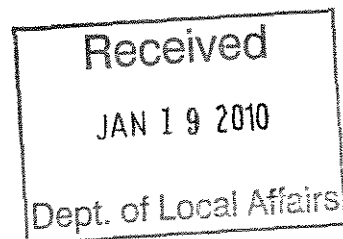


**REVISED SERVICE PLAN  
FOR  
WATERVIEW II  
METROPOLITAN DISTRICT**



Prepared by:

A. Kristine Young  
19 North Tejon Street, Suite 200H  
Colorado Springs, CO 80903  
(719) 473-0600 (O)  
(719) 473-0604 (F)

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**IN CONSULTATION WITH:**

Cygnnet Land, LLC – Owner/Developer  
Attn: Greg Timm  
24 North Tejon Street  
Colorado Springs, CO 80903  
(719) 473-4530 (O)  
(719) 448-0526 (F)

Merrick and Company – Water Engineers  
Attn: Emily Skalsky  
7222 Commerce Center Drive, Suite 120  
Colorado Springs, CO 80919  
(719) 260-6017 (O)  
(719) 260-6098 (F)

A. Kristine Young - Counsel for District  
19 North Tejon Street, Suite 200 H  
Colorado Springs, CO 80903  
(719) 473-0600 (O)  
(719) 473-0604 (F)

Leland Consulting Group – Marketing  
Attn: Anne Ricker  
8200 South Quebec, Suite A3-104  
Centennial, CO 80112  
(303) 458 – 5800 (O)  
(303) 458-5420 (F)

Bathgate Capital Partners – Investment Broker  
Attn: Robert E. Broom  
5350 South Roslyn Street, Suite 400  
Greenwood Village, CO 80111  
(303) 694-0862 (O)  
(303) 694-6287 (F)

Shughart, Thompson & Kilroy – Bond Counsel  
Attn: Arnold Kaplan  
1050 – 17<sup>th</sup> Street, Suite 2300  
Denver, CO 80265  
(303) 572-9300 (O)  
(303) 572-7883 (F)

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1. District Map
2. Intergovernmental Agreement with Security Water District
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4. Ability of District/Owners to Issue and Satisfy Debt
5. Market analysis/Build-Out Projections
6. Infrastructure Capital Costs
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8. Proof of Taxes
9. Waterview II Water and Waste Water Service Letter from Security Water and Sanitation Districts dated May 10, 2006

## SUMMARY

The following is a summary of general information regarding the proposed District provided for the convenience of the reviewers of this Service Plan. Please note that the following information is subject, in all respects, to the more complete descriptions contained elsewhere in this Service Plan.

Proposed District:	Waterview II Metropolitan District (the “District”)
Property Owner:	Cygnat Land, LLC (“Owner/Developer”)
Development:	Commercial project on approximately 446 acres of real property located on all sides of Powers Boulevard and Bradley Road Interchange, County of El Paso, Colorado.
Proposed Improvements:	Water, wastewater, street improvements and safety protection, park and recreation, drainage, landscaping, mosquito control, transportation, and television relay.
Infrastructure Capital Costs:	\$8,392,161.24
Debt Authorization:	\$35,000,000.00 authorized with two (2) issues anticipated (\$12,000,000.00 Series 2009 A and B, and \$23,000,000.00 Series 2012) Limited Tax General Obligation Bonds.
Proposed Mill Levy:	25 Mills – includes debt service and operational costs.
Proposed M/L Cap:	40 Mills – includes debt service and operational costs.
Functions of the Owner/Developer:	The Owner/Developer will initially provide the necessary credit enhancements for financing of all infrastructure capital costs and will meet the obligations of any operating and debt service deficits. The Owner/Developer will fund all organizational costs of the District subject to reimbursement as provided by law.
Functions of the District:	<p>The District will see that all infrastructure is designed and constructed to appropriate local and state standards and will maintain the same. The roads and related drainage structures will be conveyed to the County.</p> <p>The District shall provide financing for public facilities, services, and programs benefiting the future residents and landowners of the community.</p>
Material Modifications:	Modification to this Service plan shall be required if there

is a change in the basic services provided by the District, including the addition of any types of services provided and for any other matter described as a material modification by state law.

Current Population:

0

Current Valuation  
for Assessment:

\$ 2,443.00

## I. INTRODUCTION

A. Necessary public facilities, services, and programs will be provided to the approximately 446 acre Waterview II property (Exhibit 1) by a metropolitan district that will be created pursuant to Title 32, Colorado Revised Statutes. The District will be named Waterview II Metropolitan District (hereinafter "District").

B. The District will be responsible for managing the design, construction, and operation of the public facilities and improvements and for providing funding to support the necessary costs and services. A mill levy together with other fees and charges will be utilized in order to finance the public infrastructure.

C. An intergovernmental agreement (hereinafter "Security Water IGA") (Exhibit 2) will be entered into with Security Water District and a second intergovernmental agreement (hereinafter "Security Sanitation IGA") (Exhibit 3) will be entered into with Security Sanitation District to operate and maintain the water and wastewater systems of the District.

D. It is proposed that the District provide the following municipal services, both within and without the boundaries of the District as may be necessary:

1. Water – Design and construction of a complete potable water supply system, including, but not limited to, storage, transmission, and wells, production and treatment facilities, distribution system, consisting of, but not limited to, transmission lines, distribution mains, laterals, storage facilities, pumping facilities, and easements and appurtenant facilities. The operation and maintenance of the water supply system will be transferred to the Security District to operate and maintain the water and wastewater systems of the District.

2. Wastewater – Design and construction of a complete sanitary sewage and storm drainage collection, transmission and treatment system, consisting of, but not limited to, collection mains, laterals, transmission lines, and pumping facilities in order to carry effluent to the Security District for treatment and discharge pursuant to an intergovernmental agreement. Also, the operation and maintenance of the wastewater system will be transferred to the Security District pursuant to the intergovernmental agreement.

3. Street Improvements and Safety Protection - Design and construction of arterial and collector street improvements and related safety protection devices including, but not limited to, bridges, fencing, trails, lighting, landscaping, traffic and safety controls and devices. Streets are to be dedicated to the County for permanent maintenance. Any street related medians and landscaping will be maintained by the District.

4. Park and Recreation - Design, construction, operation and maintenance of park and recreational facilities including open space, trails, fencing, and landscaping.

5. Mosquito Control - 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.

6. Television Relay and Translation - Provide for the design, acquisition, construction, completion, installation, operation and maintenance of television relay and translation facilities, cable and communication facilities, fiber optic conduit network, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities.

7. Transportation - Design, acquire, construct, install, and/or operate and maintain transportation system improvements, including transportation equipment, park and ride facilities and public parking lots, structures, roofs, covers and facilities, together with all necessary incidental and appurtenant facilities, land and easements together with extensions of and improvements to said facilities within and without the boundaries of the District; provided however, that the design, acquisition, construction, installation, and/or operation and maintenance of public transportation improvements shall, where applicable, be subject to entry into authorizing contracts pursuant to the provisions of Part 2, Article 1 of Title 29, Colorado Revised Statutes.

8. Drainage - Design and construct all necessary drainage facilities including detention ponds, culverts, pipes, channels, swales, and weirs in accordance with an approved regional drainage plan.

9. Miscellaneous Powers - In addition to the above-enumerated powers, the District shall have the following authority:

(a) Legal Powers. The powers of the District will be exercised by its board of directors to the extent necessary to provide the services contemplated in this Service Plan. The forgoing 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 states and this Service Plan, as well as any or all of the same may be amended from time to time.

(b) Other. In addition to the powers enumerated above, the board of directors of the District shall have the following authority:

(i) To amend this Service Plan as needed subject to applicable state and local laws contained in Title 32, C.R.S. and the applicable laws of the County, including, by written notice 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 the County elects not to seek to enjoin any such activities under said statute, such election shall constitute agreement by the County that such activities are within the scope of this Service Plan;

(ii) To forego, reschedule or restructure the financing and construction of certain improvements and facilities, to better accommodate the pace of growth, resources 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

(iii) To provide all such additional services and exercise 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, chose to provide or exercise. County approval shall be required prior to the District exercising any such additional express or implied services and powers granted by Colorado law but not described herein, unless such exercise is required by the County, State of Colorado, or other governmental entity; and

(iv) 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.

II. DISTRICT WILL OVERSEE ALL DESIGN AND CONSTRUCTION TO INSURE THAT THE SAME IS DONE PURSUANT TO DISTRICT STANDARDS AND WILL ISSUE LIMITED TAX GENERAL OBLIGATION BONDS TO PAY FOR INFRASTRUCTURE.

A. A map of the proposed District is found at Exhibit 1.

B. The creation of the District will be in the best interest of the property proposed to be served. The District will have the flexibility and statutory powers to provide long-term services to the residents within its boundaries. New districts have numerous advantages over other vehicles that could be utilized to supply services to this area. While a Homeowners Association might be set up to provide these services by way of covenants imposed on the real property, a Homeowners Association may lack both the financing ability, the flexibility and the longevity that would be provided by the District. Additionally, a Homeowners Association would not possess certain statutory powers that are allowed to the District.

C. There are currently no other entities located in the surrounding area of the District that have the ability and desire to undertake the design, financing and construction of all the improvements needed to develop the property that will be within the boundaries of the District.

D. Insofar as the District will consist of proposed retail and commercial densities within its boundaries, there should be an entity, such as a metropolitan district, separate from the Owner/Developer, to provide services on a long-term basis. A publicly controlled district with an elected board of directors, versus a Homeowners Association or any private Utility Company, would be the most capable of providing these municipal services.

E. Although there is municipal debt to be authorized, the Owner/Developer will supply the credit enhancements needed for the initial debt (Exhibit 4). Limited tax general obligation debt will be issued as is justified by the assessed valuation. In addition there will be a mill levy cap not to exceed 40 mills.

