

AMENDED AND RESTATED SERVICE PLAN

FOR

HIGHLANDS METROPOLITAN DISTRICT NO. 2

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TABLE OF CONTENTS

| | | |
|------|--|----|
| I. | INTRODUCTION | 1 |
| A. | General Overview | 1 |
| 1. | District Structure | 1 |
| 2. | Configuration of District | 2 |
| 3. | Existing Services and Districts | 3 |
| B. | General Financial Information and Assumptions | 3 |
| C. | Contents of Service Plan | 4 |
| D. | Modification of Service Plan | 4 |
| II. | NEED FOR A NEW DISTRICT AND GENERAL POWERS..... | 4 |
| A. | Need for a Metropolitan District..... | 4 |
| B. | General Powers of District..... | 4 |
| 1. | Water..... | 5 |
| 2. | Streets..... | 6 |
| 3. | Traffic and Safety Controls..... | 6 |
| 4. | Television Relay and Translator | 6 |
| 5. | Transportation | 6 |
| 6. | Parks and Recreation..... | 7 |
| 7. | Sanitation | 7 |
| 8. | Mosquito Control..... | 7 |
| 9. | Legal Powers..... | 7 |
| 10. | Others | 7 |
| III. | DESCRIPTION OF TYPES OF FACILITIES AND IMPROVEMENTS AND PROPOSED SERVICES | 7 |
| A. | General..... | 7 |
| B. | General Design Standards..... | 7 |
| 1. | Water..... | 9 |
| 2. | Wastewater System..... | 9 |
| 3. | Storm Drainage. | 8 |
| 4. | Street System and Traffic Safety. | 8 |
| 5. | Park and Recreation. | 9 |
| C. | Estimated Cost of Facilities | 9 |
| IV. | PROPOSED AND EXISTING AGREEMENTS | 9 |
| A. | Intergovernmental Agreement with the Broomfield..... | 9 |
| B. | Other Agreements/Authority | 10 |
| V. | OPERATION AND MAINTENANCE COSTS | 10 |

| | | |
|-------|--|----|
| VI. | FINANCIAL PLAN/PROPOSED INDEBTEDNESS | 10 |
| VII. | OTHER REQUIREMENTS | 13 |
| VIII. | DISSOLUTION | 14 |
| IX. | CONCLUSIONS..... | 14 |

LIST OF EXHIBITS

| | |
|--------------------|---|
| EXHIBIT A-1 | District Boundaries – Legal Description |
| EXHIBIT A-2 | District Boundaries – Map |
| EXHIBIT B | Estimated Cost and Description of Public Improvements |
| EXHIBIT C | Financial Plan |

I. INTRODUCTION

A. General Overview

This Amended and Restated Service Plan (“Service Plan”) for the Highlands Metropolitan District No. 2 (the “District”) constitutes a Service Plan for a special district organized to serve a portion of the “Highlands” project (the “Project”), in the City and County of Broomfield (“Broomfield” or the “City and County”). Vista Highlands, LLC, a Colorado limited liability company (“Owner”), is the current owner of the property within the District. The District is generally located at the northwest intersection of Weld County Road 7 and 169th Avenue in Broomfield, Colorado.

In 2007, the District and Highlands Metropolitan District No. 1 were each organized for the purpose of serving the needs of the project to be known as Highlands. Highlands Metropolitan District No. 1 (“District No. 1”) was organized in order to provide service for commercial development within Highlands, and the District was organized in order to provide service for the residential development within Highlands. At organization, it was anticipated that District No. 1 would be responsible for managing the construction and operation of commercial and residential facilities and improvements needed for Highlands. District No. 1 was also designated as the sole issuer of bonds on behalf of District No. 2. Since the organization of the District and District No. 1 the Owner of the property sold all of the property contained within the District No. 1 to a new owner. In order to develop the property within the District on its own schedule and according to its developments plans, the District is no longer anticipated to be managed by District No. 1. Accordingly, the District shall have responsibility for the construction and operation of facilities within its boundaries and responsibility for implementing its own Financial Plan as defined below.

Considerable public infrastructure will be constructed to provide the required water, wastewater, streets and other improvements needed for the District. Nothing contained in this Service Plan obligates the City and County to approve development plans. This Service Plan addresses the improvements that are expected to be provided by the District. All “**Exhibits**” referred to herein are attached to the end of this Service Plan and are hereby incorporated.

1. District Structure. This Service Plan is submitted in accordance with Part 2 of the Special District Act (Section 32-1-201, *et seq.*, C.R.S.) It defines the powers and authorities of, as well as the limitations and restrictions on the District. The District will be responsible for managing the construction and operation of facilities and improvements needed for the District in addition to providing the funding and tax base needed to support the Financial Plan for capital improvements and for operations. The “Financial Plan” described in Section VI below and discussed throughout this Service Plan refers to a financial plan for the District which generally depicts the manner of the anticipated financing for public improvements within the District Boundaries however the amount, interest rate and terms of any financing will be determined at the time of issuance.

2. Configuration of District. The property within the legal boundaries of the District is approximately seventy nine (79) acres and it is anticipated to be developed for

residential uses. A legal description of the property within the boundaries of the District is attached to this Service Plan as **Exhibit A-1** and a map of the District is attached to this Service Plan as **Exhibit A-2** (the “District Boundaries”).

The “service area” for the District will consist of the property within the District Boundaries. The District will have power to impose taxes only within its legal boundaries, but will be permitted to provide public services and facilities, as well as construction of facilities, to property outside of the District as might be required by the Amended and Restated City and County of Broomfield Subdivision Improvement Agreement for Highlands Filing No. 1 dated July 22, 2014, or any other applicable subdivision improvement agreements with Broomfield (the “SIA”). The area legally permitted to be served by the District, as provided hereunder, shall be defined as the Service Area.

Unless otherwise permitted herein, the District shall not provide ongoing services to areas outside the Service Area without first providing written notice to Broomfield and to the City and County Manager and the City and County Attorney that it intends to provide service to areas outside the Service Area. In the event Broomfield objects in writing to the District's provision of service outside of the Service Area, the District shall not provide service to such area without the written consent of the City and County Manager and City and County Attorney.

The District shall not alter its boundaries by inclusion of additional real property into the District Boundaries without first providing written notice to Broomfield and to the City and County Manager and the City and County Attorney that it has received a petition requesting that additional property be included in the District Boundaries, which petition shall be included in the written notice. In the event Broomfield objects in writing the District shall not proceed with the inclusion without the written consent of the City and County Manager and City and County Attorney. In no event shall an inclusion of additional real property result in the District Boundaries overlapping with any other district.

3. Existing Services and Districts. Other than Broomfield, there are currently no other entities in existence in the District Boundaries which have the ability to undertake the design, financing and construction of the improvements designated herein which are needed for the development. The Owner understands that Broomfield does not consider it feasible or practicable for Broomfield to provide the necessary facilities for the District, as further described herein, other than police and other emergency services, landscaping and maintenance of the collector streets and snow removal. Consequently, organization and use of the District is deemed necessary for the provision of public improvements in the District.

In order to minimize the proliferation of new governmental structures and personnel, the District intends to utilize existing entities as much as possible for operations and maintenance of public improvements. Operations and maintenance of certain District improvements, including certain water, wastewater, storm drainage, street and traffic safety and associated landscaping, and park and recreation improvements, may be assumed by Broomfield in the event such completed improvements are conveyed to Broomfield by the District. The timing for conveyance of improvements to Broomfield will be developed by mutual agreement between the District and Broomfield as generally described above and in Section IV hereof pursuant to an Intergovernmental Agreement between Broomfield and the District (the “Broomfield IGA”).

To further avoid duplication of services and proliferation of governmental entities, it is possible that other key operations and maintenance services of facilities, not otherwise conveyed to Broomfield, may be provided by other entities through appropriate agreements with the District. Consequently, while the District will exist to finance capital improvements and coordinate the provision of services, it is expected to utilize existing entities and personnel as much as possible for continuing operations.

B. General Financial Information and Assumptions

The property within the District is anticipated to be developed for residential uses. The projected total market valuation for residential units within the District at build out is anticipated to be approximately \$116,678,300 with an assessed valuation of approximately \$9,287,593. The initial assessed valuation of property within the District is assumed to be \$0 for purposes of this Service Plan. The estimated population at build out is five hundred eighteen (553) persons. Future annual projections are further set forth on the Financial Plan.

A description of the anticipated improvements and the associated costs, as are necessary to provide access to and appropriate services within the District are substantial and are estimated in **Exhibit B**. The District may obtain financing for the capital improvements needed for the District through the issuance of bonds and other debt instruments, to be paid from legally available revenues of the District, including property tax and sales tax revenues that may be received from Broomfield. The financial forecasts for the District are contained in the Financial Plan, included within which development projections and anticipated revenue sources are stated.

The figures contained herein depicting costs of infrastructure and operations will not constitute legal limits on the financial powers of the District; provided, however, that the District shall not be permitted to issue bonds which are not in compliance with the bond registration and issuance requirements of Colorado and other applicable laws.

The financial structure contemplated in the Financial Plan demonstrates that the risks associated with development of the District will be borne initially by the Owner. In this manner, Broomfield is assured that the risks of development and the responsibility for repayment of debt issued for the District will not become the responsibility, in any degree, of Broomfield.

Additionally, Broomfield can be assured that there are now legal and financial controls on special district indebtedness which operate to limit the indebtedness that the District can expect to pay. Generally, under current state law provisions, a special district cannot incur valid indebtedness payable from property tax revenues in excess of fifty percent (50%) of its valuation for assessment unless such indebtedness is rated in certain rating categories, determined by the board of the special district to be necessary to construct improvements ordered by a federal or state regulatory agency for public health or environmental reasons, secured by a letter of credit, line of credit or other credit enhancement issued by certain qualified financial institutions, issued to financial institutions or institutional investors, or unless the mill levy from which it is payable is limited. In addition, state securities laws do not provide exemption from registration for special district indebtedness not meeting such minimum requirements.

C. Contents of Service Plan

This Service Plan consists of a financial analysis and preliminary engineering plan showing how the facilities and services for the District can be provided and financed by the District. Numerous items are included in this Service Plan in order to satisfy the requirements of law for formation of a special district.

The assumptions contained within this Service Plan were derived from a variety of sources. Information regarding the present status of property within the District, as well as the current status and projected future level of similar services, were obtained from the Owner. Construction cost estimates were assembled by Hurst and Associates, which has experience in the costing and construction of similar facilities. Legal advice in the preparation of this Service Plan was provided by the attorneys of White Bear Ankele Tanaka & Waldron, Attorneys at Law, which represents numerous special districts. Financial recommendations and advice in the preparation of the Service Plan were provided by D.A. Davidson & Co.

D. Modification of Service Plan

This Service Plan has been designed with sufficient flexibility to enable the District to provide required services and facilities for the District under evolving circumstances without the need for numerous amendments.

II. NEED FOR A NEW DISTRICT AND GENERAL POWERS

A. Need for Metropolitan Districts

The property in the District is currently undeveloped. No other public entities exist which will finance the construction of the facilities needed for development of the District. Operations and maintenance of water, wastewater, storm drainage, street and traffic safety and associated landscaping, and park and recreation improvements will initially be provided by the District. Operations for facilities that are accepted by Broomfield or other utilities may be transferred to Broomfield or such other entity upon agreement.

