budget and appropriate funds for ensuing year in the amount sufficient to pay for the costs and expenses necessary to undertake the services.

8.3 Final Budget. The Final Budget may be amended from time to time in accordance with State law, to reflect changes in actual revenues and/or expenses, utilizing the same process and requirements set forth in this Section 8.3, except that the Board may establish alternative reasonable time periods for preparation, review, and approval of proposed budget amendments. Any Final Budget processed and approved in accordance with this Section shall be known as an "**Amended Final Budget**."

In the event that funding provided by any District to the Authority exceeds the amount owed by that District according to the Amended Final Budget, the balance may be carried over and credited against the anticipated funding obligation of such District for the following year as identified by the Preliminary Budget Documents.

ARTICLE IX : SPECIAL PROVISIONS

9.1 Rights of the Authority. Subject to the limitations of this Establishment Agreement, the Districts grant the Authority the right to construct, own, use, connect, disconnect, modify, renew, extend, enlarge, replace, convey, abandon or otherwise dispose of any and all real property, Public Improvements or appurtenances thereto, and any and all other interests in real or personal property or otherwise, within the control of the Districts to enable the Authority to provide the Public Improvements and Administrative Services. The Districts grant to the Authority the right to occupy any place, public or private, which the Districts might occupy for the purpose of fulfilling the obligations of the Authority as set forth in this Establishment Agreement. To implement the foregoing, the Districts agree to exercise such authority, to do such acts, and to grant such easements as may be reasonably requested by the Authority; provided that, any legal, engineering, technical or other services required, or costs incurred, for the performance of this obligation shall be performed by a person in the employment of or under contract with, and paid by, the Authority.

(a) Notwithstanding the foregoing, the grant of rights pursuant to this Section 9.1 shall not limit or otherwise inhibit any of the Districts' ability to exercise the same rights granted as such exercise of rights may relate to any particular District and any real property, Public Improvements or appurtenances thereto that such District may own.

9.2 Right to Provide Public Improvements and Services. The Districts agree that they shall not without the prior written consent of the Authority:

(a) Provide Public Improvements of any kind to their residents and property owners, except for financing or construction and dedication of the Public Improvements as set forth in this Establishment Agreement; and

(b) Provide Administrative Services except as set forth in this Establishment Agreement.

9.3 District Consolidation. The Districts may initiate consolidation proceedings in accordance with the Act and Service Plan at such time as the Project is at build-out. The Districts shall not file a request with any court to consolidate among themselves nor with any other Title 32 districts without the prior written consent of the County. No consolidation proceedings shall be initiated if less than all of the District Boards of the Districts wishing to consolidate adopt a joint resolution agreeing to such consolidation.

9.4 Authority Dissolution. In accordance with Section 29-1-203.5(4), C.R.S., upon dissolution of the Authority, all the Authority's property shall be transferred to, or at the direction of, one or more of the Districts.

ARTICLE X : REPRESENTATIONS AND WARRANTIES

10.1 General Representations. In addition to the other representations, warranties and covenants made by the Districts in this Establishment Agreement, the Districts make the following representations, warranties, and covenants to each other:

(a) Each District has the full right, power, and authority to enter into, perform and observe this Establishment Agreement.

(b) Neither the execution of this Establishment Agreement, the consummation of the transactions contemplated hereunder, nor the compliance with the terms and conditions of this Establishment Agreement by the Districts will conflict with or result in a breach of any terms, conditions, or provisions of, or constitute a default under any agreement, instrument, indenture, judgment, order, or decree to which a District is a party or by which a District is bound.

(c) This Establishment Agreement is a valid and binding obligation of each of the Districts and is enforceable in accordance with its terms.

(d) The Districts shall keep and perform all the covenants and agreements contained in this Establishment Agreement and shall take no action which could render this Establishment Agreement unenforceable in any manner.

