



CONSOLIDATED SERVICE PLAN

VAIL SQUARE METROPOLITAN DISTRICT NOS. 1, 2 & 3

TOWN OF VAIL, COLORADO

April 26, 2005

Prepared

by

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I. INTRODUCTION

A. Purpose and Intent.

The Districts are independent units of local government, separate and distinct from the Town, and, except as may otherwise be provided for by State or local law or this Service Plan, their activities are subject to review by the Town only insofar as they may deviate in a material matter from the requirements of the Service Plan. It is intended that the Districts will provide a part or all of various Public Improvements necessary and appropriate for the development of a project within the "Lionshead Core" area within the Town of Vail to be known as "Vail Square" (the "Project"). The Public Improvements will be constructed for the use and benefit of all anticipated inhabitants and taxpayers of the Districts. The primary purpose of the Districts will be to finance the construction of these Public Improvements. The Districts are not being created to provide ongoing operations and maintenance services other than as specifically set forth in this Service Plan.

District No. 1 is proposed to be the Operating District, and is expected to coordinate the financing and construction of all Public Improvements. District Nos. 2 and 3 are proposed to be the Taxing Districts. District No. 2 is proposed to encompass residential development. District No. 3 is proposed to encompass non-residential development. The Districts may, however, include any mix of residential and non-residential development.

B. Need for the Districts.

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

C. Objective of the Town Regarding Districts Service Plans.

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

This Service Plan is intended to establish a limited purpose for the Districts and explicit financial constraints that are not to be violated under any circumstances. The primary purpose is to provide for the Public Improvements associated with development of the Project. Operational activities are allowed in accordance with the provisions of Section V.A.1. It is the intent of the Districts to dissolve upon payment or defeasance of all Debt incurred or upon a court

determination that adequate provision has been made for the payment of all Debt, and if any District has authorized operating functions under an intergovernmental agreement with the Town, to retain only the power necessary to impose and collect taxes or fees to pay for these costs.

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

II. DEFINITIONS

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

Approved Development Plan: means those approvals contemplated by that certain “Core Site Development Agreement” between the Town, the Vail Reinvestment Authority and The Vail Corporation dated as of November 8, 2004 (the “Development Agreement”) or other process established by the Town consistent with the terms of the Development Agreement for identifying, among other things, Public Improvements necessary for facilitating development for property within the Service Area as approved by the Town pursuant to the Town Code and as amended pursuant to the Town Code from time to time.

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

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

Town: means the Town of Vail, Colorado.

Town Code: means the Town Code of the Town of Vail, Colorado.

Town Council: means the Town Council of the Town of Vail, Colorado.

District: means any one of the Vail Square Metropolitan District No. 1 through 3.

Inclusion Area Boundaries: means the boundaries of the subdivided areas in the airspace above the Initial District Boundaries that may exist from time to time through subsequent plats establishing such areas in accordance with the Approved Development Plan.

Initial District Boundaries: means the initial boundaries of the Districts as described in Exhibit A attached hereto and as depicted on the Initial District Boundary Map.

Districts' Initial Boundaries Map: means the map attached hereto as **Exhibit C** describing the initial boundaries of the Districts.

District No. 1: means the Vail Square Metropolitan District No. 1.

District No. 2: means the Vail Square Metropolitan District No. 2

District No. 3: means the Vail Square Metropolitan District No. 3.

Districts: means District No. 1, District No. 2 and District No. 3 collectively.

External Financial Advisor: means a consultant that: (i) advises Colorado governmental entities on matters relating to the issuance of securities by Colorado governmental entities, including matters such as the pricing, sales and marketing of such securities and the procuring of bond ratings, credit enhancement and insurance in respect of such securities; (ii) shall be an underwriter, investment banker, or individual listed as a public finance advisor in the Bond Buyer's Municipal Market Place; and (iii) is not an officer or employee of the District and has not been otherwise engaged to provide services in connection with the transaction related to the applicable Debt.

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

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

Maximum Debt Mill Levy Imposition Term: means the maximum term for imposition of a mill levy on a particular property developed for residential uses as set forth in Section VI.F below.

Operating District: means District No. 1.

Project: means the development or property commonly referred to as Vail Square, consisting of an area including approximately 4.855 acres within the Town of Vail, located adjacent to the base of the Eagle Bahn Gondola.

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

Service Area: means the property within the Initial District Boundaries and the Inclusion Area Boundaries.

Service Plan: means this service plan for the Districts approved by Town Council.

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

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

State: means the State of Colorado.

Taxing District: means District Nos. 2 and 3.

III. BOUNDARIES

The combined area within the Initial District Boundaries is approximately 4.855 acres. Legal descriptions of the boundaries of District No. 1, District No. 2 and District No. 3 are attached hereto as **Exhibit A**. A map of the Initial District Boundaries is attached hereto as **Exhibit B**. A vicinity map is attached hereto as **Exhibit C**. It is anticipated that the Districts' boundaries may change from time to time as it undergoes inclusions and exclusions pursuant to Section 32-1-401, et seq., C.R.S., and Section 32-1-501, et seq., C.R.S., subject to the limitations set forth in Article V below.