B. General Powers of District

The District shall have authority to provide the following services and facilities, both within and outside its boundaries, in accordance with law, all of which shall be in conformance with Broomfield's standards and specifications. Except as might be agreed to by Broomfield and the Owner in an applicable SIA, Broomfield shall not be obligated to own, operate, or maintain any of the Public Improvements constructed by the District.

1. Water. The design, acquisition, installation and construction of a complete water and irrigation water system, including but not limited to transmission and distribution systems for domestic and other public or private purposes, together with all necessary and proper facilities, equipment and appurtenances incident thereto which may include, but shall not be limited to, transmission lines, distribution mains and laterals, land and

easements, together with extensions of and improvements to said systems. Following acceptance, any water and irrigation water system improvements may be transferred to the appropriate entity for ownership, operation and maintenance in accordance with the SIA.

2. Streets. The design, acquisition, installation construction, operation and maintenance of street and roadway improvements, including but not limited to curbs, gutters, culverts, storm sewers and other drainage facilities, detention ponds, retaining walls and appurtenances and entry monumentation, as well as sidewalks, bridges, parking facilities, paving, lighting, sleeving, grading, landscaping, snow removal equipment, and other street improvements, together with all necessary, incidental, and appurtenant facilities, land and easements, together with extensions of and improvements to said facilities. Following acceptance, certain streets and street improvements may be transferred to the appropriate entity for ownership, operation and maintenance in accordance with the SIA.

3. Traffic and Safety Controls. The design, acquisition, installation and construction of traffic and safety protection facilities and services through traffic and safety controls and devices on streets and highways, environmental monitoring, as well as other facilities and improvements including but not limited to; main entry buildings, access gates, signalization at intersections, traffic signs, area identification signs, directional assistance, and driver information signs, together with all necessary, incidental, and appurtenant facilities, land easements, together with extensions of and improvements to said facilities. Following acceptance, certain safety protection improvements may be transferred to the appropriate entity for ownership, operation and maintenance in accordance with the SIA.

4. Television Relay and Translator. The acquisition, construction, completion, installation and/or operation and maintenance of television relay and translator facilities, including but not limited to cable television and communication facilities, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities. Following acceptance, any television relay and translation improvements may be transferred to the appropriate entity for ownership, operation and maintenance in accordance with the SIA.

5. Transportation. The design, acquisition, installation, construction, operation and maintenance of public transportation system improvements, including transportation equipment, park and ride facilities and parking lots, parking structures, roofs, covers, and facilities, including structures for repair, operations and maintenance of such facilities, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities or systems. Following acceptance, any transportation improvements may be transferred to the appropriate entity for ownership, operation and maintenance, in accordance with the SIA.

6. Parks and Recreation. The design, acquisition, installation, construction, operation and maintenance of public park and recreation facilities or programs including, but not limited to, bike paths, pedestrian trails, pedestrian bridges, pedestrian malls, public fountains and sculpture, art, picnic areas, common area landscaping and weed control, and outdoor lighting of all types, together with all necessary, incidental and appurtenant facilities, land and easements,

and all necessary extensions of and improvements to said facilities or systems. Following acceptance, any of the park and recreation improvements may be transferred to the appropriate entity for ownership, operation and maintenance in accordance with the SIA.

7. Sanitation. The design, acquisition, installation and construction of storm or sanitary sewers, or both, flood and surface drainage, wastewater treatment and disposal works and facilities, and all necessary or proper equipment and appurtenances incident thereto, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities or systems. Following acceptance, certain of the sanitation improvements may be transferred to the appropriate entity for ownership, operation and maintenance in accordance with the SIA.

8. Mosquito Control. The District shall have the power to provide for the eradication and control of mosquitoes, including but not limited to, elimination or treatment of breeding grounds and purchase, lease, contracting or other use of equipment or supplies for mosquito control within and without the boundaries of the District.

9. Legal Powers. The powers of the District will be exercised by its Board of Directors to provide the services contemplated in this Service Plan. The foregoing improvements and services, along with all other activities permitted by law, will be undertaken in accordance with, and pursuant to, the procedures and conditions contained in the Special District Act, other applicable statutes, and this Service Plan, as any or all of the same may be amended from time to time.

10. Other. In addition to the powers enumerated above, the Board of Directors of the District shall also have the following authority:

a. To amend this Service Plan as needed, subject to the appropriate statutory procedures and as permitted under the Broomfield IGA, by written notice to Broomfield pursuant to Section 32-1-207, C.R.S., of actions which the District believes are permitted by this Service Plan but which may be unclear. In the event Broomfield elects not to seek to enjoin any such activities under said statute, such election shall constitute agreement by Broomfield that such activities are within the scope of this Service Plan; and

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

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

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

III. DESCRIPTION OF TYPES OF FACILITIES AND IMPROVEMENTS AND PROPOSED SERVICES

The District will be permitted to exercise its statutory powers and authority set forth herein to finance, construct, acquire, operate and maintain the public facilities and improvements described in Section II of this Service Plan (the “Public Improvements), either directly or by contract. Where appropriate, the District will contract with various public and/or private entities to undertake such functions, including a Broomfield IGA, both as further described in Section IV.

Detailed information for the types of improvements needed for the District is set forth in the following pages and upon **Exhibit B**. It is important to note that the information contained in this Section is conceptual and preliminary in nature only, and that modifications to the type, configuration, and location of improvements may be necessary as development approvals are obtained from Broomfield. All facilities will be designed in such a way as to assure that the facility and service standards will be compatible with those of Broomfield and of other municipalities and special districts and any future subdivision improvement agreements, which may be affected thereby.

The following sections contain general descriptions of the contemplated facilities and improvements which will be funded by, financed by or refinanced by the District.

A. General

All descriptions of the specific facilities and improvements to be constructed, and their related costs, are estimates only and are subject to modification as engineering, development plans, economics, Broomfield’s requirements, and construction scheduling may require.

B. General Design Standards

Public Improvements within the District will be designed and installed by the District in conformance with current standards adopted by the District and Broomfield and pursuant to the Broomfield IGA. Designs and contract documents prepared for improvements must be reviewed and approved by the District and must be in accordance with Broomfield’s applicable standards and specifications. The Broomfield IGA described in Section IV hereof describes the procedures which will be followed to assure compliance with the requirements of this Service Plan.

1. Water. The District shall participate in the construction of a water distribution system for the Project. The system is expected to include main distribution transmission lines and related appurtenances. Water system components will be installed in accordance with all entities with jurisdiction over the District, including Broomfield. A general description of the water improvements is set forth on **Exhibit B**.

2. Wastewater System. The District shall participate in the construction of facilities necessary for a wastewater system. All components of the wastewater system will

connect to Broomfield's sanitary sewer system in a manner consistent with Broomfield's Sanitary Sewer Master Plan applicable to the Project. The sanitary sewer lines will be designed and installed to conform to the current standards and recommendations of the Colorado Department of Public Health and Environment, Broomfield, and Rules and Regulations adopted by the District and sound engineering judgment.

All major elements of the sanitary sewer lines required for proper operation will be designed, and installed by the District or Broomfield. A general description of the wastewater improvements is set forth on **Exhibit B**.

3. Storm Drainage.

a. Generally. The District plans to participate in construction of the necessary storm drainage system to serve the Project. The proposed elements of the storm drainage system will provide a network of culverts, and curb and gutter designed and installed in accordance with applicable regulatory standards and sound engineering judgment. All major storm drainage facilities will be designed to conform to the standards and recommendations for drainage improvements pursuant to Broomfield design criteria, including the intent of the current Urban Drainage and Flood Control District Master Plan requirements and the Rules and Regulations of the District.

b. Culverts. Culverts will be installed under all roadways that intersect storm drainage channels. Culverts will be designed to pass flows as required and may include headwalls, wing walls, inlet structures, and riprap protection to enhance their hydraulic capacity and reduce bank or channel erosion.

An overall drainage plan may be developed that will identify the major facilities necessary to convey the storm runoff from the District. This plan may include all infrastructure required to convey the flows generated within the District. This plan must maintain the flexibility to modify the major drainage facilities as more detailed information is generated during the design of the individual phases. The overall drainage plan may include the utilization of storm sewers, drainage channels, streets, gutters, and culverts. To limit the cost of the drainage infrastructure, an optimization study may be completed to ensure that the most cost-effective solution is identified. A general description of the storm drainage improvements is set forth on **Exhibit B**.

4. Street System and Traffic Safety.

a. General. The District proposes to construct a portion of an arterial street system to serve the entire Project and shall additionally participate in construction of street system improvements for the Project. The existing and proposed elements of the street system will provide a network of major arterial streets to serve the flow of traffic within and surrounding the District. All facilities will be designed and installed in accordance with applicable regulatory standards and sound engineering judgment.

b. Streets. Public streets will be designed and installed to conform to the standards and recommendations of the American Association of State Highway and Transportation Officials, the Colorado Department of Highways (where applicable), Broomfield's standards and specifications and the Rules and Regulations adopted by the District. The rights-of-way for and the widths of streets constructed by the District shall be as set forth in the specific site development plans for specific areas as approved by Broomfield City Council.

Traffic controls and signage will be provided along streets to enhance the flow of traffic within the Project. Streetlights will be installed by the District along collector roadways. Lighting of local roadways will be the responsibility of the individual developers of the residential parcels.

c. Landscaping. Landscaping may be installed by the District along the roadway rights-of-way and trail easements. The District also intends to install and maintain landscaped highlights along the internal streets and entry features at major entrances. Additional features may be installed and as deemed necessary by the District.

d. Signals and Signage. Signals and signage will be installed by the District as required by traffic studies, the District's Rules and Regulations, and Broomfield.

A general description of the street system and traffic safety improvements are set forth on **Exhibit B**.

5. Park and Recreation. All park and recreational facilities and/or services will be constructed in accordance with plans and specifications approved by Broomfield as necessary for the District. All park and recreational facilities will be constructed in accordance with engineering and design requirements appropriate for the surrounding terrain, and shall be compatible with Broomfield's standards or the standards of other local public entities, as appropriate. A general description of the park and recreation improvements are set forth on **Exhibit B**.

C. Estimated Cost of Facilities

The estimated cost of the facilities to be constructed, installed and/or acquired by the District is shown in **Exhibit B**.

IV. PROPOSED AND EXISTING AGREEMENTS

A. Intergovernmental Agreement with Broomfield

Subsequent to the approval of this Service Plan, the District shall enter into the Broomfield IGA which shall generally provide that: (1) other than set forth in this Service Plan, it shall take all action necessary to dissolve pursuant to Title 32, Article 1, part 7, C.R.S., as amended from time to time, as provided for under Colorado law if and in the event the District

does not need to remain in existence to operate and maintain facilities contemplated under this Service Plan to be operated and maintained by the District until such time as Broomfield accepts the facilities; (2) the District shall not publish, without written consent of Broomfield, a notice under Section 32-1-207(3), C.R.S. of its intent to undertake construction of any facility, the issuance of bonds or other financial obligation, the levy of taxes, the imposition of rates, fees, tolls and charges, or any other proposed activity of the District which requires that any action to enjoin such activity as a material departure from the Service Plan be brought within forty-five (45) days of such notice; (3) prior to expanding its boundaries (except for inclusion of Owner owned real property) or offering services outside the District Boundaries, the District shall follow the notification procedure set forth herein; and (4) prior to issuing bonds, the District shall provide Broomfield with a copy of the District's Bond Issuance Plan in accordance with this Service Plan.