ARTICLE XI : DEFAULTS, REMEDIES, AND ENFORCEMENT

11.1 Events of Default. The occurrence of any one or more of the following events, and/or the existence of any one or more of the following conditions shall be considered an Event of Default under this Establishment Agreement:

(a) The failure of any District to make any payment when the same shall become due and payable as provided in this Establishment Agreement and cure such failure within ten (10) business days of receipt of notice from one of the other Districts or the Authority of such failure; and

(b) The failure to perform or observe any other covenants, agreements, or conditions in this Establishment Agreement on the part of any District and to cure such failure within thirty (30) days of receipt of notice from one of the other Districts or the Authority of such failure unless such default cannot be cured within such thirty (30) day period, in which case the defaulting party shall have an extended period of time to complete the cure, provided that action to cure such default is commenced within said thirty (30) day period and the defaulting party is diligently pursuing the cure to completion.

11.2 Remedies on Occurrence of Events of Default. Upon the occurrence of an Event of Default, the Districts and the Authority shall, individually and collectively, have the following rights and remedies:

(a) The non-defaulting District(s) or the Authority may ask a court of competent jurisdiction to enter a writ of mandamus to compel the board of directors of the defaulting District to perform its duties under this Establishment Agreement, and/or to issue temporary and/or permanent restraining orders, or orders of specific performance, to compel the defaulting District to perform in accordance with this Establishment Agreement.

(b) The non-defaulting District(s) or the Authority, or both, may protect and enforce its rights under this Establishment Agreement by such suits, actions, or special proceedings as it shall deem appropriate, including, without limitation, any proceedings for the specific performance of any covenant or agreement contained in this Establishment Agreement, for the enforcement of any other appropriate legal or equitable remedy, or for the recovery of damages, including attorneys' fees and all other costs and expenses incurred in enforcing this Establishment Agreement.

(c) The non-defaulting District(s) shall have the right to impose a mill levy, budget and expend funds as necessary to enforce the terms of this Establishment Agreement.

(d) To foreclose any and all liens in the manner specified by law.

Notwithstanding anything to the contrary contained in this Establishment Agreement, prior to the time the Authority requires a District to impose a mill levy for their obligations under this

Establishment Agreement, any District may file for inactive status and filing for such inactive status shall not constitute an Event of Default.

11.3 General.

(a) Delay or Omission No Waiver. No delay or omission of any District to exercise any right or power accruing upon any Event of Default shall exhaust or impair any such right or power or be construed as a waiver of any such Event of Default.

(b) No Waiver of One Default to Affect Another: All Remedies Cumulative. No waiver of any Event of Default by any District shall extend to or affect any subsequent or other Event of Default. All rights and remedies of the Districts and Authority provided in this Establishment Agreement may be exercised with or without notice, shall be cumulative, may be exercised separately, concurrently, or repeatedly, and the exercise of any such right or remedy shall not affect or impair the exercise of any other right or remedy.

ARTICLE XII : INSURANCE

12.1 Authority Insurance. During the term of this Establishment Agreement, the Authority shall maintain appropriate insurance limits and coverages related to the provision of the services described in this Establishment Agreement and in other agreements of the Authority.

12.2 District Insurance. The Districts shall, to the extent each is active and the same are reasonably and commercially available and funds are available therefore, maintain the following insurance coverages with companies and in amounts acceptable to each District's respective board of directors:

(a) General liability coverage protecting the Districts and their officers, directors, and employees against any loss, liability, or expense whatsoever from personal injury, death, property damage, or otherwise, arising from or in any way connected with management, administration, or operations.

(b) Directors' and officers' liability coverage (errors and omissions) protecting the Districts and their directors and officers against any loss, liability, or expense whatsoever arising from the actions and/or inactions of the Districts and their directors and officers in the performance of their duties.

12.3 Workers' Compensation. To the extent they retain employees, the Districts and the Authority shall make provisions for workers' compensation insurance, social security employment insurance, and unemployment compensation for their employees, if any, as required by any law of the State or the federal government.