F. The Market Analysis shows several scenarios of proposed build-outs that are conservative and demonstrate that, taking into account the fees and charges for municipal services together with the overlapping mill levy from other governmental entities, the District will be competitive in the market place. A Market Analysis with Build-Out

projections is included at Exhibit 5.

G. The proposed District is in compliance with the approved Sketch Plan, which was adopted by the Board of County Commissioners May 10, 2001. This project has not yet received Preliminary Plan and Zoning.

### III. DEVELOPMENT ANALYSIS

A. Attached as Exhibit 6 is an analysis of the Infrastructure Capital Costs for the water system, the wastewater system, the street improvements, parks and recreation, drainage, and engineering and surveying for the public improvements. Even though the analysis was prepared A detailed cost breakdown has not been prepared for the 2012 bond issue since the District intends to only be a participant in these costs along with other governmental entities. The District will only do those public improvements that will benefit the residents of the entire District; i.e. arterial and collector streets, offsite roads, main distribution lines for water and wastewater, parks, drainage, engineering, etc. Exhibit 6 is a summary of the anticipated costs and a complete breakdown of the unit and annual costs is available. It is estimated that the total infrastructure for the entire District will take five (5) years to construct. Exhibit 6 gives a breakdown of the amount to be spent over the five-year period for each of the categories listed.

B. At complete build-out of the initial parcel, the District is planned to consist of 362 acres of commercial property and approximately 84 acres of right of way.

C. Attached as Exhibit 5 is a substantive Market Analysis of this project.

D. The Financial Plan Analysis (Exhibit 7) does not depend upon the build out scenarios set forth in the Market Analysis because of the developer guaranties and credit enhancements.

E. The Market Analysis emphasizes the absorption rate of the District.

F. The Market Analysis has taken into account the impacts of competitive developments that are located in this part of El Paso County or may be proposed in the near future.

G. Because of the use of the limited mill levy and the fact that the Owner/Developer will provide guarantees for the payment of the initial bonds, there will be no financial threat to the homeowners.

H. This project has received Sketch Plan approvals by the El Paso County Board of County Commissioners.

### IV. FINANCIAL PLAN ANALYSIS

A. The Owner/Developer will supply the credit enhancements needed for the initial debt to be issued by the District. District, as is justified by the assessed valuation, will issue limited tax general obligation debt. In addition there will be a mill levy cap of 40

mills (which includes debt service and operational costs) insuring future residents that property taxes will not become excessive even if development plans are not met. The 40 mill cap will not only be set forth in this Service Plan, but will also be described in the debt issues which will be a part of the ballot for the organizational election.

B. Attached as Exhibit 7 is a Financial Plan projecting finances over the next forty (40) year period. This Plan shows the number of units projected to come on line each year and then depicts the income to be derived from improvement fees and the mill levy all on an annual basis. The Plan also estimates the annual operating costs.

C. It is proposed that the District will be authorized to issue indebtedness up to 35,000,000 (limited tax general obligation bonds, 2009 equivalency). The will be capped at 40 mills although it is anticipated that any debt will be satisfied with a mill levy of 25 mills per year, which will include debt service and operational costs.

D. It is anticipated that two bond issues will be required to complete all infrastructure in a five-year period. There is planned to be approximately \$12,000,000.00 Series 2009 A and B and the remainder in 2012. The 2012 bond issue will be used to potentially participate in the completion of the regional portion of Bradley Road (and related drainage improvements) and participation with the Security District in upgrading the water and sewer infrastructure when the Southern Delivery System is connected to it. The Infrastructure Capital Costs (Exhibit 6) depicts the estimated costs of infrastructure capital costs, including engineering, for the District and do not include the infrastructure capital costs normally paid by the developers or builders.

1. The district will issue limited tax general obligation bonds necessary for the initial improvements. The exact interest rates, discounts, and their form will be determined at the time of issuance and will reflect market conditions at the time. The primary source of revenues will be mill levies, tap fees and monthly user charges. The bonds will be credit enhanced by the Owner/Developer as needed.

2. Any debt that is issued will be in compliance with CRS 32-1-1101(6) (a) in that the debt will not exceed the greater of two million dollars or 50% of the assessed valuation of the District, unless the debt falls within the category of one of the statutory exceptions; i.e. rated, secured, insured, etc. The District will levy its limited capped mill levy (or fewer mills if possible) and pay the resulting revenues toward the bonded indebtedness.

3. The Infrastructure Capital Costs (Exhibit 6) consist of a breakdown of all development costs contemplated which are identified by type of service and further identified by the year in which the installations will occur.

4. All major infrastructure capital improvements together with the necessary easements will be assigned and deeded to the District.

5. As reflected in the Market Analysis (Exhibit 5), the District should be capable of providing economical service within the boundaries.

6. If development does not occur as projected then there will be a delay in the addition of infrastructure and the incurring of additional debt.

7. It is anticipated that in the formative years the District will have shortfalls in being able to meet its monthly operations and maintenance expenses. The Owner/Developer is prepared to assume these obligations for the development of the initially included property within the District subject to the Owner being repaid from revenues.

8. All taxes have been paid and are current. See Exhibit 8.

9. It is not anticipated that there would be any financial difficulties that could affect the performance of the proposed District under this Service Plan due to the fact that there is a cap on the mill levy.

10. It is anticipated that all improvements will be constructed to the standards imposed by El Paso County, its Department of Public Works, and the State Health Department.

11. In addition to property taxes, the District may also rely upon other revenue sources authorized by law and this Service Plan to offset the expenses of capital construction and District management, operations and maintenance. These will include the power to assess fees, rates tolls, penalties, and charges as provided in Title 32, CRS, as amended.

## V. INFRASTRUCTURE ANALYSIS

A. A general description of the facilities to be constructed and the standards of such construction showing that they are compatible with the facilities and standards of El Paso County follows:

1. Arterial and Collector Street Improvements & Safety Protection – The District intends to provide for the acquisition, construction, completion, installation and/or operation and maintenance of street improvements, both on-site and offsite, including curbs, gutters, sidewalks, bridges, overpasses, bike paths and pedestrian ways, irrigation, landscape, streetscape and entryways, parking lots and structures, and a system of traffic and safety controls and devices on streets and highways, including signalization together with all necessary, incidental, and appurtenant facilities, right-of-ways, land and easements, together with extensions of and improvements to said facilities within and without the boundaries of the District. The District will only provide for the arterial and collector roads and streets that serve the entire development.

All streets and safety protection facilities will be constructed in accordance with engineering and design requirements appropriate for the surrounding terrain, and shall be compatible with the standards of the County of El Paso, the Colorado Department of Highways, and other local public entities as may be appropriate.

2. Drainage - All storm sewers and facilities will be constructed in accordance with the standards and specifications of the County of El Paso, and any other local

jurisdictions as appropriate. The drainage improvements would be phased along with other capital construction improvements; however, if drainage improvements are required to be up-fronted or constructed in advance of a normal schedule, the Owner/Developer will be entitled to reimbursement. The drainage improvements would consist of detention/retention ponds, roadway swales and piping. Drainage improvements that are an integral part of the street and roadway system will be maintained by El Paso County along with routine street maintenance. Detention ponds will be maintained by the District. All drainage structures and facilities will be coordinated with the regional drainage plan of El Paso County.

3. Water Distribution and Storage - The water distribution and storage system will consist of, but not be limited to, pipes, fire hydrants, storage facilities, pumping stations, controls, and related equipment. The water system will be coordinated with the Security District in order to meet their requirements with regard to fire flows. Water quality will meet all standards as set by the State Department of Health or other applicable laws and regulations. The water system shall comply with all federal, state, and county requirements, including any requirements shown on approved plats. The District will adopt industrial pre-treatment water quality standards that will be enforced by ordinance by the District or the Security District to operate and maintain the water supply system. The water system will be designed and constructed in accordance with the quality and standards utilized by the Security District.

Water will be available for use within the proposed District from ground water municipal wells and other sources provided by the Security District.

The total water distribution and storage system will again be phased along with other capital improvements. See Exhibit 6.

4. Sanitary Sewer System - The wastewater treatment and/or collection facilities will be designed and constructed in accordance with the standards of the Colorado Department of Health and the County of El Paso, and any other state or federal rules and regulations. The sanitary sewer system would consist of a complete collection system with forced main sewage lift stations to deliver sewage to the Security District. After design and construction, these services will be provided by the Security District pursuant to an intergovernmental agreement.

5. Park and Recreation - Park and recreation facilities of the District would consist of undisturbed open space, improved park areas, recreation centers, and trails. These improvements would be phased along with the rest of the development and will be paid for by the District. See Exhibit 6. Mosquito control as required will also be provided. The District would not make any improvements without the concurrence of Widefield School District.

6. Television Relay and Translation/Cable Television - The District may design, acquire, construct, complete, install, operate and maintain television relay and translation facilities, cable and communication facilities, fiber optic conduit network, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities.

Exhibit 6 does not detail the Capital Infrastructure Costs for the installation of cable T.V. as it is presently unknown whether the cable T.V. operation will be

retained and owned by the District or whether services will be provided by an outside entity.

7. Operation, Maintenance and Administration - The proposed District would operate and maintain all major public facilities. It is planned that the water and wastewater treatment facilities will be operated by the Security District pursuant to the Security IGA. Estimated cost for such operations, maintenance and administration are shown in the Financial Plan at Exhibit 7 and do not include those costs associated with the marketing and development which are not the responsibility of the District. In the formative years, it is anticipated that the user charges will be inadequate to meet the expenses of operation, maintenance and administration, in which case the same shall be funded by the Owner/Developer, subject to reimbursement.

The District will cause improvements to be designed and constructed according to County and other local and state specifications.

8. Owner/Developer Responsibilities - The Owner/Developers, and through their development companies, have assumed the responsibility of providing the necessary credit enhancements to support the issuance of the initial bonds.

#### VI. INTERGOVERNMENTAL AGREEMENT

Once the Southern Delivery System is complete, an intergovernmental agreement will be entered into between the District and the Security District.