IV. PROPOSED LAND USE/POPULATION PROJECTIONS/ASSESSED VALUATION

The Service Area consists of approximately 4.855 acres of land. The current assessed valuation of the District Boundaries is \$5,238,300 for purposes of this Service Plan and, at build out, is expected to be sufficient to reasonably discharge the Debt under the Financial Plan. The population of the Districts at build-out is estimated to be approximately 150 people.

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

V. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES

A. Powers of the Districts and Service Plan Amendment.

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

1. Operations and Maintenance Limitation. The purpose of the Districts is to plan for, design, acquire, construct, install, relocate, redevelop and finance the Public Improvements. The Districts shall dedicate the Public Improvements to the Town or other appropriate jurisdiction or owners association in a manner consistent with the Approved Development Plan and other rules and regulations of the Town and applicable provisions of the Town Code. The Districts shall not be authorized to operate and maintain any part or all of the Public Improvements, other than the On-Site Streetscape Improvements and the Lionshead Place Improvements, as those terms are defined in the Development Agreement, and any other portions of the Public Improvements as may otherwise be authorized by the Town Manager.

2. Construction Standards Limitation. The Districts will ensure that the Public Improvements are designed and constructed in accordance with the standards and specifications of the Town and of other governmental entities having proper jurisdiction and of those special districts that qualify as “interested parties” under Section 32-1-204(1), C.R.S., as applicable. The Districts will obtain the Town’s approval of civil engineering plans and will obtain applicable permits for construction and installation of Public Improvements prior to performing such work.

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

We are [I am] an External Financial Advisor within the meaning of the District’s Service Plan.

We [I] certify that (1) the net effective interest rate (calculated as defined in Section 32-1-103(12), C.R.S.) to be borne by [insert the designation of the Debt] does not exceed a reasonable current [tax-exempt] [taxable] interest rate, using criteria deemed appropriate by us [me] and based upon our [my] analysis of comparable high yield securities; and (2) the structure of [insert designation of the Debt], including maturities and early redemption provisions, is reasonable considering the financial circumstances of the District.

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

5. Debt Limitation. The Districts shall not be authorized to incur any indebtedness until such time as the Districts have approved and executed the form of Intergovernmental Agreement attached as Exhibit D.

6. Total Debt Issuance Limitation. The Districts shall not issue Debt in excess of \$20 Million.

7. Monies from Other Governmental Sources. The Districts shall not apply for or accept Conservation Trust Funds, Great Outdoors Colorado Funds, or other funds available from or through governmental or non-profit entities that the Town is eligible to apply

for, except pursuant to an intergovernmental agreement with the Town. This Section shall not apply to specific ownership taxes which shall be distributed to and a revenue source for the Districts without any limitation.

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

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

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

Any Debt, issued with a pledge or which results in a pledge, that exceeds the Maximum Debt Mill Levy and the Maximum Debt Mill Levy Imposition Term, shall be deemed a material modification of this Service Plan pursuant to Section 32-1-207, C.R.S. and shall not be an authorized issuance of Debt unless and until such material modification has been approved by the Town as part of a Service Plan Amendment.

9. Service Plan Amendment Requirement. This Service Plan has been designed with sufficient flexibility to enable the Districts to provide required services and facilities under evolving circumstances without the need for numerous amendments. Actions of the Districts which violate the limitations set forth in Sections V.A.1-7 above or in Section VI.B-G shall be deemed to be material modifications to this Service Plan and the Town shall be entitled to all remedies available under State and local law to enjoin such actions of the Districts.

B. Preliminary Engineering Survey.

The Districts shall have authority to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment, maintenance and financing of the Public Improvements within and without the boundaries of the Districts, to be more specifically defined in an Approved Development Plan. An estimate of the costs of the Public Improvements which may be planned for, designed, acquired, constructed, installed, relocated, redeveloped, maintained or financed was prepared based upon a preliminary engineering survey and estimates derived from the zoning on the property in the Service Area and is approximately \$10 Million.

All of the Public Improvements will be designed in such a way as to assure that the Public Improvements standards will be compatible with those of the Town and shall be in accordance with the requirements of the Approved Development Plan. All construction cost estimates are based on the assumption that construction conforms to applicable local, State or Federal requirements.

C. Multiple District Structure.

It is anticipated that the Districts, collectively, will undertake the financing and construction of the Public Improvements. The nature of the functions and services to be provided by each District shall be clarified in an intergovernmental agreement between and among the Districts. All such agreements will be designed to help assure the orderly development of the Public Improvements and essential services in accordance with the requirements of this Service Plan. Implementation of such intergovernmental agreement is essential to the orderly implementation of this Service Plan. Accordingly, any determination of any Board to set aside said intergovernmental agreement without the consent of all of the Districts shall be a material modification of the Service Plan. Said intergovernmental agreement may be amended by mutual agreement of the Districts without the need to amend this Service Plan.