B. Other Agreements/Authority

To the extent practicable, the District may enter into additional intergovernmental and private agreements to better ensure long-term provision of the Public Improvements and services and effective management. The District anticipates entering into one or more intergovernmental agreements with the Highlands Metropolitan District Nos. 1 and 3 related to ongoing operations and cost sharing. Agreements may also be executed with property owner associations and other service providers. All such agreements are authorized to be provided by each, pursuant to Colorado Constitution, Article XIV, Section 18 (2) (a) and Sections 29-1-201, *et seq.*, C.R.S.

V. OPERATION AND MAINTENANCE COSTS

Estimated costs for operation and maintenance functions of the District are identified in the Financial Plan.

VI. FINANCIAL PLAN/PROPOSED INDEBTEDNESS

Attached to this Service Plan as **Exhibit C** is a Financial Plan which demonstrates how the proposed services and facilities may be financed and operated by the District. The Financial Plan includes the proposed revenues derived from *ad valorem* property taxes of the District and sales taxes for each applicable year, including the first budget year. The District shall be authorized to issue general obligation indebtedness for the District in an amount not to exceed eighteen million dollars (\$18,000,000).

All dollars are stated in 2016 uninflated dollars. Upon approval of this Service Plan, the District will continue to develop and refine cost estimates contained herein and prepare for bond issuances. All cost estimates will be inflated to current dollars at the time of bond issuance and construction. Engineering and other contingencies, as well as capitalized interest and other costs of financing will be added. All construction cost estimates assume construction to applicable local, state or federal requirements.

Under the Financial Plan, the District anticipates issuing General Obligation Bonds in a principal amount of approximately \$5,460,000 and General Obligation Subordinate Bonds in the principal amount of approximately \$1,180,000 in 2016. The District intends to use the bond

proceeds for costs associated with the design and construction of the Public Improvements as are set forth herein at **Exhibit B**.

Debt authorization set forth under the Financial Plan is estimated to be sufficient to finance and construct all facilities contemplated herein without the need to seek approval of any modification of this Service Plan. The District shall also be permitted to seek debt authorization from its electorates in excess of this amount to account for contingencies. Final determination of the amount of debt for which approval will be sought from the District's electorate from time to time will be made by the Boards of Directors of the District based on then-current estimates of construction costs, issuance costs, and contingencies. Authorization to issue bonds and enter into various agreements described herein will be sought from the District's electorate pursuant to the terms of the Special District Act, and the Colorado Constitution as amended from time to time.

In addition to *ad valorem* property taxes, and in order to offset the expenses of the anticipated construction and operations and maintenance costs, the District may also rely upon various other revenue sources authorized by law. These will include the power to assess fees, rates, tolls, penalties, or charges as provided in Section 32-1-1001(l), C.R.S., as amended. The Financial Plan assumes various sources of revenue, including *ad valorem* property taxes, sales taxes, specific ownership taxes, and user charges, together with interest earnings on retained amounts.

The Financial Plan does not project any significant accumulation of fund balances which might represent receipt of revenues in excess of expenditures under the provisions of Article 10, Section 20 of the Colorado Constitution ("TABOR"). The operations of the District may, under certain circumstances, qualify as "enterprises" under TABOR. If its operations do not qualify as enterprises under TABOR, revenues from all sources which exceed the permitted level of expenditures in a given year will be refunded to taxpayers, unless a vote approving the retention of such revenues is obtained. To the extent annual district revenues exceed expenditures in this manner, the District will comply with the provisions of TABOR and either refund the excess or obtain voter approval to retain such amounts.

The estimated costs of the facilities and improvements to be constructed and installed by the District, including the costs of acquisition of land, and engineering services, legal services, administrative services, initial proposed indebtedness, and other major expenses related to the facilities and improvements to be constructed and installed, are set forth in **Exhibit B** of this Service Plan. Organizational costs and initial costs related to the District operations, planning and engineering services are estimated to be approximately \$100,000, and will be reimbursed to the Owner by the District out of its initial revenue sources including bond issue proceeds.

The maximum voted interest rate for bonds will be twelve percent (12%). The proposed maximum underwriting discount will be five percent (5%). It is estimated that the general obligation bonds, when issued, will mature not more than thirty (30) years from date of issuance.

In the discretion of the Board of Directors, the District may set up other qualifying entities to manage, fund, construct and operate facilities, services, and programs. To the extent

allowed by law, any entity created by the District will remain under the control of its Board of Directors.

The Financial Plan demonstrates that the District will have the financial capability to discharge the proposed indebtedness with reasonable mill levies assuming reasonable increases in assessed valuation and assuming the rate of build-out estimated in the Financial Plan.

The District will assess a mill levy assessed on all taxable property in the District as a primary source of revenue for repayment of debt service and for operations and maintenance. It is anticipated that operation and maintenance costs related to the District may be funded through the imposition of five (5) mills within the boundaries of the District. However, the Mill Levy Cap for the repayment of Debt and other obligations shall not apply to the District's ability to increase its mill levy as necessary for provision of operation and maintenance services to its taxpayers and service users. These revenue sources should be sufficient to retire the proposed indebtedness if growth occurs as projected; otherwise, increases in the mill levy and/or the imposition of rates, tolls, fees and charges may be necessary, but in no event shall the debt service mill levy exceed the Mill Levy Cap of the District, as defined below.

For purposes of this Section, "Debt to Assessed Valuation" shall mean the ratio of (i) the District's total outstanding general obligation debt, including the bonds proposed to be issued to; (ii) the District's assessed valuation; **and "Mill Levy Cap" shall mean the mill levy pledged for repayment of bonds or other obligations which shall not exceed 50 mills, with adjustments as described hereafter.** For any portion of its debt with respect to which the Debt to Assessed Valuation is fifty percent (50%) or greater, the District's obligation to impose a mill levy for the payment thereof shall be subject to the Mill Levy Cap. For any portion of its debt with respect to which the Debt to Assessed Valuation is less than fifty percent (50%), the District is permitted to impose a mill levy for the payment thereof that shall not be subject to the Mill Levy Cap. The Mill Levy Cap will be automatically adjusted after the date of approval of this Service Plan by the same proportion as any increase or decrease by the State of Colorado of the ratio for assessment of commercial property from the ratio of twenty-nine percent (29%) respectively, in order to produce the same revenues as would have been produced from the imposition of 50 mills, had the valuation of property not been changed as a result of changes in Colorado law. Further, in the event the method of calculating assessed valuation is changed after the date of approval of this Service Plan by any change in law, change in method of calculation, or in the event of any legislation or constitutionally mandated tax credit, cut or abatement, the Mill Levy Cap herein provided may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that, to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as the result of such change.

Once any portion of the District's debt has been determined to not be subject to the Mill Levy Cap and that District is entitled to pledge an unlimited *ad valorem* mill levy, the District may provide that such Debt shall remain secured by such unlimited mill levy, notwithstanding any subsequent reduction in the assessed valuation of the District.

The Financial Plan reflects the amount of bonds to be sold to finance the completion, construction, acquisition and/or installation of the Public Improvements, including all costs and expenses related to the anticipated bond issuances. The amount of bonds sold will be based upon the final engineering costs, and are to be paid from the proceeds of any bond issue. The interest rates as set forth in the Financial Plan are based upon the advice of D.A. Davidson & Co., in its capacity as the financial advisor to the District.

The Financial Plan projects the anticipated flow of funds and is based upon estimates of construction and project needs for bond proceeds to finance the Public Improvements. The District's engineer has evaluated the timing and cost estimate of the Public Improvements which are necessary to support the proposed absorptions of development as projected in the Financial Plan and has concurred with the assumptions. The Financial Plan sets forth the most reasonable estimate of growth within the District and allows the Board of Directors a measure of flexibility such that the District need not incur debt in excess of what it needs to meet a growing population's demand for facilities and services.

Prior to issuance of any bonds, the District shall submit to Broomfield a financial plan which demonstrates the structure of the proposed bond transaction and the District's plan to pay the proposed bonds ("Bond Issuance Plan"). At least fifteen (15) days prior to submitting the Bond Issuance Plan, the District shall submit to Broomfield a Notice of Intent to Issue Bonds. The City and County Manager and City and County Attorney shall have forty-five (45) days from the date of receipt of the Bond Issuance Plan in which to object to such Bond Issuance Plan. In the event Broomfield objects in writing within the forty-five (45) day period, the District shall proceed with the bond issuance only with the written consent of the City and County Manager and City and County Attorney, or their designees. Broomfield shall never be liable for any of the District's debt obligations.

Provided that the District has complied with the Bond Issuance Plan, all issuances of bonds shall be deemed to be in compliance with the Financial Plan so long as the Minimum Criteria as hereinafter defined have been met. Minimum Criteria shall mean that the bonds of the District are: (1) subject to a Mill Levy Cap, as required by the Service Plan; (2) together with other outstanding bonds, not in excess of the debt authorization set forth in this Service Plan, as may be amended from time to time; and (3) together with other outstanding bonds, not in excess of the debt authority approved by the District's electorate.

VII. OTHER REQUIREMENTS

The District shall be subject to the following additional requirements:

1. Submission of annual reports as described in Section 32-1-207(3), C.R.S., in the form prescribed by Broomfield.
2. Material modifications of this Service Plan, except as contemplated herein, shall be subject to approval by Broomfield in accordance with the provisions of Section 32-1-207, C.R.S. and pursuant to the Broomfield IGA.

VIII. DISSOLUTION

At the request of Broomfield, and in accordance with the terms of the Broomfield IGA the District shall initiate and diligently pursue dissolution in accordance with Section 32-1-701, *et seq.*, C.R.S., at such time as (1) Broomfield agrees to provide substantially the same level of operations and maintenance of the District's facilities as the District has provided; (2) all of the proposed improvements and facilities have been constructed and conveyed to Broomfield or other appropriate entity; and (3) all debt incurred for such facilities has been repaid or arrangement for repayment has been made.

IX. CONCLUSIONS

It is submitted that this Service Plan for Highlands Metropolitan District No. 2 as required by Section 32-1-203(2), C.R.S., has established that:

- (a) There is sufficient existing and projected need for organized service in the area to be served by the District;
- (b) The existing service in the area to be served by the District is inadequate for present and projected needs;
- (c) The District is capable of providing economical and sufficient service to the area within its boundaries; and
- (d) The area included in the District does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis.

Therefore, it is requested that the City and County Council of Broomfield, Colorado, which has jurisdiction to approve this Service Plan by virtue of Section 32-1-204.5, C.R.S., *et seq.*, as amended, adopt a resolution which approves this "Amended and Restated Service Plan for Highlands Metropolitan District No. 2," as submitted.