#### VII. MISCELLANEOUS

The following is additional information to further explain the functions of the District:

1. The contemplated municipal services are under the jurisdiction of the Special District control Act and not the Public Utilities Commission.
2. The Owner/Developer intends to meet all requirements of the El Paso County Land Development Code as may be required.
3. This project is in compliance with the duly adapted County, Regional and State Long-Range Water Quality Management Plan insofar as the Security District has been designated as a regional facility.
4. The Security District is permitted by the State of Colorado and the Security District will meet all requirements of said permit.
5. At this time there are no plans to exercise the power of eminent domain within or without the District's boundaries; however, the power shall be available for use by the District as allowed by law.

#### VIII. COMPLIANCE

The Owner/Developer will supply all such additional information as may be required by the Board of County Commissioners and agrees that

1. An annual report will be required described in C.R.S. 32-1-207 (3) (d); and

2. The District may be dissolved in accordance with statutory procedures in the event development activity permanently ceases and the District is failing to provide any services; and
3. Should material modifications occur as described in C.R.S. 32-1-207(2), the District shall apply for approval of such modifications to the Board of County Commissioners.

IX. CONCLUSION

A. To meet the long-term public improvement and service needs of the future residents of the District, it is proposed that the District perform the municipal functions that are described in this Service Plan.

B. It is submitted that this Service Plan for the proposed District establishes that:

1. There is sufficient existing and projected need for organized service in the area to be serviced by the proposed District; and
2. The proposed District is capable of providing economical and sufficient service to the Waterview Development; and
3. The area to be included in the proposed District does have, and will have, the financial ability to discharge the proposed indebtedness on a reasonable basis; and
4. Adequate service is not, and will not be, available to the area through the County or other existing municipal or quasi-municipal corporations, including existing special districts, within a reasonable time and on a comparable basis; and
5. The facility and service standards of the proposed District are compatible with the facility and service standards of the County within which the proposed District is to be located and each municipality which is an interested party under Section 32-1-204(I), Colorado Revised Statutes; and
6. The proposal is in substantial compliance with a master plan adopted pursuant to Section 30-28-106, CRS; and,
7. The proposal is in compliance with any duly adopted County, regional, or state long-range water quality management plan for the area; and,
8. The creation of the proposed District is in the best interests of the area proposed to be served.

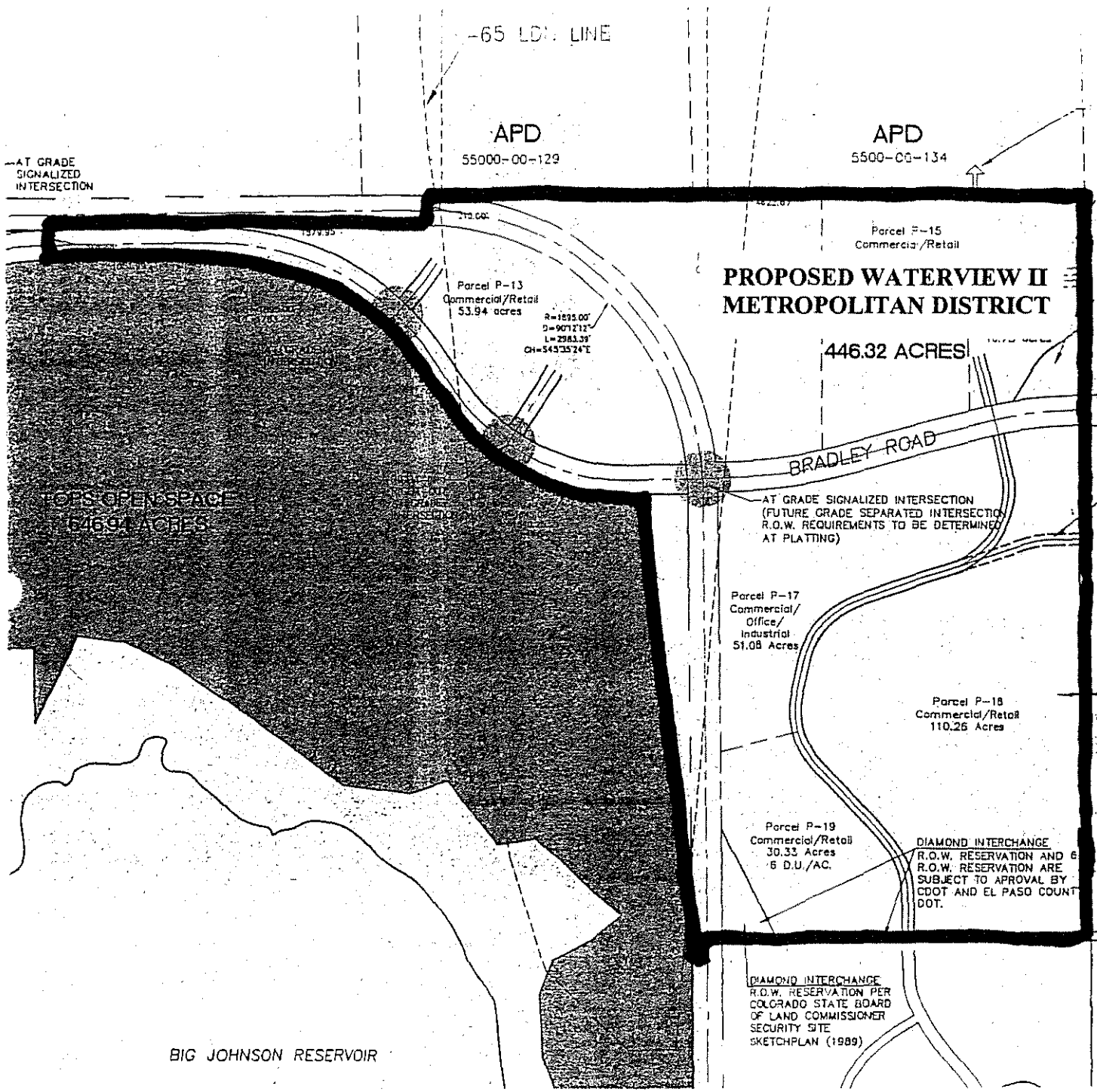


EXHIBIT "A"

LEGAL DESCRIPTION FOR THE PROPOSED WATERVIEW II METROPOLITAN DISTRICT:

A TRACT OF LAND LOCATED IN A PORTION OF SECTIONS 8 AND 17, BOTH IN TOWNSHIP 15 SOUTH, RANGE 65 WEST OF THE 6<sup>TH</sup> P.M., EL PASO COUNTY, COLORADO, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 8, THENCE S89°33'35"W, A DISTANCE OF 66.65 FEET TO A POINT ON THE WESTERLY RIGHT-OF-WAY LINE OF POWERS BOULEVARD AS RECORDED IN BOOK 5307 AT PAGE 1472 OF THE RECORDS OF SAID EL PASO COUNTY, SAID POINT BEING THE TRUE POINT OF BEGINNING OF THIS DESCRIPTION:

1. THENCE S00°29'10"E ALONG SAID WESTERLY RIGHT-OF-WAY LINE, A DISTANCE OF 123.46 FEET TO A POINT ON THE EASTERLY LINE OF A TRACT OF LAND AS RECORDED AT RECEPTION NO. 200120591 OF THE RECORDS OF SAID EL PASO COUNTY;

THE FOLLOWING FIVE (5) COURSES FOLLOW THE EASTERLY AND NORTHERLY LINES OF SAID TRACT RECORDED AT RECEPTION NO. 200120591:

2. THENCE N06°24'05"W A DISTANCE OF 3312.25 FEET;
3. THENCE S89°34'46"W A DISTANCE OF 105.49 FEET TO A POINT OF CURVE TO THE RIGHT;
4. THENCE ALONG THE ARC OF SAID CURVE TO THE RIGHT WITH A RADIUS OF 1645.00 FEET, A DELTA ANGLE OF 53°38'50", AN ARC LENGTH OF 1540.25 FEET, WHOSE LONG CHORD BEARS N63°35'49"W A DISTANCE OF 1484.60 FEET;
5. THENCE N36°46'24"W A DISTANCE OF 297.03 FEET TO A POINT OF CURVE TO THE LEFT;
6. THENCE ALONG THE ARC OF SAID CURVE TO THE LEFT WITH A RADIUS OF 1895.00 FEET, A DELTA ANGLE OF 53°55'04", AN ARC LENGTH OF 1783.27 FEET, WHOSE LONG CHORD BEARS N63°43'56"W A DISTANCE OF 1718.20 FEET;
7. THENCE N00°41'28"W A DISTANCE OF 210.00 FEET TO A POINT ON THE SOUTHERLY RIGHT-OF-WAY LINE OF POWERS BOULEVARD AS FILED FOR RECORD IN BOOK 5307 AT PAGE 1472 OF THE RECORDS OF SAID EL PASO COUNTY;

THE FOLLOWING THREE (3) COURSES FOLLOW SAID SOUTHERLY AND WESTERLY RIGHT-OF-WAY LINES OF POWERS BOULEVARD:

8. THENCE N89°18'32"E A DISTANCE OF 1579.97 FEET TO A POINT OF CURVE TO THE RIGHT;
9. THENCE ALONG THE ARC OF SAID CURVE TO THE RIGHT WITH A RADIUS OF 1895.00 FEET, A DELTA ANGLE OF 90°12'18", AN ARC LENGTH OF 2983.44 FEET, WHOSE LONG CHORD BEARS S45°35'19"E A DISTANCE OF 2684.73 FEET;
10. THENCE S00°29'10"E A DISTANCE OF 3176.26 FEET TO THE TRUE POINT OF BEGINNING OF THIS DESCRIPTION.