VI. FINANCIAL PLAN

A. General.

The Districts shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment of the Public Improvements from their revenues and by and through the proceeds of Debt to be issued by the Districts. The Financial Plan for the Districts shall be to issue such Debt as the Districts can reasonably pay within the Maximum Debt Mill Levy Imposition Term from revenues derived from the Maximum Debt Mill Levy and other legally available revenues. The total Debt that the Districts shall be permitted to issue shall not exceed \$20 Million and shall be permitted to be issued on a schedule and in such year or years as the Districts determine shall meet the needs of the Financial Plan referenced above and shall be phased to serve development as it occurs. All bonds and other Debt issued by the Districts may be payable from any and all legally available revenues of the Districts, including general ad valorem taxes to be imposed upon all taxable property within the Districts. The Districts will also rely upon various other revenue sources authorized by law. These will include the power to assess fees, rates, tolls, penalties, or charges as provided in Section 32-1-1001(1), C.R.S., as amended from time to time.

B. Maximum Voted Interest Rate and Maximum Underwriting Discount.

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

C. Maximum Debt Mill Levy.

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

1. For the portion of any aggregate Debt which exceeds 50% of the District's assessed valuation, the Maximum Debt Mill Levy for such portion of Debt shall be fifty (50) mills less the number of mills necessary to pay unlimited mill levy Debt described in Section VII.C.2 below; provided that if, on or after January 1, 2005, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation applicable to such Debt may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board 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 for changes occurring after January 1, 2005, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

2. For the portion of any aggregate Debt which is equal to or less than 50% of the District's assessed valuation, either on the date of issuance or at any time thereafter, the mill levy to be imposed to repay such portion of Debt shall not be subject to the Maximum Debt Mill Levy and, as a result, the mill levy may be such amount as is necessary to pay the Debt service on such Debt, without limitation of rate.

3. For purposes of the foregoing, once Debt has been determined to be within Section VII.C.2 above, so that the District is entitled to pledge to its payment an unlimited ad valorem mill levy, such District may provide that such Debt shall remain secured by such unlimited mill levy, notwithstanding any subsequent change in such District's Debt to assessed ratio. All Debt issued by the Districts must be issued in compliance with the requirements of Section 32-1-1101, C.R.S. and all other requirements of State law.

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

D. Maximum Debt Mill Levy Imposition Term.

The Districts shall not impose a levy for repayment of any and all Debt (or use the proceeds of any mill levy for repayment of Debt) on any single property developed for residential uses which exceeds forty (40) years after the year of the initial imposition of such mill levy unless a majority of the Board of Directors of the District imposing the mill levy are residents of such District and have voted in favor of a refunding of a part or all of the Debt and such refunding will result in a net present value savings as set forth in Section 11-56-101, C.R.S.; et seq.

E. Debt Repayment Sources.

Each of the Districts may impose a mill levy on taxable property within its boundaries as a primary source of revenue for repayment of debt service and for operations and maintenance. The Districts may also rely upon various other revenue sources authorized by law.

At the Districts' discretion, these may include the power to assess fees, rates, tolls, penalties, or charges as provided in Section 32-1-1001(i), C.R.S., as amended from time to time. In no event shall the debt service mill levy in any District exceed the Maximum Debt Mill Levy or, for residential property within a District, the Maximum Debt Mill Levy Imposition Term, except pursuant to an intergovernmental agreement between the Operating District and the Town for Regional Improvements.

F. Debt Instrument Disclosure Requirement.

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

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

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

G. Security for Debt.

The Districts shall not pledge any revenue or property of the Town as security for the indebtedness set forth in this Service Plan. Approval of this Service Plan shall not be construed as a guarantee by the Town of payment of any of the Districts' obligations; nor shall anything in the Service Plan be construed so as to create any responsibility or liability on the part of the Town in the event of default by the Districts in the payment of any such obligation.

H. TABOR Compliance.

The Districts will comply with the provisions of TABOR. In the discretion of the Board, the Districts 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 Districts will remain under the control of the Districts' Boards.

I. Districts' Operating Costs.

The estimated cost of acquiring land, engineering services, legal services and administrative services, together with the estimated costs of the districts' organization and initial operations, are anticipated to be \$250,000, which will be eligible for reimbursement from Debt proceeds.

In addition to the capital costs of the Public Improvements, the Districts will require operating funds for administration and to plan and cause the Public Improvements to be constructed and maintained. The first year's operating budget is estimated to be \$250,000 which

is anticipated to be derived from property taxes and other revenues. The first year's operating budget is an estimate only, and variations from this estimate shall not be considered a material modification of this Service Plan.

The Maximum Debt Mill Levy for the repayment of Debt shall not apply to the District's ability to increase their mill levy as necessary for provision of operation and maintenance services to their taxpayers and service users.