Respectfully submitted,

WHITE BEAR ANKELE TANAKA & WALDRON
Attorneys at Law

By: _____
Kristin Bowers Tompkins,
Counsel to Proponents of the District

EXHIBIT A-1

District Boundaries – Legal Description

HIGHLANDS METROPOLITAN DISTRICT NO. 2
LEGAL DESCRIPTION

EXHIBIT

PROPERTY DESCRIPTION:

A PARCEL LOCATED IN THE SOUTHEAST QUARTER OF SECTION 33, TOWNSHIP 1 NORTH, RANGE 68 WEST OF THE 6TH P.M., CITY AND COUNTY OF BROOMFIELD, STATE OF COLORADO, DESCRIBED AS FOLLOWS:

COMMENCING AT THE EAST QUARTER CORNER OF SAID SECTION 33;

THENCE N89°55'47"W, 30.00 FEET ALONG THE NORTHERLY LINE OF THE SOUTHEAST QUARTER OF SAID SECTION 33 TO THE POINT OF BEGINNING;

THENCE S00°25'25"W, 1,287.42 FEET ALONG THE WESTERLY RIGHT OF WAY LINE OF COUNTY ROAD 7, BEING A LINE PARALLEL WITH AND 30.00 FEET WEST OF THE EASTERLY LINE OF THE SOUTHEAST QUARTER OF SECTION 33;

THENCE N89°38'44"W, 176.91 FEET;

THENCE 175.71 FEET ALONG THE ARC OF A TANGENT CURVE TO THE LEFT, SAID ARC SUBTENDED BY A RADIUS OF 342.00 FEET, A CENTRAL ANGLE OF 29°26'12", AND A CHORD BEARING S75°38'10"W, 173.78 FEET;

THENCE 132.47 FEET ALONG THE ARC OF A REVERSE CURVE TO THE RIGHT, SAID ARC SUBTENDED BY A RADIUS OF 258.00 FEET, A CENTRAL ANGLE OF 29°25'03", AND A CHORD BEARING S75°37'36"W, 131.01 FEET;

THENCE N89°39'52"W, 1,150.18 FEET;

THENCE 218.73 FEET ALONG THE ARC OF A TANGENT CURVE TO THE LEFT, SAID ARC SUBTENDED BY A RADIUS OF 342.00 FEET, A CENTRAL ANGLE OF 36°38'41", AND A CHORD BEARING S72°00'47"W, 215.02 FEET;

THENCE S53°41'26"W, 257.94 FEET;

THENCE 165.10 FEET ALONG THE ARC OF A TANGENT CURVE TO THE RIGHT, SAID ARC SUBTENDED BY A RADIUS OF 258.00 FEET, A CENTRAL ANGLE OF 36°39'50", AND A CHORD BEARING S72°01'21"W, 162.29 FEET;

THENCE N89°38'44"W, 69.09 FEET;

THENCE N79°11'08"W, 66.10 FEET;

THENCE N89°38'44"W, 132.25 FEET;

THENCE N00°34'50"W, 1,613.90 FEET ALONG THE EASTERLY LINE OF A PARCEL DESCRIBED IN A QUIET TITLE DECREE RECORDED 05/09/1991 AT RECEPTION NO. 2249595 IN THE RECORDS OF WELD COUNTY;

THENCE S89°55'47"E, 2,481.20 FEET ALONG THE NORTHERLY LINE OF THE SOUTHEAST QUARTER OF SECTION 33 TO THE POINT OF BEGINNING, CONTAINING 79.78 ACRES, MORE OR LESS.

BASIS OF BEARINGS: THE NORTHERLY LINE OF THE SOUTHEAST QUARTER OF SECTION 33, ASSUMED S89°55'47"E.

HIGHLANDS DISTRICT
BROOMFIELD, CO.

SCALE HOR. N/A
VERT. N/A

DESIGN/APPR.

DRAWN BY BO

DATE 09/08/07

FILE G:\22091\SURVEY\091-DISTRICTS LEGAL.DWG SHEET 1 OF 2



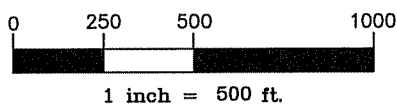
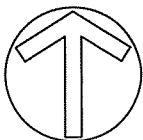
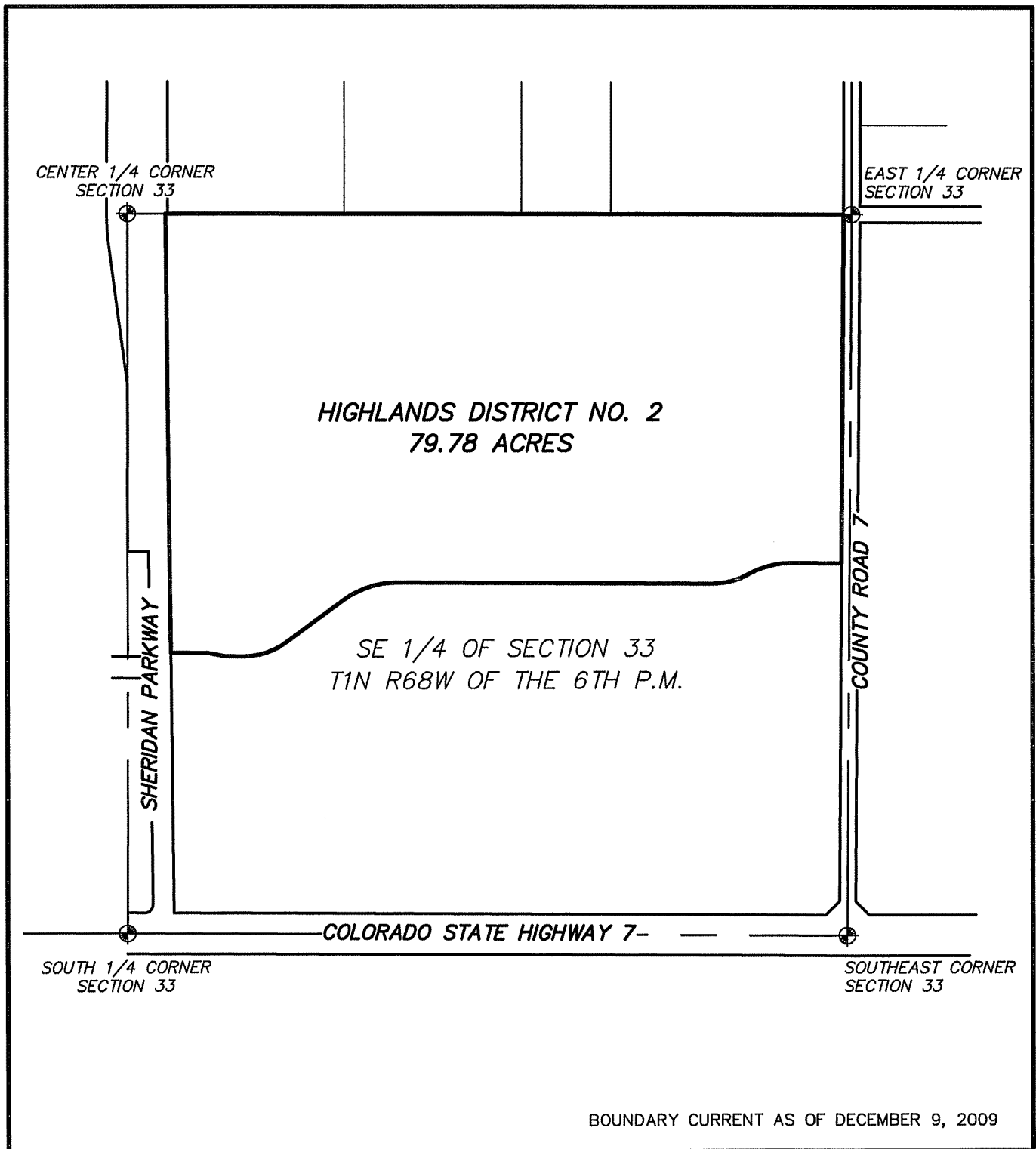
HURST & ASSOCIATES, INC.

CONSULTING ENGINEERS

4099 Pearl East Circle, Suite 100

Douglas, Colorado 80601 (303) 414-9105

EXHIBIT A-2
District Boundaries – Map



**HIGHLANDS
DISTRICT NO. 2
BOUNDARY MAP
BROOMFIELD, COLORADO**

SCALE HOR. 1"=500'
VERT. N/A

DESIGN/APPR.

DRAWN BY BO

DATE 12/09/09

FILE G:\22991\SURVEY\991-DISTRICTS FOR STATE SHEET 1 OF 1



HURST & ASSOCIATES, INC.

CONSULTING ENGINEERS

4909 Pearl East Circle, Suite 100
Boulder, Colorado 80301 (303) 449-6106

EXHIBIT B

Estimated Cost and Description of Public Improvements

| Highlands Metropolitan District No. 2 | | | | |
|---------------------------------------|-------------------------|-----------------|------------------------|-------------------------|
| | District Cost | Broomfield Cost | Adjacent Property Cost | Total Cost |
| Onsite Costs | | | | |
| Earthwork and Site Work | \$ - | | | \$ - |
| Sanitary Sewer/Waste Water | \$ 123,813.00 | | | \$ 123,813.00 |
| Water System | \$ 224,625.00 | | | \$ 224,625.00 |
| Storm Sewer/Drainage | \$ 156,250.00 | | | \$ 156,250.00 |
| Mariposa St. | \$ 529,669.00 | | | \$ 529,669.00 |
| Park and Open Space | \$ 4,862,500.00 | | | \$ 4,862,500.00 |
| Monuments | | | | \$ - |
| Interior Roads, Parking, Landscape | | | | \$ - |
| Environmental (Oil & Gas Relocation) | | | | \$ - |
| | | | | |
| Offsite Costs | | | | |
| Sanitary Sewer/Waste Water (3)(5) | | | \$ 140,625.00 | \$ 140,625.00 |
| Water System | | | | \$ - |
| Storm Sewer/Drainage | \$ 487,500.00 | | | \$ 487,500.00 |
| E. 169th Ave. | | | | \$ - |
| State Highway 7 | | | | \$ - |
| County Road 7 | \$ 1,347,726.00 | | \$ 673,863.00 | \$ 2,021,589.00 |
| Sheridan Parkway | \$ 1,557,757.00 | | | \$ 1,557,757.00 |
| W. 171st Ave. | \$ 1,647,956.00 | | | \$ 1,647,956.00 |
| | | | | |
| Soft Costs | | | | |
| | \$ - | | | \$ - |
| | | | | |
| TOTAL | \$ 10,937,796.00 | \$ - | \$ 814,488.00 | \$ 11,752,284.00 |

- (1) City will reimburse one-third and adjacent property owner one-third of full street section off-site roadway improvements.
- (2) City will reimburse one-third of Sheridan Boulevard improvements.
- (3) City will reimburse 100% of off-site sanitary sewer cost. Off-site sewer cost will decrease if installed by others.
- (4) City will reimburse 100% of upsized cost from 12" to 16".