BASIS OF BEARINGS FOR THIS DESCRIPTION IS THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SECTION 9, T15 S, R 65 W OF THE 6<sup>TH</sup> P.M., EL PASO COUNTY, COLORADO, WHICH IS ASSUMED TO BEAR S89°33'35"W FROM THE WITNESS CORNER 143.54 FEET EAST OF THE SOUTHWEST CORNER OF SAID SECTION 9 (SAID WITNESS CORNER BEING A 2" IRON POST WITH A 2 1/2" ALUM. CAP LS 17664), TO THE SOUTH 1/4 CORNER OF SAID SECTION 9 (A 3" BY 30" ALUM. MONUMENT LS 10377).

A TRACT OF LAND LOCATED IN A PORTION OF SECTIONS 8 AND 9, BOTH IN TOWNSHIP 15 SOUTH, RANGE 65 WEST OF THE 6<sup>TH</sup> P.M., EL PASO COUNTY, COLORADO, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTH 1/4 CORNER OF SAID SECTION 9;

11. THENCE S00°19'32"E ALONG THE NORTH-SOUTH CENTERLINE OF SAID SECTION 9, A DISTANCE OF 1403.76 FEET TO A POINT ON THE NORTH RIGHT-OF-WAY LINE OF

BRADLEY ROAD AS RECORDED IN BOOK 5307 AT PAGE 1472 OF THE RECORDS OF SAID EL PASO COUNTY;

THE FOLLOWING FIVE (5) COURSES FOLLOW SAID NORTHERLY RIGHT-OF-WAY LINE:

12. THENCE S89°30'29"W A DISTANCE OF 4.38 FEET TO A POINT OF CURVE TO THE LEFT;
13. THENCE ALONG THE ARC OF SAID CURVE TO THE LEFT WITH A RADIUS OF 2969.79 FEET, A DELTA ANGLE OF 15°09'41", AN ARC LENGTH OF 785.85 FEET, WHOSE LONG CHORD BEARS S81°55'38"W A DISTANCE OF 783.56 FEET;
14. THENCE S74°20'48"W A DISTANCE OF 952.02 FEET TO A POINT OF CURVE TO THE RIGHT;
15. THENCE ALONG THE ARC OF SAID CURVE TO THE RIGHT WITH A RADIUS OF 2759.79 FEET, A DELTA ANGLE OF 12°59'05", AN ARC LENGTH OF 625.44 FEET, WHOSE LONG CHORD BEARS S80°50'20"W A DISTANCE OF 624.10 FEET;
16. THENCE S87°19'53"W A DISTANCE OF 64.32 FEET TO A POINT ON THE EASTERLY RIGHT-OF-WAY LINE OF POWERS BOULEVARD AS RECORDED IN BOOK 5307 AT PAGE 1472 OF THE RECORDS OF SAID EL PASO COUNTY, SAID POINT ALSO BEING A POINT OF CURVE TO THE RIGHT;

THE FOLLOWING TWO (2) COURSES FOLLOW SAID EASTERLY RIGHT-OF-WAY LINE OF POWERS BOULEVARD:

17. THENCE ALONG THE ARC OF SAID CURVE TO THE RIGHT WITH A RADIUS OF 150.00 FEET, A DELTA ANGLE OF 82°43'14", AN ARC LENGTH OF 216.56 FEET, WHOSE LONG CHORD BEARS N51°18'30"W A DISTANCE OF 198.24 FEET TO A POINT OF REVERSE CURVE TO THE LEFT;

THENCE LEGAL DESCRIPTION:

A TRACT OF LAND LOCATED IN A PORTION OF SECTION 9, TOWNSHIP 15 SOUTH, RANGE 65 WEST OF THE 6<sup>TH</sup> P.M., EL PASO COUNTY, COLORADO, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTH 1/4 CORNER OF SAID SECTION 9; THENCE S00°19'32"E ALONG THE NORTH-SOUTH CENTERLINE OF SAID SECTION 9, A DISTANCE OF 1613.76 FEET TO THE TRUE POINT OF BEGINNING OF THIS DESCRIPTION:

18. THENCE S00°19'32"E CONTINUING ALONG THE NORTH-SOUTH CENTERLINE OF SAID SECTION 9, A DISTANCE OF 3638.37 FEET TO THE SOUTH QUARTER CORNER OF SAID SECTION 9;
19. THENCE S89°33'35"W ALONG THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SAID SECTION 9, A DISTANCE OF 2495.44 FEET TO A POINT ON THE EASTERLY RIGHT-OF-WAY LINE OF POWERS BOULEVARD AS RECORDED IN BOOK 5307 AT PAGE 1472 OF THE RECORDS OF SAID EL PASO COUNTY;

THE FOLLOWING TWO (2) COURSES FOLLOW SAID EASTERLY RIGHT-OF-WAY LINE:

20. THENCE N00°29'10"W A DISTANCE OF 3037.92 FEET TO A POINT OF CURVE TO THE RIGHT;
21. THENCE ALONG THE ARC OF SAID CURVE TO THE RIGHT WITH A RADIUS OF 150.00 FEET, A DELTA ANGLE OF 87°49'03", AN ARC LENGTH OF 229.91 FEET, WHOSE LONG CHORD BEARS N43°25'21"E A DISTANCE OF 208.05 FEET TO A POINT ON THE SOUTHERLY RIGHT-OF-WAY LINE OF BRADLEY ROAD AS RECORDED IN BOOK 5307 AT PAGE 1472 OF THE RECORDS OF SAID EL PASO COUNTY;

THE FOLLOWING FIVE (5) COURSES FOLLOW SAID SOUTHERLY RIGHT-OF-WAY LINE:

22. THENCE N87°19'53"E A DISTANCE OF 53.06 FEET TO A POINT OF CURVE TO THE LEFT;
23. THENCE ALONG THE ARC OF SAID CURVE TO THE LEFT WITH A RADIUS OF 2969.79 FEET, A DELTA ANGLE OF 12°59'05", AN ARC LENGTH OF 673.03 FEET, WHOSE LONG CHORD BEARS N80°50'20"E A DISTANCE OF 671.59 FEET;
24. THENCE N74°20'48"E A DISTANCE OF 952.02 FEET TO A POINT OF CURVE TO THE RIGHT;

25. THENCE ALONG THE ARC OF SAID CURVE TO THE RIGHT WITH A RADIUS OF 2759.79 FEET, A DELTA ANGLE OF 15°09'41", AN ARC LENGTH OF 730.29 FEET, WHOSE LONG CHORD BEARS N81°55'38"E A DISTANCE OF 728.16 FEET;
26. THENCE N89°30'29"E A DISTANCE OF 3.77 FEET TO THE TRUE POINT OF BEGINNING OF THIS DESCRIPTION.

BASIS OF BEARINGS FOR THIS DESCRIPTION IS THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SECTION 9, T15 S, R 65 W OF THE 6<sup>TH</sup> P.M., EL PASO COUNTY, COLORADO, WHICH IS ASSUMED TO BEAR S89°33'35"W FROM THE WITNESS CORNER 143.54 FEET EAST OF THE SOUTHWEST CORNER OF SAID SECTION 9 (SAID WITNESS CORNER BEING A 2" IRON POST WITH A 2 1/2" ALUM. CAP LS 17664), TO THE SOUTH 1/4 CORNER OF SAID SECTION 9 (A 3" BY 30" ALUM. MONUMENT LS 10377).

27. ALONG THE ARC OF SAID REVERSE CURVE TO THE LEFT WITH A RADIUS OF 2105.00 FEET, A DELTA ANGLE OF 79°11'08", AN ARC LENGTH OF 2909.21 FEET, WHOSE LONG CHORD BEARS N49°32'26"W A DISTANCE OF 2683.15 FEET TO THE NORTH LINE OF THE NORTHEAST QUARTER OF SAID SECTION 8;
28. THENCE N89°33'59"E ALONG SAID NORTH LINE OF THE NORTHEAST QUARTER, A DISTANCE OF 1929.50 FEET TO THE NORTHEAST CORNER OF SAID SECTION 8;
29. THENCE S89°51'23"E ALONG THE NORTH LINE OF THE NORTHWEST QUARTER OF SAID SECTION 9, A DISTANCE OF 2636.12 FEET TO THE TRUE POINT OF BEGINNING OF THIS DESCRIPTION.

THE ABOVE TRACT OF LAND CONTAINS 116.48 ACRES, MORE OR LESS.

BASIS OF BEARINGS FOR THIS DESCRIPTION IS THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SECTION 9, T15 S, R 65 W OF THE 6<sup>TH</sup> P.M., EL PASO COUNTY, COLORADO, WHICH IS ASSUMED TO BEAR S89°33'35"W FROM THE WITNESS CORNER 143.54 FEET EAST OF THE SOUTHWEST CORNER OF SAID SECTION 9 (SAID WITNESS CORNER BEING A 2" IRON POST WITH A 2 1/2" ALUM. CAP LS 17664), TO THE SOUTH 1/4 CORNER OF SAID SECTION 9 (A 3" BY 30" ALUM. MONUMENT LS 10377).

INTERGOVERNMENTAL AGREEMENT  
(Security Water District and Waterview II Metropolitan District)

This Intergovernmental Agreement ("Agreement") is made and entered into effective this \_\_\_\_\_ day of \_\_\_\_\_, 2006 by and between Security Water District ("Security Water") and Waterview II Metropolitan District ("Waterview II").

RECITALS

- A. Security Water is an established quasi-municipal corporation and political subdivision of the State of Colorado formed pursuant to Title 32 Colorado Revised Statutes and is a special district.
- B. Security Water provides various municipal water services to its residents located in El Paso County, Colorado.
- C. Waterview II is a newly formed special district which intends to engage Security Water to assist in the delivery of water services as described herein.
- D. Pursuant to Colorado Constitution, Article XIV, Section 18(2)(a) and Section 291-203, Colorado Revised Statutes, districts may cooperate and contract with each other to provide any function, services, or facilities lawfully authorized to each.