VII. ANNUAL REPORT

A. General.

Each of the Districts shall be responsible for submitting an annual report to the Town Manager no later than August 1st of each year following the year in which the Order and Decree creating the District has been issued.

B. Reporting of Significant Events.

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

1. Boundary changes made to the District's boundary as of December 31 of the prior year.
2. Intergovernmental Agreements with other governmental entities entered into as of December 31 of the prior year.
3. A list of all facilities and improvements constructed by the Districts that have been dedicated to and accepted by the Town as of December 31 of the prior year.
4. The assessed valuation of the Districts for the current year.
5. Current year budget including a description of the Public Improvements to be constructed in such year.
6. Audit of the Districts financial statements, for the year ending December 31 of the previous year, prepared in accordance with generally accepted accounting principles or audit exemption, if applicable.
7. Notice of any uncured events of default by the District, which continue beyond a ninety (90) day period, under any Debt instrument.

VIII. DISSOLUTION

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

their outstanding indebtedness and other financial obligations as required pursuant to State statutes.

IX. DISCLOSURE TO PURCHASERS

The Districts will use reasonable efforts to assure that all developers of the property located within the Districts provide written notice to all purchasers of property in the Districts regarding the Maximum Debt Mill Levy, as well as a general description of the Districts' authority to impose and collect rates, fees, tolls and charges. The form of notice shall be filed with the Town prior to the initial issuance of the Debt of the District imposing the mill levy which is the subject of the Maximum Debt Mill Levy.

X. INTERGOVERNMENTAL AGREEMENT

The form of the intergovernmental agreement relating to the limitations imposed on the Districts' activities, is attached hereto as **Exhibit D**. The Districts shall approve the intergovernmental agreement in the form attached as **Exhibit D** at their first Board meeting after their organizational elections. Failure of the Districts to execute the intergovernmental agreement as required herein shall constitute a material modification and shall require a Service Plan Amendment. The Town Council shall approve the intergovernmental agreement in the form attached as **Exhibit D** at the public hearing approving the Service Plan.

XI. CONCLUSION

It is submitted that this Service Plan for the Districts, as required by Section 32-1-203(2), C.R.S. establishes that:

1. There is sufficient existing and projected need for organized service in the area to be serviced by the Districts;
2. The existing service in the area to be served by the Districts is inadequate for present and projected needs;
3. The Districts are capable of providing economical and sufficient service to the area within its proposed boundaries; and
4. The area to be included in the Districts does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis.

Respectfully submitted this ____ day of _____, 2005.

By: _____
Attorneys for the Proponents of the Districts

EXHIBIT A

Legal Descriptions

Vail Square Metropolitan District No. 1 – Lot 3, Lionshead Sixth Filing, Town of Vail,
County of Eagle, State of Colorado.

Vail Square Metropolitan District No. 2 – Lot 1, Lionshead Sixth Filing, Town of Vail,
County of Eagle, State of Colorado.

Vail Square Metropolitan District No. 3 – Lot 2, Lionshead Sixth Filing, Town of Vail,
County of Eagle, State of Colorado.