(5) Above estimate assumes Northland sanitary sewer lift station, force main and on-site sewer extensions are installed and in service. Should the Northland improvements not be installed, an interim lift station and force main shall be required at a cost of \$1,200,000

EXHIBIT C
Financial Plan

HIGHLANDS METROPOLITAN DISTRICT #2 (Residential)



Development Projection at 50.00 (target) District Mills, plus fees

Series 2016 G.O. Bonds; Non-Rated, 130x, 30-yr. Maturity; plus Series 2016B Cash-Flow Subs.

| YEAR | <<<<<<< Residential >>>>>>> | | | | | | < Platted/Developed Lots > | | | | Total Assessed Value | District D/S Mill Levy [50.00 Target] [50.00 Target] | District D/S Mill Levy Collections @ 98% | District S.O. Taxes Collected @ 6% | Total Facility Fees Collections | Total Available Revenue |
|------|-----------------------------|---|----------------------------|---|----------------------------|--|----------------------------|---|---|---|---------------------------------------|---|---|---|---------------------------------------|-------------------------------|
| | Total Res'l Units | Mkt Value Biennial Reasses'mt @ 2.0% | Cumulative Market Value | As'ed Value @ 7.96% of Market (2-yr lag) | Cumulative Market Value | As'ed Value @ 29.00% of Market (2-yr lag) | Total Assessed Value | District D/S Mill Levy [50.00 Target] [50.00 Target] | District D/S Mill Levy Collections @ 98% | District S.O. Taxes Collected @ 6% | Total Facility Fees Collections | | | | | |
| 2013 | 0 | | 0 | | 0 | | \$0 | | | | | | | | | 0 |
| 2014 | 0 | | 0 | | 0 | | \$0 | | | | | | | | | 0 |
| 2015 | 0 | | 0 | 0 | 2,942,500 | 0 | 0 | 50.000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2016 | 55 | 0 | 29,425,000 | 0 | 3,210,000 | 0 | 0 | 50.000 | 0 | 0 | 137,500 | 137,500 | | | | 137,500 |
| 2017 | 60 | | 62,167,000 | 0 | 3,210,000 | 853,325 | 853,325 | 50.000 | 41,813 | 2,509 | 150,000 | 194,322 | | | | 194,322 |
| 2018 | 60 | 1,243,340 | 96,807,180 | 2,342,230 | 1,872,500 | 930,900 | 3,273,130 | 50.000 | 160,383 | 9,623 | 150,000 | 320,006 | | | | 320,006 |
| 2019 | 35 | | 116,678,300 | 4,948,493 | 0 | 930,900 | 5,879,393 | 50.000 | 288,090 | 17,285 | 87,500 | 392,876 | | | | 392,876 |
| 2020 | 0 | 2,333,566 | 119,011,866 | 7,705,852 | 0 | 543,025 | 8,248,877 | 50.000 | 404,195 | 24,252 | 0 | 428,447 | | | | 428,447 |
| 2021 | 0 | | 119,011,866 | 9,287,593 | 0 | 0 | 9,287,593 | 50.000 | 455,092 | 27,306 | 0 | 482,398 | | | | 482,398 |
| 2022 | 0 | 2,380,237 | 121,392,103 | 9,473,345 | 0 | 0 | 9,473,345 | 50.000 | 464,194 | 27,852 | 0 | 492,046 | | | | 492,046 |
| 2023 | 0 | | 121,392,103 | 9,473,345 | 0 | 0 | 9,473,345 | 50.000 | 464,194 | 27,852 | 0 | 492,046 | | | | 492,046 |
| 2024 | 0 | 2,427,842 | 123,819,945 | 9,662,811 | 0 | 0 | 9,662,811 | 50.000 | 473,478 | 28,409 | 0 | 501,886 | | | | 501,886 |
| 2025 | 0 | | 123,819,945 | 9,662,811 | 0 | 0 | 9,662,811 | 50.000 | 473,478 | 28,409 | 0 | 501,886 | | | | 501,886 |
| 2026 | 0 | 2,476,399 | 126,296,344 | 9,856,068 | 0 | 0 | 9,856,068 | 50.000 | 482,947 | 28,977 | 0 | 511,924 | | | | 511,924 |
| 2027 | 0 | | 126,296,344 | 9,856,068 | 0 | 0 | 9,856,068 | 50.000 | 482,947 | 28,977 | 0 | 511,924 | | | | 511,924 |
| 2028 | 0 | 2,525,927 | 128,822,271 | 10,053,189 | 0 | 0 | 10,053,189 | 50.000 | 492,606 | 29,556 | 0 | 522,163 | | | | 522,163 |
| 2029 | 0 | | 128,822,271 | 10,053,189 | 0 | 0 | 10,053,189 | 50.000 | 492,606 | 29,556 | 0 | 522,163 | | | | 522,163 |
| 2030 | 0 | 2,576,445 | 131,398,716 | 10,254,253 | 0 | 0 | 10,254,253 | 50.000 | 502,458 | 30,148 | 0 | 532,606 | | | | 532,606 |
| 2031 | 0 | | 131,398,716 | 10,254,253 | 0 | 0 | 10,254,253 | 50.000 | 502,458 | 30,148 | 0 | 532,606 | | | | 532,606 |
| 2032 | 0 | 2,627,974 | 134,026,691 | 10,459,338 | 0 | 0 | 10,459,338 | 50.000 | 512,508 | 30,750 | 0 | 543,258 | | | | 543,258 |
| 2033 | 0 | | 134,026,691 | 10,459,338 | 0 | 0 | 10,459,338 | 50.000 | 512,508 | 30,750 | 0 | 543,258 | | | | 543,258 |
| 2034 | | 2,680,534 | 136,707,225 | 10,668,525 | 0 | 0 | 10,668,525 | 50.000 | 522,758 | 31,365 | | 554,123 | | | | 554,123 |
| 2035 | | | 136,707,225 | 10,668,525 | 0 | 0 | 10,668,525 | 50.000 | 522,758 | 31,365 | | 554,123 | | | | 554,123 |
| 2036 | | 2,734,144 | 139,441,369 | 10,881,895 | 0 | 0 | 10,881,895 | 50.000 | 533,213 | 31,993 | | 565,206 | | | | 565,206 |
| 2037 | | | 139,441,369 | 10,881,895 | 0 | 0 | 10,881,895 | 50.000 | 533,213 | 31,993 | | 565,206 | | | | 565,206 |
| 2038 | | 2,788,827 | 142,230,196 | 11,099,533 | 0 | 0 | 11,099,533 | 50.000 | 543,877 | 32,633 | | 576,510 | | | | 576,510 |
| 2039 | | | 142,230,196 | 11,099,533 | 0 | 0 | 11,099,533 | 50.000 | 543,877 | 32,633 | | 576,510 | | | | 576,510 |
| 2040 | | 2,844,604 | 145,074,800 | 11,321,524 | 0 | 0 | 11,321,524 | 50.000 | 554,755 | 33,285 | | 588,040 | | | | 588,040 |
| 2041 | | | 145,074,800 | 11,321,524 | 0 | 0 | 11,321,524 | 50.000 | 554,755 | 33,285 | | 588,040 | | | | 588,040 |
| 2042 | | 2,901,496 | 147,976,296 | 11,547,954 | 0 | 0 | 11,547,954 | 50.000 | 565,850 | 33,951 | | 599,801 | | | | 599,801 |
| 2043 | | | 147,976,296 | 11,547,954 | 0 | 0 | 11,547,954 | 50.000 | 565,850 | 33,951 | | 599,801 | | | | 599,801 |
| 2044 | | 2,959,526 | 150,935,822 | 11,778,913 | 0 | 0 | 11,778,913 | 50.000 | 577,167 | 34,630 | | 611,797 | | | | 611,797 |
| 2045 | | | 150,935,822 | 11,778,913 | 0 | 0 | 11,778,913 | 50.000 | 577,167 | 34,630 | | 611,797 | | | | 611,797 |
| | 210 | 35,500,862 | | | | | | | 13,801,194 | 828,072 | 525,000 | 15,154,265 | | | | |

HIGHLANDS METROPOLITAN DISTRICT #2 (Residential)



Development Projection at 50.00 (target) District Mills, plus fees

Series 2016 G.O. Bonds; Non-Rated, 130x, 30-yr. Maturity; plus Series 2016B Cash-Flow Subs.

| YEAR | Net Available for Debt Svc | Ser. 2016 \$5,460,000 Par [Net \$4.304 MM] Net Debt Service | Annual Surplus | Surplus Release @ 50% D/A to \$0 | Cumulative Surplus \$546,000 Target | Senior Debt/ Assessed Ratio | Senior Debt/ Act'l Value Ratio | Cov. of Net DS: @ 50.00 Target | Cov. of Net DS: @ 50.00 Cap |
|------|-------------------------------|---|-------------------|---|---|--------------------------------------|---|-----------------------------------|--------------------------------|
| 2013 | 0 | | n/a | | | | | | |
| 2014 | 0 | | n/a | | 0 | n/a | n/a | 0.0% | 0.0% |
| 2015 | 0 | | n/a | | 0 | n/a | n/a | 0.0% | 0.0% |
| 2016 | 137,500 | \$0 | 137,500 | | 137,500 | 640% | 8% | 0.0% | 0.0% |
| 2017 | 194,322 | 0 | 194,322 | 0 | 331,822 | 167% | 6% | 0.0% | 0.0% |
| 2018 | 320,006 | 313,013 | 6,994 | 0 | 338,815 | 93% | 5% | 102.2% | 102.2% |
| 2019 | 392,876 | 313,013 | 79,863 | 0 | 418,678 | 66% | 5% | 125.5% | 125.5% |
| 2020 | 428,447 | 328,013 | 100,434 | 0 | 519,112 | 59% | 5% | 130.6% | 130.6% |
| 2021 | 482,398 | 367,150 | 115,247 | 88,359 | 546,000 | 57% | 4% | 131.4% | 131.4% |
| 2022 | 492,046 | 373,988 | 118,058 | 118,058 | 546,000 | 56% | 4% | 131.6% | 131.6% |
| 2023 | 492,046 | 375,250 | 116,795 | 116,795 | 546,000 | 54% | 4% | 131.1% | 131.1% |
| 2024 | 501,886 | 381,225 | 120,661 | 120,661 | 546,000 | 54% | 4% | 131.7% | 131.7% |
| 2025 | 501,886 | 381,625 | 120,261 | 120,261 | 546,000 | 52% | 4% | 131.5% | 131.5% |
| 2026 | 511,924 | 391,738 | 120,186 | 120,186 | 546,000 | 51% | 4% | 130.7% | 130.7% |
| 2027 | 511,924 | 390,988 | 120,936 | 666,936 | 0 | 49% | 4% | 130.9% | 130.9% |
| 2028 | 522,163 | 399,950 | 122,212 | 122,212 | 0 | 47% | 4% | 130.6% | 130.6% |
| 2029 | 522,163 | 398,050 | 124,112 | 124,112 | 0 | 45% | 4% | 131.2% | 131.2% |
| 2030 | 532,606 | 405,863 | 126,743 | 126,743 | 0 | 44% | 3% | 131.2% | 131.2% |
| 2031 | 532,606 | 407,813 | 124,793 | 124,793 | 0 | 42% | 3% | 130.6% | 130.6% |
| 2032 | 543,258 | 414,188 | 129,070 | 129,070 | 0 | 40% | 3% | 131.2% | 131.2% |
| 2033 | 543,258 | 414,700 | 128,558 | 128,558 | 0 | 38% | 3% | 131.0% | 131.0% |
| 2034 | 554,123 | 424,638 | 129,485 | 129,485 | 0 | 36% | 3% | 130.5% | 130.5% |
| 2035 | 554,123 | 423,425 | 130,698 | 130,698 | 0 | 33% | 3% | 130.9% | 130.9% |
| 2036 | 565,206 | 431,638 | 133,568 | 133,568 | 0 | 31% | 2% | 130.9% | 130.9% |
| 2037 | 565,206 | 433,700 | 131,505 | 131,505 | 0 | 28% | 2% | 130.3% | 130.3% |
| 2038 | 576,510 | 439,900 | 136,609 | 136,609 | 0 | 26% | 2% | 131.1% | 131.1% |
| 2039 | 576,510 | 439,950 | 136,559 | 136,559 | 0 | 23% | 2% | 131.0% | 131.0% |
| 2040 | 588,040 | 449,138 | 138,902 | 138,902 | 0 | 20% | 2% | 130.9% | 130.9% |
| 2041 | 588,040 | 451,888 | 136,152 | 136,152 | 0 | 17% | 1% | 130.1% | 130.1% |
| 2042 | 599,801 | 458,488 | 141,313 | 141,313 | 0 | 14% | 1% | 130.8% | 130.8% |
| 2043 | 599,801 | 458,650 | 141,150 | 141,150 | 0 | 11% | 1% | 130.8% | 130.8% |
| 2044 | 611,797 | 467,663 | 144,134 | 144,134 | 0 | 8% | 1% | 130.8% | 130.8% |
| 2045 | 611,797 | 466,350 | 145,446 | 145,446 | 0 | 0% | 0% | 131.2% | 131.2% |
| | 15,154,265 | 11,401,996 | 3,752,269 | 3,752,269 | | | | | |

[RMar0916 16nrlfR]

HIGHLANDS METROPOLITAN DISTRICT #2 (Residential)



Development Projection at 50.00 (target) District Mills, plus fees

Series 2016 G.O. Bonds; Non-Rated, 130x, 30-yr. Maturity; plus Series 2016B Cash-Flow Subs.