12.4 Certificates. Upon written request, each District and the Authority shall furnish the other certificates of insurance showing compliance with the foregoing requirements. Said certificates shall state that the policy or policies evidenced thereby will not be canceled or altered without at least thirty (30) days prior written notice to each District and the Authority.

ARTICLE XIII : MISCELLANEOUS

13.1 Relationship of Parties. This Establishment Agreement does not and shall not be construed as creating a relationship of joint venturers, partners, or employer-employee between the Districts.

13.2 Third-Party Beneficiaries. The Districts agree that until all Developer Advances have been repaid, the Developer is a Third-Party beneficiary to this Establishment Agreement, and the Developer agrees to and acknowledges such as evidenced by signature below. Other than the Developer, it is intended that there be no Third-Party beneficiaries of this Establishment Agreement, including, without limitation, the owners of any Bonds, notes, contracts, or other obligations incurred or executed by either the Districts or the Authority. Nothing contained in this Establishment Agreement, expressed or implied, is intended to give any person other than the Districts, the Developer, and the Authority any claim, remedy, or right under or pursuant to this Establishment Agreement, and any agreement, condition, covenant, or term contained in this Establishment Agreement required to be observed or performed by or on behalf of any party to this Establishment Agreement shall be for the sole and exclusive benefit of the other parties.

13.3 Assignment; Delegation. Except as set forth in this Establishment Agreement or as contemplated in the Service Plan, neither this Establishment Agreement, nor any of the Districts' rights, obligations, duties, or authority under this Establishment Agreement may be assigned or delegated in whole or in part by any District without the prior written consent of the other Districts, which consent shall not be unreasonably withheld. Any attempted assignment or delegation in violation of the foregoing shall be deemed void. Consent to one assignment or delegation shall not be deemed to be consent to any subsequent assignment or delegation, nor the waiver of any right to consent to such subsequent assignment or delegation.

13.4 Modification or Amendment This Establishment Agreement may be modified or amended only by the written agreement of the Districts.

13.5 Governing Law. This Establishment Agreement shall be construed and interpreted in accordance with the laws of the State. The venue for all actions shall be exclusive in Jefferson County, Colorado.

13.6 Headings for Convenience Only. The headings, captions, and titles contained in this Establishment Agreement are intended for convenience of reference only.

13.7 Enforceability. If any provision of this Establishment Agreement is declared void or unenforceable by a court of competent jurisdiction, the District involved in such violation or the Authority, if appropriate, shall, to the extent possible, perform such tasks as may be necessary to cure such violation, including, but not limited to, obtaining any necessary voter approvals.

13.8 Time is of the Essence. Time is of the essence in this Establishment Agreement.

13.9 Notices. Unless otherwise provided below, all notices, demands, requests or other communications to be sent by one party to the other under this Establishment Agreement or required by law shall be in writing and shall be deemed to have been validly given or served by delivery of same in person to the addressee or by courier delivery via Federal Express or other nationally recognized overnight air courier service, by electronically-confirmed facsimile transmission, or by depositing same in the United States Mail, postage prepaid, addressed as follows:

District Nos. 1, 2, and 4-6:
RRC Metropolitan District Nos. 1, 2, and 4-6
c/o McGeady Becher P.C.
450 East 17th Avenue, Suite 400
Denver, CO 80203-1254
Attention: Paula Williams
Phone: 303-592-4380
Email: legalnotices@specialdistrictlaw.com

To the Authority:
RRC Authority
c/o McGeady Becher P.C.
450 East 17th Avenue, Suite 400
Denver, CO 80203-1254
Attention: Paula Williams
Phone: 303-592-4380
Email: legalnotices@specialdistrictlaw.com

All notices, demands, requests or other communications shall be effective upon such personal delivery or one (1) business day after being deposited with Federal Express or other nationally recognized overnight air courier service, upon electronic confirmation of facsimile transmission, or three (3) business days after deposit in the United States mail. By giving the other party to this Establishment Agreement at least ten (10) days' written notice thereof in accordance with the provisions of this Establishment Agreement, each of the parties shall have the right from time to time to change its address.