EXHIBIT B

Districts' Initial Boundaries Map

VAIL SQUARE METROPOLITAN DISTRICT
LIONSHED SIXTH FILING

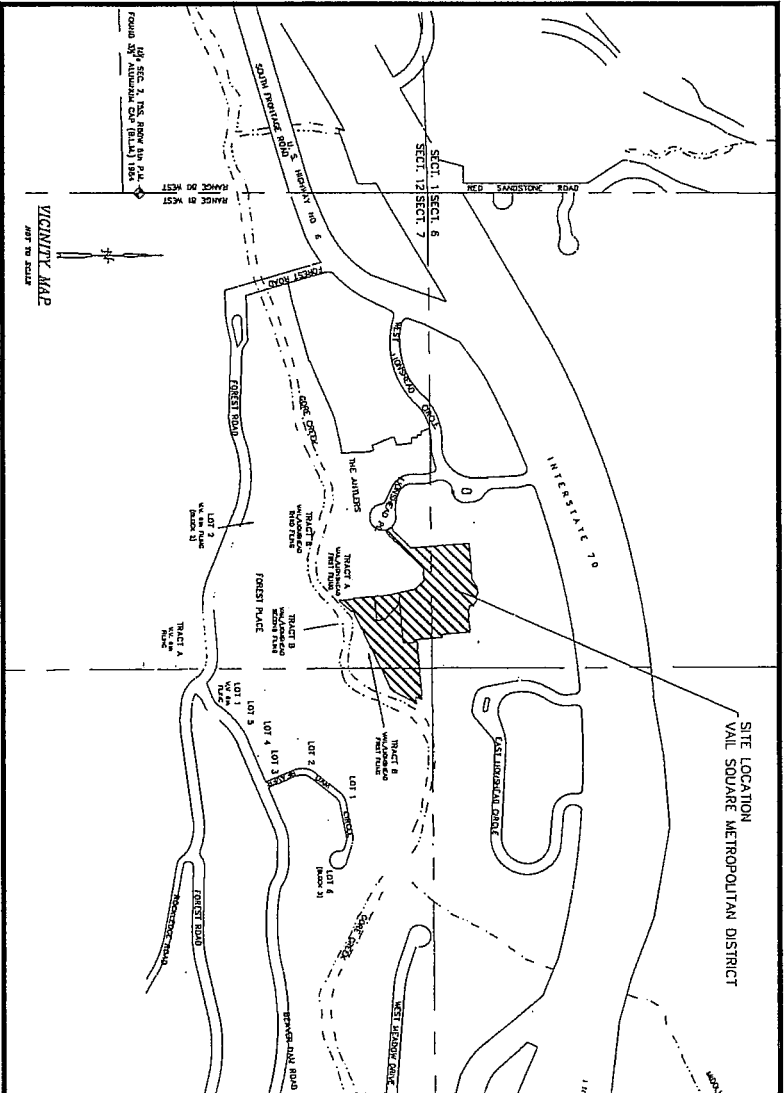
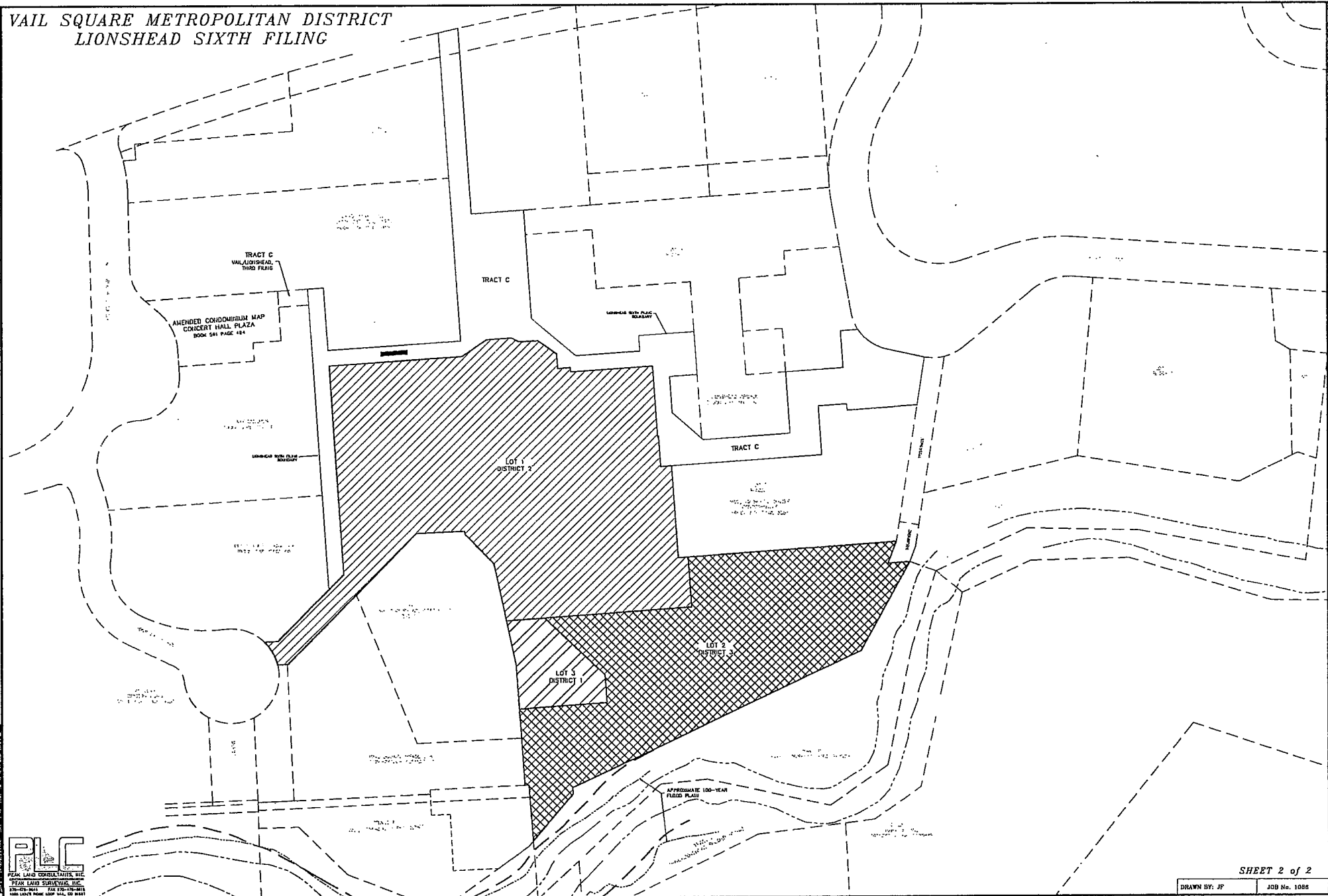