Cash-Flow Subs. > > >

| YEAR | Surplus Available for Sub. Debt Service | Date Bonds Issued | Total Available for Sub Debt Service | Sub Bond Interest on Balance 7.75% | Less Payments Toward Sub Bond Interest | Accrued Interest + Int. on Bal. @ 7.75% | Less Payments Toward Accrued Interest | Balance of Accrued Interest | Sub Bonds Principal Issued | Less Payments Toward Bond Principal | Balance of Sub Bond Principal | Surplus Cash Flow to District |
|------|--|-------------------------|---|---|---|--|---|-----------------------------------|----------------------------------|---|-------------------------------------|-------------------------------------|
| 2013 | | | | | | | | | | | | |
| 2014 | | | | | | | | | | | | |
| 2015 | | | | | | | | | | | | |
| 2016 | \$0 | 6/1/16 | 0 | \$49,281 | \$0 | \$49,281 | \$0 | \$49,281 | \$1,180,000 | \$0 | \$1,180,000 | 0 |
| 2017 | 0 | | 0 | 91,450 | 0 | 95,269 | 0 | 144,551 | | 0 | 1,180,000 | 0 |
| 2018 | 0 | | 0 | 91,450 | 0 | 102,653 | 0 | 247,203 | | 0 | 1,180,000 | 0 |
| 2019 | 0 | | 0 | 91,450 | 0 | 110,608 | 0 | 357,812 | | 0 | 1,180,000 | 0 |
| 2020 | 0 | | 0 | 91,450 | 0 | 119,180 | 0 | 476,992 | | 0 | 1,180,000 | 0 |
| 2021 | 88,359 | | 88,359 | 91,450 | 88,359 | 40,058 | 0 | 517,050 | | 0 | 1,180,000 | 0 |
| 2022 | 118,058 | | 118,058 | 91,450 | 91,450 | 40,071 | 26,608 | 530,513 | | 0 | 1,180,000 | 0 |
| 2023 | 116,795 | | 116,795 | 91,450 | 91,450 | 41,115 | 25,345 | 546,283 | | 0 | 1,180,000 | 0 |
| 2024 | 120,661 | | 120,661 | 91,450 | 91,450 | 42,337 | 29,211 | 559,409 | | 0 | 1,180,000 | 0 |
| 2025 | 120,261 | | 120,261 | 91,450 | 91,450 | 43,354 | 28,811 | 573,952 | | 0 | 1,180,000 | 0 |
| 2026 | 120,186 | | 120,186 | 91,450 | 91,450 | 44,481 | 28,736 | 589,697 | | 0 | 1,180,000 | 0 |
| 2027 | 666,936 | | 666,936 | 91,450 | 91,450 | 45,701 | 575,486 | 59,912 | | 0 | 1,180,000 | 0 |
| 2028 | 122,212 | | 122,212 | 91,450 | 91,450 | 4,643 | 30,762 | 33,793 | | 0 | 1,180,000 | 0 |
| 2029 | 124,112 | | 124,112 | 91,450 | 91,450 | 2,619 | 32,662 | 3,749 | | 0 | 1,180,000 | 0 |
| 2030 | 126,743 | | 126,743 | 91,450 | 91,450 | 291 | 4,040 | 0 | | 31,000 | 1,149,000 | 253 |
| 2031 | 124,793 | | 124,793 | 89,048 | 89,048 | 0 | 0 | 0 | | 35,000 | 1,114,000 | 746 |
| 2032 | 129,070 | | 129,070 | 86,335 | 86,335 | 0 | 0 | 0 | | 42,000 | 1,072,000 | 735 |
| 2033 | 128,558 | | 128,558 | 83,080 | 83,080 | 0 | 0 | 0 | | 45,000 | 1,027,000 | 478 |
| 2034 | 129,485 | | 129,485 | 79,593 | 79,593 | 0 | 0 | 0 | | 49,000 | 978,000 | 893 |
| 2035 | 130,698 | | 130,698 | 75,795 | 75,795 | 0 | 0 | 0 | | 54,000 | 924,000 | 903 |
| 2036 | 133,568 | | 133,568 | 71,610 | 71,610 | 0 | 0 | 0 | | 61,000 | 863,000 | 958 |
| 2037 | 131,505 | | 131,505 | 66,883 | 66,883 | 0 | 0 | 0 | | 64,000 | 799,000 | 623 |
| 2038 | 136,609 | | 136,609 | 61,923 | 61,923 | 0 | 0 | 0 | | 74,000 | 725,000 | 687 |
| 2039 | 136,559 | | 136,559 | 56,188 | 56,188 | 0 | 0 | 0 | | 80,000 | 645,000 | 372 |
| 2040 | 138,902 | | 138,902 | 49,988 | 49,988 | 0 | 0 | 0 | | 88,000 | 557,000 | 915 |
| 2041 | 136,152 | | 136,152 | 43,168 | 43,168 | 0 | 0 | 0 | | 92,000 | 465,000 | 985 |
| 2042 | 141,313 | | 141,313 | 36,038 | 36,038 | 0 | 0 | 0 | | 105,000 | 360,000 | 275 |
| 2043 | 141,150 | | 141,150 | 27,900 | 27,900 | 0 | 0 | 0 | | 113,000 | 247,000 | 250 |
| 2044 | 144,134 | | 144,134 | 19,143 | 19,143 | 0 | 0 | 0 | | 124,000 | 123,000 | 991 |
| 2045 | 145,446 | | 145,446 | 9,533 | 9,533 | 0 | 0 | 0 | | 123,000 | 0 | 12,914 |
| | 3,752,269 | | 3,752,269 | 2,185,801 | 1,767,629 | 781,662 | 781,662 | | 1,180,000 | 1,180,000 | | 22,978 |

COI (est.): 35,400
Proceeds: 1,144,600

HIGHLANDS METROPOLITAN DISTRICT #2 (Residential)

Operations Revenue and Expense Projection



| YEAR | Total Assessed Value | Oper'n's Mill Levy | Total Collections @ 98% | S.O. Taxes Collected @ 6% | Total Available For O&M | Total Mills |
|------|----------------------------|-----------------------|-------------------------------|---------------------------------|-------------------------------|----------------|
| 2013 | | | | | | |
| 2014 | | | | | | |
| 2015 | 0 | 5.000 | 0 | 0 | 0 | 55.000 |
| 2016 | 0 | 5.000 | 0 | 0 | 0 | 55.000 |
| 2017 | 853,325 | 5.000 | 4,181 | 251 | 4,432 | 55.000 |
| 2018 | 3,273,130 | 5.000 | 16,038 | 962 | 17,001 | 55.000 |
| 2019 | 5,879,393 | 5.000 | 28,809 | 1,729 | 30,538 | 55.000 |
| 2020 | 8,248,877 | 5.000 | 40,419 | 2,425 | 42,845 | 55.000 |
| 2021 | 9,287,593 | 5.000 | 45,509 | 2,731 | 48,240 | 55.000 |
| 2022 | 9,473,345 | 5.000 | 46,419 | 2,785 | 49,205 | 55.000 |
| 2023 | 9,473,345 | 5.000 | 46,419 | 2,785 | 49,205 | 55.000 |
| 2024 | 9,662,811 | 5.000 | 47,348 | 2,841 | 50,189 | 55.000 |
| 2025 | 9,662,811 | 5.000 | 47,348 | 2,841 | 50,189 | 55.000 |
| 2026 | 9,856,068 | 5.000 | 48,295 | 2,898 | 51,192 | 55.000 |
| 2027 | 9,856,068 | 5.000 | 48,295 | 2,898 | 51,192 | 55.000 |
| 2028 | 10,053,189 | 5.000 | 49,261 | 2,956 | 52,216 | 55.000 |
| 2029 | 10,053,189 | 5.000 | 49,261 | 2,956 | 52,216 | 55.000 |
| 2030 | 10,254,253 | 5.000 | 50,246 | 3,015 | 53,261 | 55.000 |
| 2031 | 10,254,253 | 5.000 | 50,246 | 3,015 | 53,261 | 55.000 |
| 2032 | 10,459,338 | 5.000 | 51,251 | 3,075 | 54,326 | 55.000 |
| 2033 | 10,459,338 | 5.000 | 51,251 | 3,075 | 54,326 | 55.000 |
| 2034 | 10,668,525 | 5.000 | 52,276 | 3,137 | 55,412 | 55.000 |
| 2035 | 10,668,525 | 5.000 | 52,276 | 3,137 | 55,412 | 55.000 |
| 2036 | 10,881,895 | 5.000 | 53,321 | 3,199 | 56,521 | 55.000 |
| 2037 | 10,881,895 | 5.000 | 53,321 | 3,199 | 56,521 | 55.000 |
| 2038 | 11,099,533 | 5.000 | 54,388 | 3,263 | 57,651 | 55.000 |
| 2039 | 11,099,533 | 5.000 | 54,388 | 3,263 | 57,651 | 55.000 |
| 2040 | 11,321,524 | 5.000 | 55,475 | 3,329 | 58,804 | 55.000 |
| 2041 | 11,321,524 | 5.000 | 55,475 | 3,329 | 58,804 | 55.000 |
| 2042 | 11,547,954 | 5.000 | 56,585 | 3,395 | 59,980 | 55.000 |
| 2043 | 11,547,954 | 5.000 | 56,585 | 3,395 | 59,980 | 55.000 |
| 2044 | 11,778,913 | 5.000 | 57,717 | 3,463 | 61,180 | 55.000 |
| 2045 | 11,778,913 | 5.000 | 57,717 | 3,463 | 61,180 | 55.000 |
| | | | 1,380,119 | 82,807 | 1,462,927 | |

HIGHLANDS METROPOLITAN DISTRICT #2 (Residential)