NOW THEREFORE, based upon the mutual considerations and promises contained herein, the parties hereto agree as follows:

- 1. Infrastructure-Water. Waterview II shall be responsible for the design, construction, installation, maintenance and financing of a complete municipal water system consisting of, but not limited to, storage, transmission, and wells, production and treatment facilities, distribution system, consisting of, but not limited to, transmission lines, distribution mains, laterals, storage facilities, pumping facilities, and easements, appurtenant facilities and related facilities to individual residences and commercial/industrial users within its District boundaries as set forth in the Waterview II Service Plan approved by the El Paso County Board of County Commissioners. These municipal systems will be designed to be at least the same standards as the Security Water infrastructure and shall connect to the same. The improvements offsite of Waterview II, which connect to the Security Water system, will be dedicated to Security Water at no charge. This infrastructure shall contain a one-year warranty period.
- 2. Limitation on Service. Security Water has initially agreed to serve approximately 200 residential units. It is anticipated that Security Water shall serve additional residential and commercial properties within Waterview II in the future. Any increased service shall be at the sole discretion of Security Water.
- 3. Services. Security Water will provide all water services to the residents, businesses, and users within Waterview II.

4. Tap Fees and Revenues. Security Water shall retain all monthly water service charges as compensation for its services with the understanding that such charges shall be at the then in-district rate charged by Security Water, which sum increases, based on water usage.

In addition, each user within Waterview II shall pay a water tap fee to Security Water based on the Security Water In-District Tap Rate. Tap rates will be set based upon the size of water connection.

5. Easements. Waterview II shall be responsible for providing all rights-of way and easements necessary for the installation, construction, and maintenance of the above-described municipal infrastructure.

6. Maintenance/ Capital Replacement. Following the one year warranty period, Security Water shall provide, at its expense, all normal maintenance and repair to the infrastructure; however, Waterview II shall be responsible for the replacement, upgrade, and improvements to the infrastructure.

7. Other Municipal Services. All other municipal services (drainage, park recreation, roads, etc.) as contemplated in the Waterview II Service Plan, shall be the responsibility of Waterview II.

8. Termination. It is recognized that this Agreement will receive voter approval as a long term obligation of Waterview II at the November 2006 general election and involves the issue of "water and water rights" and therefore, this Agreement is in perpetuity and may not be terminated by Waterview II so long as Security Water is providing the services contemplated herein.

9. Indemnification. Each party to this Agreement agrees to defend and hold harmless, to the extent allowed by law and without waiving the provisions of the Colorado Governmental Immunity Act, the other party, their directors, officers, agents, and employees, from any and all loss, costs (including attorney fees), damage, injury, liability, claims, liens, demand, actions and causes of action whatsoever caused by or arising from the actions (or inaction) of the indemnifying party

10. Miscellaneous.

a. Governing Law. The validity, meaning and effect of this Agreement shall be determined in accordance with the laws of the State of Colorado.

b. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

c. Captions. The captions in this Agreement are inserted for convenience of

reference and in no way define, describe or limit the scope or intent of this Agreement or any of the provisions hereof.

d. Assignability. Neither party may assign its rights under this Agreement without the prior written consent of the other, which consent will not be unreasonably withheld provided that the assignment is to another Colorado special district or other political subdivision of the State of Colorado.

e. Modifications; Waiver. No waiver, modification, amendment, discharge or change of this Agreement shall be valid unless the same is in writing and signed by the party against which the enforcement of such modification, waiver, amendment, discharge or change is sought.

f. Entire Agreement. This Agreement contains the entire agreement between the parties relating to the transactions contemplated hereby and all prior or contemporaneous agreements, understandings, representations or statements, oral or written, are superseded hereby.

g. Partial Invalidate. Any provision of this Agreement which is unenforceable or invalid or the inclusion of which would impair the validity, legality or enforcement of this Agreement shall be of no effect, but all the remaining provisions of this Agreement shall remain in full force and effect.

h. No Third Party Rights. Nothing in this Agreement, express or implied, is intended to confer upon any person, other than the parties hereto and their respective successors and assigns, any rights or remedies under or by reason of this Agreement.

i. Attorneys' Fees. In the event of any controversy, claim or dispute between the parties affecting or relating to the subject matter or performance of this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party all of its reasonable attorneys' fees and costs incurred in such action.

j. Dispute Resolution. The parties agree that should any dispute arise over this Agreement, the same shall be resolved by binding and mandatory arbitration to be held in El Paso County, Colorado before one mutually-agreed to arbitrator who shall make all decisions concerning procedure and discovery. Should the parties be unable to agree upon said arbitrator, the same shall be appointed by an El Paso County District Court Judge. The cost of the arbitrator shall be paid equally by the parties.

Made and entered into the year and date first above written.

(SIGNATURE PAGE FOLLOWS)

WATERVIEW II METROPOLITAN DISTRICT

By: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_

SECURITY WATER DISTRICT

By: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_

INTERGOVERNMENTAL AGREEMENT  
(Security Sanitation District and Waterview II Metropolitan District)

This Intergovernmental Agreement ("Agreement") is made and entered into effective this \_\_\_\_\_ day of \_\_\_\_\_, 2006 by and between Security Sanitation District ("Security Sanitation") and Waterview II Metropolitan District ("Waterview II").

RECITALS

A. Security Sanitation is an established quasi-municipal corporation and political subdivision of the State of Colorado formed pursuant to Title 32 Colorado Revised Statutes and is a special district.

B. Security Sanitation provides various municipal services, including central wastewater treatment, to its residents located in El Paso County, Colorado.

C. Waterview II is a newly formed special district which intends to engage the services of Security Sanitation to assist in the delivery of wastewater services as described herein.

D. Pursuant to Colorado Constitution, Article XIV, Section 18(2)(a) and Section 291-203, Colorado Revised Statutes, districts may cooperate and contract with each other to provide any function, services, or facilities lawfully authorized to each.

NOW THEREFORE, based upon the mutual considerations and promises contained herein, the parties hereto agree as follows:

1. Infrastructure-Wastewater. Waterview II shall be responsible for the design, construction, installation, maintenance and financing of a complete municipal wastewater collection system consisting of sewer outfall lines and related facilities to individual residences and commercial/industrial users within its District boundaries as set forth in the Waterview III Service Plan approved by the El Paso County Board of County Commissioners. This infrastructure includes all facilities, lift stations, and equipment necessary to connect to the Security Sanitation system, west of Waterview II. These municipal systems will be designed to be at least the same standards as the Security Sanitation infrastructure and shall connect to the same. The improvements offsite of Waterview II which connect to the Security Sanitation system will be dedicated to Security Sanitation at no charge. This infrastructure shall contain a one-year warranty period.

2. Services. Security Sanitation will provide all wastewater services to the residents, businesses, and users within Waterview II.

3. Tap Fees and Revenues. Security Sanitation shall retain all monthly sewer service charges as compensation for its services with the understanding that such charges shall be at the then in-district rate charged by Security Sanitation, which sum increases, based on water usage.

In addition, each user within Waterview II shall pay a sewer tap fee to Security Sanitation based on the Security Sanitation In-District Tap Rate. Tap rates will be set based upon the size of water connection.

4. Easements. Waterview II shall be responsible for providing all rights-of way and easements necessary for the installation, construction, and maintenance of the above-described municipal infrastructure.

5. Maintenance/ Capital Replacement. Following the one year warranty period, Security Sanitation shall provide at its expense all normal maintenance and repair to the infrastructure; however, Waterview II shall be responsible for the replacement, upgrade, and improvements to this infrastructure.

6. Other Municipal Services. All other municipal services (drainage, park recreation, roads, etc.) as contemplated in the Waterview II Service Plan, shall be the responsibility of Waterview II.

7. Termination. It is recognized that this Agreement will receive voter approval as a long term obligation of Waterview II at the November 2006 general election and involves the issue of "water and water rights" and therefore, this Agreement is in perpetuity and may not be terminated by Waterview II so long as Security Sanitation is providing the services contemplated herein.

8. Indemnification. Each party to this Agreement agrees to defend and hold harmless, to the extent allowed by law and without waiving the provisions of the Colorado Governmental Immunity Act, the other party, their directors, officers, agents, and employees, from any and all loss, costs (including attorney fees), damage, injury, liability, claims, liens, demand, actions and causes of action whatsoever caused by or arising from the actions (or inaction) of the indemnifying party

9. Miscellaneous.

a. Governing Law. The validity, meaning and effect of this Agreement shall be determined in accordance with the laws of the State of Colorado.

b. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

c. Captions. The captions in this Agreement are inserted for convenience of reference and in no way define, describe or limit the scope or intent of this Agreement or any of the provisions hereof.

d. Assignability. Neither party may assign its rights under this Agreement without the prior written consent of the other, which consent will not be unreasonably withheld provided

that the assignment is to another Colorado special district or other political subdivision of the State of Colorado.

e. Modifications; Waiver. No waiver, modification, amendment, discharge or change of this Agreement shall be valid unless the same is in writing and signed by the party against which the enforcement of such modification, waiver, amendment, discharge or change is sought.

f. Entire Agreement. This Agreement contains the entire agreement between the parties relating to the transactions contemplated hereby and all prior or contemporaneous agreements, understandings, representations or statements, oral or written, are superseded hereby.

g. Partial Invalidity. Any provision of this Agreement which is unenforceable or invalid or the inclusion of which would impair the validity, legality or enforcement of this Agreement shall be of no effect, but all the remaining provisions of this Agreement shall remain in full force and effect.

h. No Third Party Rights. Nothing in this Agreement, express or implied, is intended to confer upon any person, other than the parties hereto and their respective successors and assigns, any rights or remedies under or by reason of this Agreement.

i. Attorneys' Fees. In the event of any controversy, claim or dispute between the parties affecting or relating to the subject matter or performance of this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party all of its reasonable attorneys' fees and costs incurred in such action.

j. Dispute Resolution. The parties agree that should any dispute arise over this Agreement, the same shall be resolved by binding and mandatory arbitration to be held in El Paso County, Colorado before one mutually-agreed to arbitrator who shall make all decisions concerning procedure and discovery. Should the parties be unable to agree upon said arbitrator, the same shall be appointed by an El Paso County District Court Judge. The cost of the arbitrator shall be paid equally by the parties.