EXHIBIT C

Vail Vicinity Map

VAIL SQUARE METROPOLITAN DISTRICT
LIONSHEAD SIXTH FILING



PLC
PEARL LAND CONSULTANTS, INC.
PEARL LAND SURVEYORS, INC.
1000 N. 10TH AVE. SUITE 1000 DENVER, CO 80202
303.733.1111

EXHIBIT D

Intergovernmental Agreement between the Districts and Vail

**INTERGOVERNMENTAL AGREEMENT BETWEEN
THE TOWN OF VAIL, COLORADO,
VAIL SQUARE METROPOLITAN DISTRICT NO. 1,
VAIL SQUARE METROPOLITAN DISTRICT NO. 2,
AND VAIL SQUARE METROPOLITAN DISTRICT NO. 3**

THIS AGREEMENT is made and entered into as of this ____ day of _____, _____, by and between the TOWN OF VAIL, a municipal corporation of the State of Colorado ("Town"), and VAIL SQUARE METROPOLITAN DISTRICT NO. 1, VAIL SQUARE METROPOLITAN DISTRICT NO. 2, and VAIL SQUARE METROPOLITAN DISTRICT NO. 3, quasi-municipal corporations and political subdivisions of the State of Colorado (the "Districts"). The Town and the Districts are collectively referred to as the Parties.

RECITALS

WHEREAS, the Districts were organized to provide those services and to exercise powers as are more specifically set forth in the Districts' Service Plan, approved by the Town on _____ ("Service Plan"); and

WHEREAS, the Service Plan makes reference to the execution of an intergovernmental agreement between the Town and the Districts; and

WHEREAS, the Town and the Districts have determined it to be in the best interests of their respective taxpayers, residents and property owners to enter into this Intergovernmental Agreement ("Agreement").

NOW, THEREFORE, in consideration of the covenants and mutual agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

COVENANTS AND AGREEMENTS

1. Operations and Maintenance. The Districts shall dedicate the Public Improvements (as defined in the Service Plan) to the Town or other appropriate jurisdiction or entity in a manner consistent with the Approved Development Plan and other rules and regulations of the Town and applicable provisions of the Town Code.

The Districts shall be authorized to operate and maintain the On-Site Streetscape Improvements and the Lionshead Place Improvements (as those terms are defined in that certain "Core Site Development Agreement," dated as of November 8, 2004 by and among the Town, the Vail Reinvestment Authority, and The Vail Corporation), and such other improvements as may be approved by the Town Manager.

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

3. Issuance of Privately Placed Debt. Prior to the issuance of any privately placed Debt, the Districts shall obtain the certification of an External Financial Advisor substantially as follows:

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

We [I] certify that (1) the net effective interest rate (calculated as defined in Section 32-1-103(12), C.R.S.) to be borne by [insert the designation of the Debt] does not exceed a reasonable current [tax-exempt] [taxable] interest rate, using criteria deemed appropriate by us [me] and based upon our [my] analysis of comparable high yield securities; and (2) the structure of [insert designation of the Debt], including maturities and early redemption provisions, is reasonable considering the financial circumstances of the District.

4. Inclusion. The Districts shall not include within any of their boundaries any property outside the Service Area (as defined in the Service Plan) without the prior written consent of the Town Council.

5. Total Debt Issuance. The Districts shall not issue Debt in excess of \$20 million.

6. Debt Issuance Limitation. The Districts shall not be authorized to incur any indebtedness until such time as the Districts have approved and executed the IGA.

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

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

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

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

Any Debt, issued with a pledge or which results in a pledge, that exceeds the Maximum Debt Mill Levy and the Maximum Debt Mill Levy Imposition Term, shall be deemed a material modification of the Service Plan pursuant to Section 32-1-207, C.R.S. and shall not be an authorized issuance of Debt unless and until such material modification has been approved by the Town as part of a Service Plan Amendment.

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

10. Disclosure to Purchasers. The Districts will use reasonable efforts to assure that all developers of the property located within the Districts provide written notice to all purchasers of property in the Districts regarding the Maximum Debt Mill Levy, as well as a general description of the Districts' authority to impose and collect rates, fees, tolls and charges. The form of notice shall be filed with the Town prior to the initial issuance of the Debt of the Districts imposing the mill levy which is the subject of the Maximum Debt Mill Levy.

11. Service Plan Amendment Requirement. Actions of the Districts which violate the limitations set forth in V.A.1-7 or VI.B-I of the Service Plans shall be deemed to be material modifications to the Service Plan and the Town shall be entitled to all remedies available under State and local law to enjoin such actions of the Districts.

12. Annual Report. The Districts shall be responsible for submitting an annual report to the Town Manager's Office no later than August 1st of each year following the year in which the Order and Decree creating the Districts has been issued, containing the information set forth in Section VIII of the Service Plan.