Development Projection -- Buildout Plan (updated 2/17/16)

| YEAR | Residential Development | | | | | Residential Summary | | | |
|------|--------------------------------|----------------|-------------------------|------------------|-------------|--------------------------------------|----------------------|--|--|
| | <u>SFDs</u> | | | | | Total Residential Market Value | Total Res'l Units | Total Res'l Facility Fees @ \$2,500/unit | Annual Market Value +/- of Platted & Developed Lots |
| | Incr/(Decr) in Finished Lot | | # Units | Price | Market | | | | |
| | # Lots Devel'd | Value @ 10% | Completed 210 target | Inflated @ 2% | | | | | |
| | | | | | | | | | |
| 2013 | 0 | 0 | | \$535,000 | 0 | \$0 | 0 | 0 | 0 |
| 2014 | 0 | 0 | | 535,000 | 0 | 0 | 0 | 0 | 0 |
| 2015 | 55 | 2,942,500 | | 535,000 | 0 | 0 | 0 | 0 | 2,942,500 |
| 2016 | 60 | 267,500 | 55 | 535,000 | 29,425,000 | 29,425,000 | 55 | 137,500 | 267,500 |
| 2017 | 60 | 0 | 60 | 545,700 | 32,742,000 | 32,742,000 | 60 | 150,000 | 0 |
| 2018 | 35 | (1,337,500) | 60 | 556,614 | 33,396,840 | 33,396,840 | 60 | 150,000 | (1,337,500) |
| 2019 | 0 | (1,872,500) | 35 | 567,746 | 19,871,120 | 19,871,120 | 35 | 87,500 | (1,872,500) |
| 2020 | 0 | 0 | 0 | 579,101 | 0 | 0 | 0 | 0 | 0 |
| 2021 | 0 | 0 | 0 | 590,683 | 0 | 0 | 0 | 0 | 0 |
| 2022 | 0 | 0 | 0 | 602,497 | 0 | 0 | 0 | 0 | 0 |
| 2023 | 0 | 0 | 0 | 614,547 | 0 | 0 | 0 | 0 | 0 |
| 2024 | 0 | 0 | 0 | 626,838 | 0 | 0 | 0 | 0 | 0 |
| 2025 | 0 | 0 | 0 | 639,375 | 0 | 0 | 0 | 0 | 0 |
| 2026 | 0 | 0 | 0 | 652,162 | 0 | 0 | 0 | 0 | 0 |
| 2027 | 0 | 0 | 0 | 665,205 | 0 | 0 | 0 | 0 | 0 |
| 2028 | 0 | 0 | 0 | 678,509 | 0 | 0 | 0 | 0 | 0 |
| 2029 | 0 | 0 | 0 | 692,080 | 0 | 0 | 0 | 0 | 0 |
| 2030 | 0 | 0 | 0 | 705,921 | 0 | 0 | 0 | 0 | 0 |
| 2031 | 0 | 0 | 0 | 720,040 | 0 | 0 | 0 | 0 | 0 |
| 2032 | 0 | 0 | 0 | 734,440 | 0 | 0 | 0 | 0 | 0 |
| 2033 | | 0 | 0 | 749,129 | 0 | 0 | 0 | 0 | 0 |
| | 210 | 0 | 210 | | 115,434,960 | 115,434,960 | 210 | 525,000 | 0 |

SOURCES AND USES OF FUNDS

HIGHLANDS METROPOLITAN DISTRICTS #2 (Residential) GENERAL OBLIGATION BONDS, SERIES 2016 50.00 (target) Mills Non-Rated, 130x, 30-yr. Maturity [Preliminary -- for discussion only]

| | |
|---------------|------------|
| Dated Date | 06/01/2016 |
| Delivery Date | 06/01/2016 |

Sources:

| | |
|----------------|--------------|
| Bond Proceeds: | |
| Par Amount | 5,460,000.00 |
| | 5,460,000.00 |

Uses:

| | |
|---------------------------|--------------|
| Project Fund Deposits: | |
| Project Fund | 2,947,949.92 |
| Restricted Account* | 1,356,000.00 |
| | 4,303,949.92 |
| Other Fund Deposits: | |
| Capitalized Interest Fund | 469,050.08 |
| Debt Service Reserve Fund | 468,600.00 |
| | 937,650.08 |
| Delivery Date Expenses: | |
| Cost of Issuance | 218,400.00 |
| | 5,460,000.00 |

Note: [*] 86 Lots; Release at closing to Builder.

BOND SUMMARY STATISTICS

HIGHLANDS METROPOLITAN DISTRICTS #2 (Residential) GENERAL OBLIGATION BONDS, SERIES 2016 50.00 (target) Mills Non-Rated, 130x, 30-yr. Maturity [Preliminary -- for discussion only]

| | |
|-----------------------------------|----------------|
| Dated Date | 06/01/2016 |
| Delivery Date | 06/01/2016 |
| First Coupon | 12/01/2016 |
| Last Maturity | 12/01/2045 |
| Arbitrage Yield | 5.750000% |
| True Interest Cost (TIC) | 5.750000% |
| Net Interest Cost (NIC) | 5.750000% |
| All-In TIC | 6.093779% |
| Average Coupon | 5.750000% |
| Average Life (years) | 22.003 |
| Weighted Average Maturity (years) | 22.003 |
| Duration of Issue (years) | 12.342 |
| Par Amount | 5,460,000.00 |
| Bond Proceeds | 5,460,000.00 |
| Total Interest | 6,907,762.50 |
| Net Interest | 6,907,762.50 |
| Bond Years from Dated Date | 120,135,000.00 |
| Bond Years from Delivery Date | 120,135,000.00 |
| Total Debt Service | 12,367,762.50 |
| Maximum Annual Debt Service | 935,887.50 |
| Average Annual Debt Service | 419,246.19 |
| Underwriter's Fees (per \$1000) | |
| Average Takedown | |
| Other Fee | |
| Total Underwriter's Discount | |
| Bid Price | 100.000000 |

| Bond Component | Par Value | Price | Average Coupon | Average Life | PV of 1 bp change |
|--------------------|--------------|---------|----------------|--------------|-------------------|
| Term Bond due 2045 | 5,460,000.00 | 100.000 | 5.750% | 22.003 | 7,753.20 |
| | 5,460,000.00 | | | 22.003 | 7,753.20 |

| | TIC | All-In TIC | Arbitrage Yield |
|----------------------------|--------------|--------------|-----------------|
| Par Value | 5,460,000.00 | 5,460,000.00 | 5,460,000.00 |
| + Accrued Interest | | | |
| + Premium (Discount) | | | |
| - Underwriter's Discount | | | |
| - Cost of Issuance Expense | | -218,400.00 | |
| - Other Amounts | | | |
| Target Value | 5,460,000.00 | 5,241,600.00 | 5,460,000.00 |
| Target Date | 06/01/2016 | 06/01/2016 | 06/01/2016 |
| Yield | 5.750000% | 6.093779% | 5.750000% |

BOND DEBT SERVICE

HIGHLANDS METROPOLITAN DISTRICTS #2 (Residential) GENERAL OBLIGATION BONDS, SERIES 2016 50.00 (target) Mills Non-Rated, 130x, 30-yr. Maturity [Preliminary -- for discussion only]

| Period Ending | Principal | Coupon | Interest | Debt Service | Annual Debt Service |
|------------------|-----------|--------|--------------|---------------|------------------------|
| 12/01/2016 | | | 156,975.00 | 156,975.00 | 156,975.00 |
| 06/01/2017 | | | 156,975.00 | 156,975.00 | |
| 12/01/2017 | | | 156,975.00 | 156,975.00 | 313,950.00 |
| 06/01/2018 | | | 156,975.00 | 156,975.00 | |
| 12/01/2018 | | | 156,975.00 | 156,975.00 | 313,950.00 |
| 06/01/2019 | | | 156,975.00 | 156,975.00 | |
| 12/01/2019 | | | 156,975.00 | 156,975.00 | 313,950.00 |
| 06/01/2020 | | | 156,975.00 | 156,975.00 | |
| 12/01/2020 | 15,000 | 5.750% | 156,975.00 | 171,975.00 | 328,950.00 |
| 06/01/2021 | | | 156,543.75 | 156,543.75 | |
| 12/01/2021 | 55,000 | 5.750% | 156,543.75 | 211,543.75 | 368,087.50 |
| 06/01/2022 | | | 154,962.50 | 154,962.50 | |
| 12/01/2022 | 65,000 | 5.750% | 154,962.50 | 219,962.50 | 374,925.00 |
| 06/01/2023 | | | 153,093.75 | 153,093.75 | |
| 12/01/2023 | 70,000 | 5.750% | 153,093.75 | 223,093.75 | 376,187.50 |
| 06/01/2024 | | | 151,081.25 | 151,081.25 | |
| 12/01/2024 | 80,000 | 5.750% | 151,081.25 | 231,081.25 | 382,162.50 |
| 06/01/2025 | | | 148,781.25 | 148,781.25 | |
| 12/01/2025 | 85,000 | 5.750% | 148,781.25 | 233,781.25 | 382,562.50 |
| 06/01/2026 | | | 146,337.50 | 146,337.50 | |
| 12/01/2026 | 100,000 | 5.750% | 146,337.50 | 246,337.50 | 392,675.00 |
| 06/01/2027 | | | 143,462.50 | 143,462.50 | |
| 12/01/2027 | 105,000 | 5.750% | 143,462.50 | 248,462.50 | 391,925.00 |
| 06/01/2028 | | | 140,443.75 | 140,443.75 | |
| 12/01/2028 | 120,000 | 5.750% | 140,443.75 | 260,443.75 | 400,887.50 |
| 06/01/2029 | | | 136,993.75 | 136,993.75 | |
| 12/01/2029 | 125,000 | 5.750% | 136,993.75 | 261,993.75 | 398,987.50 |
| 06/01/2030 | | | 133,400.00 | 133,400.00 | |
| 12/01/2030 | 140,000 | 5.750% | 133,400.00 | 273,400.00 | 406,800.00 |
| 06/01/2031 | | | 129,375.00 | 129,375.00 | |
| 12/01/2031 | 150,000 | 5.750% | 129,375.00 | 279,375.00 | 408,750.00 |
| 06/01/2032 | | | 125,062.50 | 125,062.50 | |
| 12/01/2032 | 165,000 | 5.750% | 125,062.50 | 290,062.50 | 415,125.00 |
| 06/01/2033 | | | 120,318.75 | 120,318.75 | |
| 12/01/2033 | 175,000 | 5.750% | 120,318.75 | 295,318.75 | 415,637.50 |
| 06/01/2034 | | | 115,287.50 | 115,287.50 | |
| 12/01/2034 | 195,000 | 5.750% | 115,287.50 | 310,287.50 | 425,575.00 |
| 06/01/2035 | | | 109,681.25 | 109,681.25 | |
| 12/01/2035 | 205,000 | 5.750% | 109,681.25 | 314,681.25 | 424,362.50 |
| 06/01/2036 | | | 103,787.50 | 103,787.50 | |
| 12/01/2036 | 225,000 | 5.750% | 103,787.50 | 328,787.50 | 432,575.00 |
| 06/01/2037 | | | 97,318.75 | 97,318.75 | |
| 12/01/2037 | 240,000 | 5.750% | 97,318.75 | 337,318.75 | 434,637.50 |
| 06/01/2038 | | | 90,418.75 | 90,418.75 | |
| 12/01/2038 | 260,000 | 5.750% | 90,418.75 | 350,418.75 | 440,837.50 |
| 06/01/2039 | | | 82,943.75 | 82,943.75 | |
| 12/01/2039 | 275,000 | 5.750% | 82,943.75 | 357,943.75 | 440,887.50 |
| 06/01/2040 | | | 75,037.50 | 75,037.50 | |
| 12/01/2040 | 300,000 | 5.750% | 75,037.50 | 375,037.50 | 450,075.00 |
| 06/01/2041 | | | 66,412.50 | 66,412.50 | |
| 12/01/2041 | 320,000 | 5.750% | 66,412.50 | 386,412.50 | 452,825.00 |
| 06/01/2042 | | | 57,212.50 | 57,212.50 | |
| 12/01/2042 | 345,000 | 5.750% | 57,212.50 | 402,212.50 | 459,425.00 |
| 06/01/2043 | | | 47,293.75 | 47,293.75 | |
| 12/01/2043 | 365,000 | 5.750% | 47,293.75 | 412,293.75 | 459,587.50 |
| 06/01/2044 | | | 36,800.00 | 36,800.00 | |
| 12/01/2044 | 395,000 | 5.750% | 36,800.00 | 431,800.00 | 468,600.00 |
| 06/01/2045 | | | 25,443.75 | 25,443.75 | |
| 12/01/2045 | 885,000 | 5.750% | 25,443.75 | 910,443.75 | 935,887.50 |
| | 5,460,000 | | 6,907,762.50 | 12,367,762.50 | 12,367,762.50 |