Made and entered into the year and date first above written.

(SIGNATURE PAGE FOLLOWS)

WATERVIEW II METROPOLITAN DISTRICT

By: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_

SECURITY SANITATION DISTRICT

By: \_\_\_\_\_

ATTEST:

By: \_\_\_\_\_



Bathgate Capital  
PARTNERS

June 12, 2006

Re: Waterview II Metropolitan District, El Paso County, Colorado

To Whom It May Concern:

Bathgate Capital Partners is representing Cygnet Land LLC (the "Developer") as their investment banker in the formation and financing of a development in El Paso County, Colorado known as Waterview. It is anticipated that development will occur through the formation of the Waterview II Metropolitan District (the District).

The District will fund the anticipated infrastructure costs in the amount of approximately \$ 9,000,000.00 through the issuance of tax exempt bonds payable from fees and property taxes with an estimated debt service mill levy of 25 mills, 2006 equivalency. It is anticipated that during the initial phases of development, the Developer will provide the necessary credit enhancements for the bonds and to meet the obligations of any operating deficits of the District. At such time as the taxes, fees and other income are sufficient to pay debt service on the bonds and the operating costs of the District, such credit enhancements will terminate.

Bathgate Capital Partners will underwrite the bonds on a best efforts basis, which is customary for new start up districts. The amount of credit enhancements that we will require from the Developer will depend on market conditions at the time of the bond sale(s) and the condition of the commercial and residential real estate markets in El Paso County. Based upon our past business experience with the developer and his financial backers and the due diligence we have conducted to date in reference to the proposed new development, we are of the opinion that the developer has the financial strength to obtain credit enhancements and provide development funds required to develop the proposed project.

Sincerely,

Robert E. Broom, V.P.



# Bathgate Capital PARTNERS

June 12, 2006

Re: Waterview II Metropolitan District, El Paso County, Colorado

To Whom It May Concern:

Bathgate Capital Partners is representing Cygnet Land LLC (the "Developer") as their investment banker in the formation and financing of a development in El Paso County, Colorado known as Waterview . It is anticipated that development will occur through the formation of the Waterview II Metropolitan District (the District").

The District will fund the anticipated infrastructure costs in the amount of approximately \$ 9,000,000.00 through the issuance of tax exempt bonds payable from fees and property taxes with an estimated debt service mill levy of 25 mills, 2006 equivalency. It is anticipated that during the initial phases of development, the Developer will provide the necessary credit enhancements for the bonds and to meet the obligations of any operating deficits of the District. At such time as the taxes, fees and other income are sufficient to pay debt service on the bonds and the operating costs of the District, such credit enhancements will terminate.

Bathgate Capital Partners will underwrite the bonds on a best efforts basis, which is customary for new start up districts. The amount of credit enhancements that we will require from the Developer will depend on market conditions at the time of the bond sale(s) and the condition of the commercial and residential real estate markets in El Paso County. Based upon our past business experience with the developer and his financial backers and the due diligence we have conducted to date in reference to the proposed new development, we are of the opinion that the developer has the financial strength to obtain credit enhancements and provide development funds required to develop the proposed project.

Sincerely,

Robert E. Broom, V.P.

Spring 2005

# **WATERVIEW I AND WATERVIEW II**

## **Metropolitan District**

### **Market Analysis**

*El Paso County, Colorado*

*Prepared By:*

A. Kris Young  
Attorney at Law  
19 North Tejon, Suite 200 H  
Colorado Springs, CO 80903

*Prepared By:*



LELAND CONSULTING GROUP  
*Real Estate Strategists*

8200 South Quebec Street, Suite A3-104 • Centennial, Colorado 80112  
303.458.5800 Phone • 303.458.5420 Fax

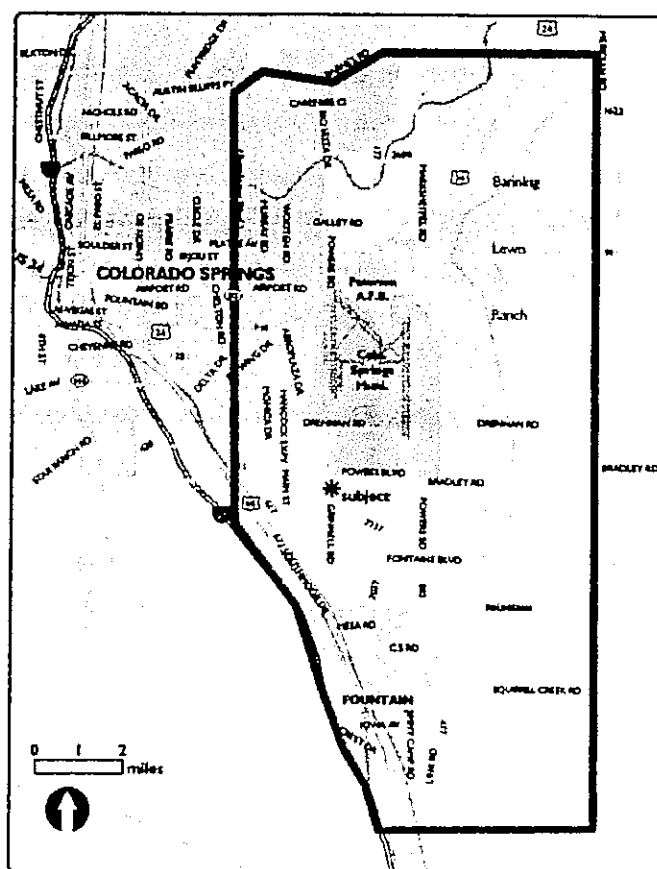
## MARKET ANALYSIS

### Introduction

Leland Consulting Group (LCG) was retained by A. Kristine Young (Counsel for the District) to conduct a market analysis for the proposed Waterview I and Waterview II Metropolitan Districts (the Districts) in El Paso County, Colorado. The report that follows includes an analysis of demand for residential and non-residential development in the trade area and a forecast of likely absorption by land use within the proposed Districts.

### Project Location

The Waterview I site comprises approximately 294 acres and Waterview II 446 acres. Both are located entirely within El Paso County, Colorado and bordered on its northern border by the City of Colorado Springs. The site is generally bounded on the north by the City of Colorado Springs Municipal Airport influence area and on the south by Bradley Road, straddling either side of Grinnell Road. Surrounding land uses include established residential neighborhoods to the west and undeveloped land and open space south and west.



Given the property's location south of the airport and north of the growing communities of Security, Widefield and Fountain and relationship to expanding residential and commercial projects in Eastern Colorado Springs, the Waterview I and Waterview II properties are strategically located to serve as an important gateway to the community. As such, it has the potential to capture its fair share of the region's traffic, business growth and residents.

## **MARKET ANALYSIS**

### **Development Concept**

The cornerstone of the developer's vision for development of the site is creation of a mixed-use master planned community. A combination of uses are proposed including a range of residential, commercial and office employment uses. Infrastructure will include right-of-way improvements, community and open spaces, and will be maintained by district fees. The Districts shall provide financing for public facilities, services, and programs benefiting the future residents and landowners of the community.

### **Methodology**

In completing the market analysis for the Waterview I and Waterview II Metropolitan Districts, Leland Consulting Group obtained and analyzed secondary market and economic information to supplement primary data obtained through discussions with the property owners/developers and their legal team.

A market analysis has several critical components. The first involves analyzing the subject property and identifying those opportunities, limitations and uncertainties which will affect development on the site. The second includes a review of market indicators and trends within a defined trade area and across several land uses, in order to understand the health of the market and economy. The third involves quantifying demand by land use, thereby providing a basis for conclusions about the ability of the properties (Districts) to support specific types of development.

This market analysis and its findings are intended to provide information that the property owners/developers and their advisors require to assess the Waterview I and Waterview II Mixed-Use Master Planned Communities's, and Districts', potential for economic success in the local and regional markets.

### **Report Format**

The outcome of the effort described above is the *Waterview I and Waterview II Metropolitan Districts Market Analysis*. It is based on a realistic understanding of market and physical conditions, all of

## **MARKET ANALYSIS**

which are summarized herein. The findings and conclusions of this work may be presented to appropriate boards and commissions as determined by the property owners/developers and their advisors.

### **Site/Area Reconnaissance**

The subject properties, located at approximately Bradley and Grinnell Roads, is positioned south of the Colorado Springs Municipal Airport in the southeastern quadrant of the community in El Paso County. The site and development concept benefits from a number of characteristics that make it appropriate for development of residential, commercial retail, employment, and community uses. These include:

- limited competition among projects located in the southeastern portion of the community;
- access and visibility along a critical north-south thoroughfare (Powers Boulevard) and gateway from communities south;
- adjacency to a variety of residential and employment uses in a currently under-served sub-market of the community;
- access to regional transportation corridors including Interstate 25 and U.S. Highway 24; and
- limited range of attached residential product inventory anywhere in the market (homogenous product) much less the southeastern sub-market.

The strengths of the site and concept are countered, however, by select drawbacks (primarily market-driven) that need to be addressed if the benefits of development efforts are to be maximized. These drawbacks include: -

- located on the fringe of development, proximate to a range of residential, commercial and industrial uses, yet lacking a significant level of contiguous activity;
- low- to moderate-density residential developments in the area, which limit the trade area population;
- limited commercial and employment activity adjacent to the property on the north, east and south, reducing the prospects for near-term cross-over shopping traffic; and
- recent competitive commercial development within eastern Colorado Springs, yet limited activity proximate to the subject site.

## MARKET ANALYSIS

The table presented below summarizes conclusions from the analysis of the site and concept.