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

(a) For the portion of any aggregate District's Debt which exceeds 50% of the District's assessed valuation, the Maximum Debt Mill Levy for such portion of Debt shall be fifty (50) mills less the number of mills necessary to pay unlimited mill levy Debt described in Section VII.C.2 of the Service Plan; provided that if, on or after January 1, 2004, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax

credit, cut or abatement; the mill levy limitation applicable to such Debt may be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board 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 for changes occurring after January 1, 2004, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

(b) For the portion of any aggregate District's Debt which is equal to or less than 50% of the District's assessed valuation, either on the date of issuance or at any time thereafter, the mill levy to be imposed to repay such portion of Debt shall not be subject to the Maximum Debt Mill Levy and, as a result, the mill levy may be such amount as is necessary to pay the Debt service on such Debt, without limitation of rate.

(c) For purposes of the foregoing, once Debt has been determined to be within Section VII.C.2 of the Service Plan, so that the District is entitled to pledge to its payment an unlimited ad valorem mill levy, the District may provide that such Debt shall remain secured by such unlimited mill levy, notwithstanding any subsequent change in the District's Debt to assessed ratio. All Debt issued by the District must be issued in compliance with the requirements of Section 32-1-1101, C.R.S. and all other requirements of State law.

To the extent that the District is composed of or subsequently organized into one or more subdistricts as permitted under Section 32-1-1101, C.R.S., the term "District" as used herein shall be deemed to refer to the District and to each such subdistrict separately, so that each of the subdistricts shall be treated as a separate, independent district for purposes of the application of this definition.

20. Maximum Debt Mill Levy Imposition Term The Districts shall not impose a levy for repayment of any and all Debt (or use the proceeds of any mill levy for repayment of Debt) on any single property developed for residential uses which exceeds forty (40) years after the year of the initial imposition of such mill levy unless a majority of the Board of Directors of the District are residents of the District and have voted in favor of a refunding of a part or all of the Debt and such refunding will result in a net present value savings as set forth in Section 11-56-101, C.R.S.; et seq.

21. Notices. All notices, demands, requests or other communications to be sent by one party to the other hereunder 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 address or by courier delivery, via United Parcel Service or other nationally recognized overnight air courier service, or by depositing same in the United States mail, postage prepaid, addressed as follows:

To the Districts: Vail Square Metropolitan District No. 1
Vail Square Metropolitan District No. 2
Vail Square Metropolitan District No. 3
1805 Shea Center Drive, Suite 100
Highlands Ranch, CO 80129
Attn: William P. Ankele, esq
Phone: (303) 858-1800
Fax: (303) 858-1801

To the Town: Town of Vail
75 S. Frontage Road
Vail, CO 81657
Attn: Matt Mire, Town Attorney
Phone: (970) 479-2460
Fax: (970) 479-2157

All notices, demands, requests or other communications shall be effective upon such personal delivery or one (1) business day after being deposited with United Parcel Service or other nationally recognized overnight air courier service or three (3) business days after deposit in the United States mail. By giving the other party hereto at least ten (10) days written notice thereof in accordance with the provisions hereof, each of the Parties shall have the right from time to time to change its address.

22. Amendment. This Agreement may be amended, modified, changed, or terminated in whole or in part only by a written agreement duly authorized and executed by the Parties hereto and without amendment to the Service Plan.

23. Assignment. No Party hereto shall assign any of its rights nor delegate any of its duties hereunder to any person or entity without having first obtained the prior written consent of all other Parties, which consent will not be unreasonably withheld. Any purported assignment or delegation in violation of the provisions hereof shall be void and ineffectual.

24. Default/Remedies. In the event of a breach or default of this Agreement by any Party, the non-defaulting Parties shall be entitled to exercise all remedies available at law or in equity, specifically including suits for specific performance and/or monetary damages. In the event of any proceeding to enforce the terms, covenants or conditions hereof, the prevailing Party/Parties in such proceeding shall be entitled to obtain as part of its judgment or award its reasonable attorneys' fees.

25. Governing Law and Venue. This Agreement shall be governed and construed under the laws of the State of Colorado.

26. Inurement. Each of the terms, covenants and conditions hereof shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns.

27. Integration. This Agreement constitutes the entire agreement between the Parties with respect to the matters addressed herein. All prior discussions and negotiations regarding the subject matter hereof are merged herein.

28. Parties Interested Herein. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon, or to give to, any person other than the Districts and the Town any right, remedy, or claim under or by reason of this Agreement or any covenants, terms, conditions, or provisions thereof, and all the covenants, terms, conditions, and provisions in this Agreement by and on behalf of the Districts and the Town shall be for the sole and exclusive benefit of the Districts and the Town.

29. Severability. If any covenant, term, condition, or provision under this Agreement shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such covenant, term, condition, or provision shall not affect any other provision contained herein, the intention being that such provisions are severable.

30. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original and all of which shall constitute one and the same document.

31. Paragraph Headings. Paragraph headings are inserted for convenience of reference only.

32. Defined Terms. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Service Plan.

VAIL SQUARE METROPOLITAN DISTRICT NO. 1 Attest:

By: _____
President

By: _____
Secretary

VAIL SQUARE METROPOLITAN DISTRICT NO. 2 Attest:

By: _____
President

By: _____
Secretary

VAIL SQUARE METROPOLITAN DISTRICT NO. 3 Attest:

By: _____
President

By: _____
Secretary

TOWN OF VAIL, COLORADO

Attest:

By: _____
Mayor

By: _____
Its: _____

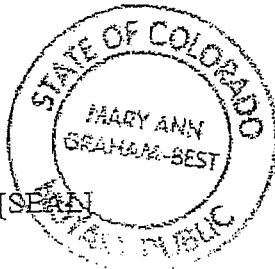
APPROVED AS TO FORM: _____

Town Attorney

EXHIBIT C
Town Resolution Approving Service Plan

STATE OF COLORADO)
) ss.
COUNTY OF EAGLE)

On this 9th day of May, 2005, I certify that the preceding document is a true, exact, complete and unaltered photocopy of Town of Vail Resolution No. 8, Series of 2005



Mary Ann Graham Best
Notary Public
My commission expires 10/28/2006

RESOLUTION No. 8
Series of 2005

A RESOLUTION CONDITIONALLY APPROVING THE
CONSOLIDATED SERVICE PLAN FOR
VAIL SQUARE METROPOLITAN DISTRICT NO. 1,
VAIL SQUARE METROPOLITAN DISTRICT NO. 2,
AND
VAIL SQUARE METROPOLITAN DISTRICT NO. 3

WHEREAS, pursuant to Sections 32-1-204.5 and 32-1-205, C.R.S., as amended, the Consolidated Service Plan for Vail Square Metropolitan District No. 1, Vail Square Metropolitan District No. 2, and Vail Square Metropolitan District No. 3 has been submitted to the Town Council of the Town of Vail (the "Council"); and

WHEREAS, pursuant to the provisions of Title 32, Article 1, C.R.S., as amended, the Council held a public hearing on the Consolidated Service Plan for Vail Square Metropolitan District No. 1, Vail Square Metropolitan District No. 2, and Vail Square Metropolitan District No. 3 on May 3, 2005; and

WHEREAS, the Council has considered the Service Plan, and all other testimony and evidence presented at the hearing; and

NOW THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF VAIL, COLORADO:

1. The hearings before the Council were extensive and complete; that all pertinent facts, matters and issues were submitted; that all interested parties were heard or had the opportunity to be heard; and, that evidence satisfactory to the Council of each of the following was presented:

a. There is sufficient existing and projected need for organized service in the area to be served by the proposed special districts.

b. Existing service in the area to be served by the proposed special districts is inadequate for present and projected needs.

c. The proposed special districts are capable of providing economical and sufficient service to the areas they intend to serve.

d. The areas to be included within the proposed special districts have or will have the financial ability to discharge the proposed indebtedness on a reasonable basis.

NOW, THEREFORE, BE IT RESOLVED by the Town Council of the Town of Vail, Colorado:

1. That the Town Council of the Town of Vail, Colorado, does hereby determine that the requirements of Sections 32-1-202(2) and 32-1-203(2), C.R.S., relating to the filing of a Consolidated Service Plan for Vail Square Metropolitan District No. 1, Vail Square Metropolitan District No. 2, and Vail Square Metropolitan District No. 3 and the requirements of Sections 32-1-204.5, C.R.S., relating to the hearing by the Council, have been fulfilled in a timely manner.

2. That the Town Council of the Town of Vail, Colorado, does hereby approve the Consolidated Service Plan for Vail Square Metropolitan District No. 1, Vail Square Metropolitan District No. 2, and Vail Square Metropolitan District No. 3 District as presented to Council on May 3, 2005, conditioned on execution of an intergovernmental agreement by and between Vail Square Metropolitan District No. 1 and the Vail Reinvestment Authority regarding the transfer of increment tax funding revenue from the Vail Reinvestment Authority to Vail Square Metropolitan District No. 1 for the purpose of funding certain infrastructure to be built by Vail Square Metropolitan District No. 1.

3. A certified copy of this Resolution shall be filed in the records of the Town and submitted to the petitioners for the purpose of filing in the District Court of Eagle County.

4. That all resolutions or parts thereof in conflict with the provisions hereof shall be and the same are hereby repealed.

INTRODUCED, READ, APPROVED AND ADOPTED this 3rd day of May, 2005.

TOWN COUNCIL OF THE TOWN OF VAIL,
EAGLE COUNTY, COLORADO

By: Rodney E. Slifer
Rodney E. Slifer, Mayor

ATTEST:

Lorelei Donaldson
Lorelei Donaldson, Town Clerk