13.10 District Records. The Authority shall maintain the public records for all of the Districts.

13.11 Further Assurances. The Districts each covenant that they will do, execute, acknowledge, and deliver or cause to be done, executed, acknowledged, and delivered, such acts, instruments, and documents as may be reasonably required for the performance of their obligations under this Establishment Agreement.

13.12 Severability of Provisions. Any provision of this Establishment Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions of this Establishment Agreement or affecting the validity, enforceability or legality of such provisions in any other jurisdiction. Furthermore, in lieu of such illegal, invalid or unenforceable provision there shall be added automatically as a part of this Establishment Agreement, a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid, and enforceable.

13.13 Cooperation Between the Districts. Subject to the terms of the Service Plan, the Districts will cooperate with one another, and any other District organized within the Project, to finance the Actual Administrative Costs and Actual Capital Costs. The Districts acknowledge that the boundaries of the Districts may change in the future and that each District shall support the exclusion/inclusion of the subject property from and into the respective District.

13.14 Entire Agreement. This Establishment Agreement and all attached addenda and exhibits forth the entire understanding and agreement of the Districts and supersede and replace all prior agreements, memoranda, arrangements and understandings relating to the subject matter of this Establishment Agreement.

13.15 Non-liability of Directors, Members, and Employees. No Board Member or director of the Districts' individual boards of directors, official, employee, agent or attorney or consultant of the Districts or the Establishment Agreement shall be personally liable in the event of default or breach of this Establishment Agreement or for any amount that may become due under the terms of this Establishment Agreement.

IN WITNESS WHEREOF, the Districts have executed this Authority Establishment Agreement as of the date first above written.

The remainder of this page is left intentionally blank.
Signature blocks appear on the following pages.

SIGNATURE PAGE 1 OF 2 TO
AUTHORITY ESTABLISHMENT AGREEMENT

RRC METROPOLITAN DISTRICT NO. 1

By: DocuSigned by: Kent Pedersen E204B2E6C3C84D1...
President

Attest:

DocuSigned by: Debra Hessler 987811F3070C4EA...
Secretary

RRC METROPOLITAN DISTRICT NO. 2

By: DocuSigned by: Kent Pedersen E204B2E6C3C84D1...
President

Attest:

DocuSigned by: Debra Hessler 987811F3070C4EA...
Secretary

RRC METROPOLITAN DISTRICT NO. 4

By: DocuSigned by: Kent Pedersen E204B2E6C3C84D1...
President

Attest:

DocuSigned by: Debra Hessler 987811F3070C4EA...
Secretary

SIGNATURE PAGE 2 OF 2 TO
AUTHORITY ESTABLISHMENT AGREEMENT

RRC METROPOLITAN DISTRICT NO. 5

DocuSigned by:

By: Kent Pedersen

E204B2E6C3C84D1...

President

Attest:

DocuSigned by:

Debra Hessler

987811F3070C4EA...

Secretary

RRC METROPOLITAN DISTRICT NO. 6

DocuSigned by:

By: Kent Pedersen

E204B2E6C3C84D1...

President

Attest:

DocuSigned by:

Debra Hessler

987811F3070C4EA...

Secretary

AUTHORITY ESTABLISHMENT AGREEMENT
THIRD-PARTY BENEFICIARY ACKNOWLEDGMENT AND ACCEPTANCE

By execution below, Lennar Colorado, LLC, a Colorado limited liability company, hereby acknowledges and accepts that it is a Third-Party beneficiary of this Authority Establishment Agreement.

LENNAR COLORADO, LLC

DocuSigned by:

By: ______________________
A69647CEBDF04AE...

Name: Jason Nazarenus

Title: Vice President