Table 1

Site and Concept Analysis Summary

Site Criteria	Excellent	Good	Fair	Poor
<b>Accessibility</b>		Principal access via Powers Boulevard		
<b>Visibility</b>		Good visibility along central portions of property from Grinnell Road; limited visibility from southern and western portions of property		
<b>Adjacent Uses</b>			Established residential communities west of the subject property; airport uses north; and un-developed land east and south	
<b>Utilities</b>		Off-site areas currently serviced by all major infrastructure; on-site improvements to be financed and maintained by the District		
<b>Level of Competition</b>		Market-wide homogeneity among residential products; limited trade area competition among residential and non-residential uses		
<b>Trade Area Demographics</b>		Favorable demographic and market support for development concept; current path of development eastward		

Source: Leland Consulting Group.

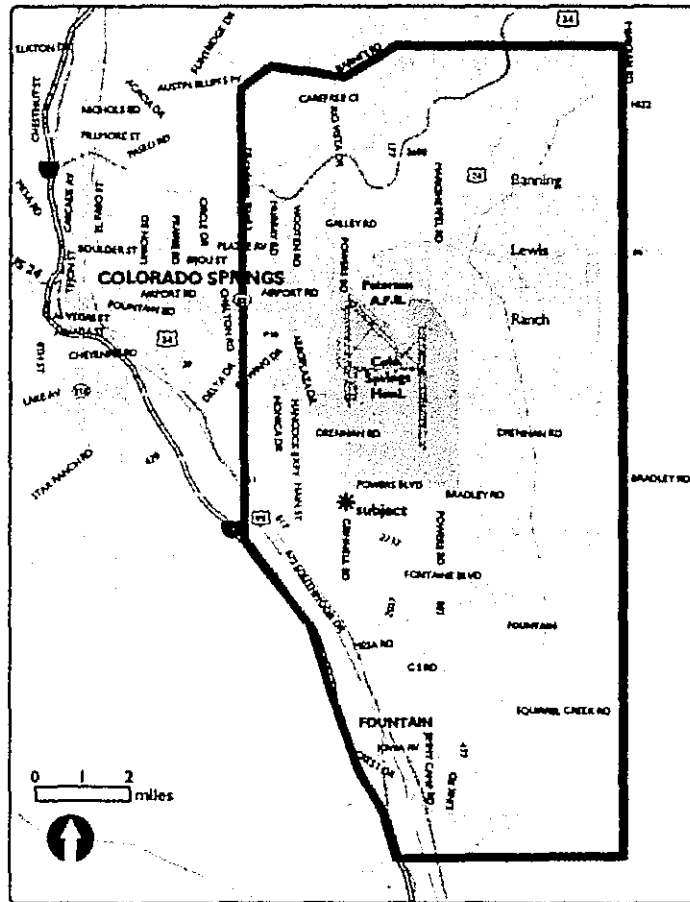
## MARKET ANALYSIS

### Market Indicators & Trends

Planning for the development of a mixed-use master planned community requires an understanding of physical limitations and the market. The market analysis conducted by Leland Consulting Group and summarized herein, focused on identifying market opportunities within a representative project trade area. The following discussion defines factors used to delineate a trade area for the District, and profiles characteristics of the area across select demographic and market indicators.

#### Trade Area Definition

A "trade area" is that area from which a project(s) will draw the majority of its residents (housing), patrons (retail) and employees (office) – that area that will likely be a source of competition and demand for the subject project(s). The boundaries of the trade area are often irregular as they are influenced by the following conditions:



**Physical Barriers** – the presence of certain physical barriers including highways, arterials, and significant structures which influence driving and shopping patterns;

**Location of Possible Competition** – inventory of potentially competitive properties which could diminish market share available to the project;

**Proximity to Population and/or Employment Concentrations** – concentrations in an area which could translate into more population and households to support the subject project (density and

## MARKET ANALYSIS

“rooftops”);

**Zoning** – restrictive or favorable regulatory environment which will influence a developer’s interest in delivering projects in this location vs. another;

**Market Factors** – conditions which will set sale and lease prices, influence a developer’s interest, or impact the project’s revenue potential (value);

**Drive Times, Spending and Commuting Patterns** – habits and patterns that have been established which could impact the project’s ability to capture market share (or require re-education).

Based on these factors, the trade area identified for the Districts (and presented in the above map) has the following approximate boundaries: Barne’s Road on the north; Meridian Road on the east; the southern border of the City of Fountain on the south; and, Interstate 25 and Academy Boulevard corridor on the west.

### **Demographic Indicators**

Demographic characteristics in the market are indicators of overall trends and economic health which may affect development of a project. Table 2 summarizes key indicators which will affect development demand within the Waterview project (trade) area over the near and long-term. Since this area represents a sub-market within the Colorado Springs Metropolitan Area (MSA), and as such will likely compete with projects from a broader influence (trade) area, a profile of the demographic characteristics for both geographies are presented.

## MARKET ANALYSIS

Table 2

**Trade Area Demographics****Population**

	<i>Primary Trade Area</i>	<i>Colorado Springs MSA</i>
2010 Total (proj.)	165,113	651,484
2005 Total (est.)	151,235	596,528
2000 Total	136,532	537,484
CAAGR* (05-10)	1.8%	1.8%

\*Compound Average Annual Growth Rate

**Households**

	<i>Primary Trade Area</i>	<i>Colorado Springs MSA</i>
2010 Total (proj.)	58,014	243,016
2005 Total (est.)	53,141	222,220
2000 Total	48,026	200,402
CAAGR* (05-10)	1.8%	1.8%

\*Compound Average Annual Growth Rate

**Average Household Size**

	<i>Primary Trade Area</i>	<i>Colorado Springs MSA</i>
2010 (proj.)	2.84	2.62
2005 (est.)	2.84	2.61
2000	2.83	2.60

**Median Household Income**

	<i>Primary Trade Area</i>	<i>Colorado Springs MSA</i>
2010 (proj.)	\$60,620	\$63,237
2005 (est.)	\$52,117	\$54,487
1999 (Census)	\$45,126	\$46,959

**Households by Income (2005 est.)**

	<i>Primary Trade Area</i>	<i>Colorado Springs MSA</i>
less than \$25,000	16%	18%
\$25,000 to \$49,999	31%	27%
\$50,000 to \$74,999	27%	23%
\$75,000 to \$99,999	13%	13%
\$100,000 to \$149,999	10%	13%
\$150,000 and up	3%	6%

Source: ESRI-BIS; Colorado Division of Local Affairs; Pikes Peak Area Council of Governments; and Leland Consulting Group.

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As reflected in Table 2, population, household, and income growth in the trade area has been, and is projected to be, comparable to that for the metropolitan area as a whole. It is widely accepted that these figures are considered reflective of growth trends in eastern and southeastern Colorado Springs and established condition of land uses within the area and number of opportunities for infill development. New communities, such as that being proposed for the Waterview I and Waterview II properties, will likely continue these trends.

### **Population and Household Growth**

Trade area population growth is expected to grow at a compound average annual growth rate (CAAGR) of 1.8% between 2005 and 2010. Similarly, the Colorado Springs MSA as a whole is expected to grow at a rate of 1.8%. Household growth rates reflect a similar trend suggesting a consistent pattern of development and similar product types.

### **Household Size**

Average household sizes in the trade area are noticeably larger than the MSA as a whole (2.84 versus 2.61). This reflects the higher concentration of one- and two-person households and seniors throughout the city and in areas outside the trade area, as well as growing concentrations of younger family households in eastern Colorado Springs.

### **Household Income**

Median household income in the trade area is slightly lower than the MSA as a whole (\$52,117 versus \$54,487). In addition, the trade area has a higher concentration of households in the \$25,000 to \$75,000 income group. This again reflects the higher concentration of younger family households in eastern Colorado Springs.

### **Market Indicators By Land Use**

An analysis of the performance of real estate products within an overall market, as well as competitive projects within a trade area, provide an indication of whether an area may be ready for new development. It also helps to identify potential gaps in the market -- niches that new development could fill. The information which follows presents a summary of current conditions

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for competitive residential, commercial, and office properties within defined sub-market areas within which the Districts will compete.

### Residential Supply Characteristics

As shown in Exhibit 1, residential building permits rebounded in 2004 after a 22% decline in 2003. In 2004, permits increased 22% over 2003 levels, but have not yet approached the levels experienced in 2001 and 2002. Over the five-year period from 2000 to 2004, single family permits comprised 77% of the total and multi-family permits comprised 23%.

**Exhibit 1: Housing Unit Building Permits for: El Paso County, CO**

	2000	2001	2002	2003	2004
<b>Total Units</b>	6,264	7,116	6,827	5,303	6,484
<b>Units in Single-Family Structures</b>	5,086	5,254	4,999	4,356	5,060
<b>Units in Multi-Family Structures</b>	1,178	1,862	1,828	947	1,424

Source: El Paso County Regional Building Department.

Summary housing supply characteristics for the Districts' trade area are presented as follows:

#### *Single Family Detached*

- According to the Meyers Group, there were 4,146 (net) new single family units sold in 2004 in the Colorado Springs market area, up from 3,306 in 2003. Over 90% of these units were sold in eastern sub-markets of the metropolitan area.
- Exhibit 2 summarizes characteristics of single family detached projects in the Waterview trade area.