NET DEBT SERVICE

**HIGHLANDS METROPOLITAN DISTRICTS #2 (Residential)
GENERAL OBLIGATION BONDS, SERIES 2016
50.00 (target) Mills
Non-Rated, 130x, 30-yr. Maturity
[Preliminary -- for discussion only]**

| Period Ending | Principal | Interest | Total Debt Service | Debt Service Reserve Fund | Capitalized Interest Fund | Net Debt Service |
|------------------|-----------|--------------|-----------------------|------------------------------|---------------------------------|---------------------|
| 12/01/2016 | | 156,975.00 | 156,975.00 | | -156,975 | |
| 12/01/2017 | | 313,950.00 | 313,950.00 | | -313,950 | |
| 12/01/2018 | | 313,950.00 | 313,950.00 | -937.20 | | 313,012.80 |
| 12/01/2019 | | 313,950.00 | 313,950.00 | -937.20 | | 313,012.80 |
| 12/01/2020 | 15,000 | 313,950.00 | 328,950.00 | -937.20 | | 328,012.80 |
| 12/01/2021 | 55,000 | 313,087.50 | 368,087.50 | -937.20 | | 367,150.30 |
| 12/01/2022 | 65,000 | 309,925.00 | 374,925.00 | -937.20 | | 373,987.80 |
| 12/01/2023 | 70,000 | 306,187.50 | 376,187.50 | -937.20 | | 375,250.30 |
| 12/01/2024 | 80,000 | 302,162.50 | 382,162.50 | -937.20 | | 381,225.30 |
| 12/01/2025 | 85,000 | 297,562.50 | 382,562.50 | -937.20 | | 381,625.30 |
| 12/01/2026 | 100,000 | 292,675.00 | 392,675.00 | -937.20 | | 391,737.80 |
| 12/01/2027 | 105,000 | 286,925.00 | 391,925.00 | -937.20 | | 390,987.80 |
| 12/01/2028 | 120,000 | 280,887.50 | 400,887.50 | -937.20 | | 399,950.30 |
| 12/01/2029 | 125,000 | 273,987.50 | 398,987.50 | -937.20 | | 398,050.30 |
| 12/01/2030 | 140,000 | 266,800.00 | 406,800.00 | -937.20 | | 405,862.80 |
| 12/01/2031 | 150,000 | 258,750.00 | 408,750.00 | -937.20 | | 407,812.80 |
| 12/01/2032 | 165,000 | 250,125.00 | 415,125.00 | -937.20 | | 414,187.80 |
| 12/01/2033 | 175,000 | 240,637.50 | 415,637.50 | -937.20 | | 414,700.30 |
| 12/01/2034 | 195,000 | 230,575.00 | 425,575.00 | -937.20 | | 424,637.80 |
| 12/01/2035 | 205,000 | 219,362.50 | 424,362.50 | -937.20 | | 423,425.30 |
| 12/01/2036 | 225,000 | 207,575.00 | 432,575.00 | -937.20 | | 431,637.80 |
| 12/01/2037 | 240,000 | 194,637.50 | 434,637.50 | -937.20 | | 433,700.30 |
| 12/01/2038 | 260,000 | 180,837.50 | 440,837.50 | -937.20 | | 439,900.30 |
| 12/01/2039 | 275,000 | 165,887.50 | 440,887.50 | -937.20 | | 439,950.30 |
| 12/01/2040 | 300,000 | 150,075.00 | 450,075.00 | -937.20 | | 449,137.80 |
| 12/01/2041 | 320,000 | 132,825.00 | 452,825.00 | -937.20 | | 451,887.80 |
| 12/01/2042 | 345,000 | 114,425.00 | 459,425.00 | -937.20 | | 458,487.80 |
| 12/01/2043 | 365,000 | 94,587.50 | 459,587.50 | -937.20 | | 458,650.30 |
| 12/01/2044 | 395,000 | 73,600.00 | 468,600.00 | -937.20 | | 467,662.80 |
| 12/01/2045 | 885,000 | 50,887.50 | 935,887.50 | -469,537.20 | | 466,350.30 |
| | 5,460,000 | 6,907,762.50 | 12,367,762.50 | -494,841.60 | -470,925 | 11,401,995.90 |

BOND SOLUTION

HIGHLANDS METROPOLITAN DISTRICTS #2 (Residential) GENERAL OBLIGATION BONDS, SERIES 2016 50.00 (target) Mills Non-Rated, 130x, 30-yr. Maturity [Preliminary -- for discussion only]

| Period Ending | Proposed Principal | Proposed Debt Service | Debt Service Adjustments | Total Adj Debt Service | Revenue Constraints | Unused Revenues | Debt Serv Coverage |
|---------------|--------------------|-----------------------|--------------------------|------------------------|---------------------|-----------------|--------------------|
| 12/01/2016 | | 156,975 | -156,975 | | | | |
| 12/01/2017 | | 313,950 | -313,950 | | 44,322 | 44,322 | |
| 12/01/2018 | | 313,950 | -937 | 313,013 | 170,006 | -143,006 | 54.31291% |
| 12/01/2019 | | 313,950 | -937 | 313,013 | 305,376 | -7,637 | 97.56013% |
| 12/01/2020 | 15,000 | 328,950 | -937 | 328,013 | 428,447 | 100,434 | 130.61888% |
| 12/01/2021 | 55,000 | 368,088 | -937 | 367,150 | 482,398 | 115,247 | 131.38967% |
| 12/01/2022 | 65,000 | 374,925 | -937 | 373,988 | 492,046 | 118,058 | 131.56726% |
| 12/01/2023 | 70,000 | 376,188 | -937 | 375,250 | 492,046 | 116,795 | 131.12461% |
| 12/01/2024 | 80,000 | 382,163 | -937 | 381,225 | 501,886 | 120,661 | 131.65087% |
| 12/01/2025 | 85,000 | 382,563 | -937 | 381,625 | 501,886 | 120,261 | 131.51288% |
| 12/01/2026 | 100,000 | 392,675 | -937 | 391,738 | 511,924 | 120,186 | 130.68030% |
| 12/01/2027 | 105,000 | 391,925 | -937 | 390,988 | 511,924 | 120,936 | 130.93098% |
| 12/01/2028 | 120,000 | 400,888 | -937 | 399,950 | 522,163 | 122,212 | 130.55688% |
| 12/01/2029 | 125,000 | 398,988 | -937 | 398,050 | 522,163 | 124,112 | 131.18006% |
| 12/01/2030 | 140,000 | 406,800 | -937 | 405,863 | 532,606 | 126,743 | 131.22806% |
| 12/01/2031 | 150,000 | 408,750 | -937 | 407,813 | 532,606 | 124,793 | 130.60058% |
| 12/01/2032 | 165,000 | 415,125 | -937 | 414,188 | 543,258 | 129,070 | 131.16224% |
| 12/01/2033 | 175,000 | 415,638 | -937 | 414,700 | 543,258 | 128,558 | 131.00015% |
| 12/01/2034 | 195,000 | 425,575 | -937 | 424,638 | 554,123 | 129,485 | 130.49313% |
| 12/01/2035 | 205,000 | 424,363 | -937 | 423,425 | 554,123 | 130,698 | 130.86681% |
| 12/01/2036 | 225,000 | 432,575 | -937 | 431,638 | 565,206 | 133,568 | 130.94442% |
| 12/01/2037 | 240,000 | 434,638 | -937 | 433,700 | 565,206 | 131,505 | 130.32171% |
| 12/01/2038 | 260,000 | 440,838 | -937 | 439,900 | 576,510 | 136,609 | 131.05464% |
| 12/01/2039 | 275,000 | 440,888 | -937 | 439,950 | 576,510 | 136,559 | 131.03974% |
| 12/01/2040 | 300,000 | 450,075 | -937 | 449,138 | 588,040 | 138,902 | 130.92640% |
| 12/01/2041 | 320,000 | 452,825 | -937 | 451,888 | 588,040 | 136,152 | 130.12963% |
| 12/01/2042 | 345,000 | 459,425 | -937 | 458,488 | 599,801 | 141,313 | 130.82153% |
| 12/01/2043 | 365,000 | 459,588 | -937 | 458,650 | 599,801 | 141,150 | 130.77518% |
| 12/01/2044 | 395,000 | 468,600 | -937 | 467,663 | 611,797 | 144,134 | 130.82006% |
| 12/01/2045 | 885,000 | 935,888 | -469,537 | 466,350 | 611,797 | 145,446 | 131.18824% |
| | 5,460,000 | 12,367,763 | -965,767 | 11,401,996 | 14,629,265 | 3,227,269 | |

SOURCES AND USES OF FUNDS

**HIGHLANDS METROPOLITAN DISTRICTS #2 (Residential)
SUBORDINATE BONDS, SERIES 2016B
Non-Rated, Cash-Flow Bonds, Annual Pay, 12/15/2045 (Stated) Maturity
[Preliminary -- for discussion only]**

| | |
|---------------|------------|
| Dated Date | 06/01/2016 |
| Delivery Date | 06/01/2016 |

Sources:

| | |
|----------------|--------------|
| <hr/> | |
| Bond Proceeds: | |
| Par Amount | 1,180,000.00 |
| | <hr/> |
| | 1,180,000.00 |
| | <hr/> <hr/> |

Uses:

| | |
|-------------------------|------------------|
| <hr/> | |
| Project Fund Deposits: | |
| Project Fund | 675,600.00 |
| Restricted Account* | <hr/> 469,000.00 |
| | 1,144,600.00 |
| | |
| Delivery Date Expenses: | |
| Underwriter's Discount | 35,400.00 |
| | <hr/> |
| | 1,180,000.00 |
| | <hr/> <hr/> |

BOND PRICING

**HIGHLANDS METROPOLITAN DISTRICTS #2 (Residential)
SUBORDINATE BONDS, SERIES 2016B
Non-Rated, Cash-Flow Bonds, Annual Pay, 12/15/2045 (Stated) Maturity
[Preliminary -- for discussion only]**

| Bond Component | Maturity Date | Amount | Rate | Yield | Price |
|---------------------|---------------|-----------|--------|--------|---------|
| Term Bond due 2045: | 12/15/2045 | 1,180,000 | 7.750% | 7.750% | 100.000 |
| | | 1,180,000 | | | |

| | | |
|-------------------------|--------------|-------------|
| Dated Date | 06/01/2016 | |
| Delivery Date | 06/01/2016 | |
| First Coupon | 12/15/2016 | |
| Par Amount | 1,180,000.00 | |
| Original Issue Discount | | |
| Production | 1,180,000.00 | 100.000000% |
| Underwriter's Discount | -35,400.00 | -3.000000% |
| Purchase Price | 1,144,600.00 | 97.000000% |
| Accrued Interest | | |
| Net Proceeds | 1,144,600.00 | |