**MARKET ANALYSIS****Exhibit 2: Active Single Family Detached Projects  
Waterview Trade Area**

<b>Project Name</b>	<b>Total Planned Units</b>	<b>Unsold Units</b>	<b>Monthly Sales Rate</b>	<b>Typical Lot Size</b>	<b>Price Range</b>
Stonegate Terrace	36	4	9	6,066	\$320.0 - \$343.3K
Spring Creek	24	18	6	4,300	\$219.9 - \$252.9K
Millers Crossing	29	0	2	4,800	\$130.0 - \$174.8K
Audubon Springs	80	78	2	5,500	\$143.9 - \$171.9K
Stratmoor Valley	35	0	8	6,000	\$130.0 - \$142.0K
Springs Ranch	103	0	0	3,055	\$139.0 - \$162.0K
Claremont Ranch	450	37	11	5,000	\$147.5 - \$237.0K
Spg Rch - High Meadows	148	51	5	6,500	\$141.0 - \$278.0K
Spg Rch - North Range	251	16	6	5,497	\$135.0 - \$245.6K
Pronghorn Meadows	205	107	7	6,650	\$155.5 - \$274.6K
Spg Rch - The Island	29	0	10	6,573	\$233.2 - \$271.6K
Spg Rch - The Knolls	63	0	7	5,392	\$205.0 - \$254.8K
North Range / The Knolls	292	18	7	5,230	\$139.0 - \$232.0K
Spg Rch - Golf Course Hts.	110	0	14	6,600	\$188.0 - \$375.8K
Soaring Eagles	536	40	17	5,225	\$145.0 - \$237.5K
Windmill Mesa	201	0	13	6,200	\$141.5 - \$238.3K
Sunrise Terrace	45	6	2	6,210	\$161.6 - \$195.2K
Glen at Widefield	227	19	10	6,500	\$153.4 - \$220.0K
Heritage	119	10	6	5,000	\$141.0 - \$207.0K
Heritage Hills	60	0	4	5,000	\$146.0 - \$169.0K
Heritage - Sage Meadow	210	82	2	5,450	\$142.4 - \$197.9K
Countryside West	261	0	5	6,000	\$133.4 - \$186.9K
Cheyenne Ridge	80	49	3	6,740	\$142.0 - \$220.5K
Cross Creek	599	431	14	5,570	\$149.0 - \$214.0K
Country Crossing	58	0	0	5,800	\$163.0 - \$190.0K
Fountain Mesa	100	99	0	12,000	\$174.9 - \$190.0K
Cottonwood Meadows	46	4	2	12,236	\$169.9 - \$301.1K

Source: Landiscor and Leland Consulting Group.

- Between April 2004 and April 2005, the average monthly sales rate for single family detached developments within the trade area was 6.4 units – about 172 units per month for the trade area as a whole. For area subdivisions, monthly absorption ranged from a low of 0 to a high of 17 units.
- The average sales price among single family detached units throughout the metropolitan area in 2004 was \$232,500, up 3% from 2003. Among subdivisions within the trade area during this same period, detached units ranged from \$130,000 to \$375,800.

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### Single Family Attached

**Exhibit 3: Active Single Family Attached Projects  
Waterview Trade Area**

Project Name	Total Planned Units	Unsold Units	Monthly Sales Rate	Price Range
Silver Hawk Springs	96	93	1	\$133.0 - \$140.3K
Prairie Knoll	26	2	1	\$214.9 - \$219.9K
Mandalay Villas	--	10	1	\$120.0 - \$150.0K
Claremont Ranch	94	67	3	\$145.0 - \$170.0K
Stonesthrow	34	12	1	\$158.6 - \$193.4K
Sand Creek Commons	--	6	4	\$129.8K
Windmill Creek	30	3	2	\$160.8 - \$162.9K
Countryside Townhomes	186	186	0	\$132.0 - \$134.0K

Source: Landiscor and Leland Consulting Group.

- According to the Meyers Group, there were 904 attached ownership units (townhomes and condominiums) sold in 2004-2005 in the Colorado Springs market, up from 585 in 2003. Approximately 75 percent of these units were sold within the Districts' trade area.
- In 2004-2005, the average monthly sales rate for townhome/condominium developments within the trade area was 1.6 units – about 13 units per month for the trade area as a whole.
- The average sales price among townhome units in 2004 was \$197,600, up 3% from 2003. The average sales price of condominium units during this same period was \$159,100, up 17% from 2003. Among subdivisions within the trade area during this same period, attached units ranged from \$120,000 to \$219,900.

### Planned Residential Supply

- As shown in Exhibit 4, a total of 2,830 single family detached and attached units in 14 subdivisions are planned within the trade area. The timing with which these units are actually delivered to the market is uncertain.

**MARKET ANALYSIS**

**Exhibit 4: Planned Residential Projects (Detached and Attached)  
Waterview Trade Area**

<b>Project Name</b>	<b>Total Planned Units</b>
Hartsock Village	72
Silver Hawk	67
Stratmoor Heights	58
Falcon Terrace	86
Wilshire Development	340
Wilshire Development II	744
Countryside North Addition	186
Countryside Townhomes	186
Courtyards @ Woodmen Hills	227
High Gate Farms	79
Freedom Heights	53
Cross Creek At Mesa Ridge	235
The Heights at Cross Creek	247
Lorson Ranch	250

Source: Landiscor and Leland Consulting Group.

*Apartments*

- The Districts' trade area is influenced by two apartment submarkets, the Northeast and Southeast, as defined by the State of Colorado Division of Housing. As noted earlier, over the last five years, multi-family construction has averaged approximately 22% of new residential development.
- Apartment rents in the "northeast" and "southeast" apartment sub-markets in the first quarter of 2005 were \$695.97 and \$631.60, respectively, (depending on unit type), compared to the metro area average of \$672.65. Despite the age of the existing inventory (over 80 percent built prior to 1995), a factor typically contributing to lower than average rent rates, rates in the trade area are comparable to those of the metro area as a whole, suggesting stronger than average market support for rental products and limited new inventory.
- Apartment vacancy rates in these sub-markets during the first quarter of 2005 were 12.3 and 15.0 percent, compared to 2004 rates of 11.5 percent in the northeast submarket and 15.5 percent in the southeast submarket.

**MARKET ANALYSIS**

**Exhibit 5: Active Apartment Projects  
Waterview Trade Area**

<b>Project Name</b>	<b>Number of Units</b>	<b>Year Built</b>
Tanglewood	112	1973
Park Apartments	104	1972
Westree Apartments	373	1972
Rustic Hills Park	258	1968
Firtree Apartments	165	1975
Kingsborough Apartments	239	1970
Murray Hill	126	1977
Park Ridge	204	1972
Newport Square	118	1973
Sundance	147	1971
Fireside Manor	312	1971
Courtyard Estates	176	1972
Point of View Apartments	210	1985
Dove Tree	288	1985
Bellaire Ranch	240	2003
Shannon Glen Apartments	193	1978
El Dorado	120	1990
Green Valley	121	1995
Tanager Meadows	528	1986
Mountain Country Estate	150	1960
Pine Creek Village	312	1974
Windmill Apartments	304	1986
Hill Park	168	1972
South Pointe	161	1971
Lark Haven	264	1985
Timberlane Apartments	148	1972
Sand Creek (Green Valley II)	101	1996
Eastborough Village	111	1972
Colony Hills	216	1985
Apollo Village	216	1974
Fountain Springs	228	2003
Heatherwood Club	100	1983
Village East	137	1973
Western Hills	152	1985
Constitution Square	182	2001
Creekside at Palmer Park	336	2003
Stetson Meadows	180	2003
Clearview Apartments	138	1982
Widefield	125	1970
Southwinds Apartments	101	1971
Fountain Ridge South	75	2004
Kit Carson	108	1971

Source: Landiscor and Leland Consulting Group.

- Over 80% of apartment projects in the trade area, or 6,584 units, were constructed prior to 1995. Five projects totaling 1,059 units were constructed in the last two years.

## MARKET ANALYSIS

### Residential Demand

Future demand for housing is driven by an increase in the trade area population base among income-qualified buyers and renters, as well as turnover among buyers / renters already existing in the market ("pent up" demand). Demand for new households is typically quantified using available secondary demographic data. These analyses translate household growth projections across income categories into demand across price points and rent breaks (assuming varying propensities to rent versus own across income groups).

Projected trade area household growth was analyzed along with historical patterns of single- and multi-family development to arrive at an estimated average annual demand for ownership housing in the trade area of approximately 490 ownership and 320 rental units. Assuming a variable capture rate averaging 15 percent across income categories within the primary trade area, the Waterview I and II Districts could absorb approximately 120 ownership units and 50 rental units per year. The analysis presented in Table 3 summarizes future demand for ownership and rental housing units over the next ten years.

Table 3

#### Residential Demand Analysis

Waterview Primary Trade Area

Households	2005	53,141		
	2010	58,013	CAGR	1.77%
	2015	63,333		
Household Growth (05-15)		10,192	Demolition Rate/yr.	0.02%
			Annual Pct. "2nd Home"	10.0%
Total Unit Requirement		11,317	Pct. Renters*	29%

Annual Income Range (2005 dollars)	Approx. Rent Range	Approx. Home Price Range	Current HHs in Income Bracket (2005)	Est. Net New HHs by Income Bracket	Trade Area Demand from New Households (10-yr)			
					Total Units	Est. Pct. Renters	Total Rental Units	Total Ownership Units
up to \$15K	up to \$375	up to \$50K	7%	2%	226	93%	215	11
\$15-25K	\$375 - \$625	\$50 to \$85K	9%	9%	1,030	80%	824	206
\$25-35K	\$625 - \$875	\$85 to \$120K	12%	13%	1,471	50%	809	662
\$35-50K	\$875 - \$1,000	\$120 to \$175K	19%	20%	2,263	30%	679	1,584
\$50-75K	\$1,000+	\$175 to \$250K	27%	28%	3,169	15%	475	2,693
\$75-100K	\$1,000+	\$250 to \$350K	13%	14%	1,584	10%	158	1,426
\$100-150K	\$1,000+	\$350 to \$500K	10%	11%	1,245	5%	62	1,183
\$150K and up	\$1,000+	\$500K and up	3%	3%	306	3%	9	296
<b>Totals</b>			<b>100%</b>	<b>100%</b>	<b>11,317</b>	<b>29%</b>	<b>3,232</b>	<b>8,062</b>

Source: ESRI-BIS, U.S. Census, and Leland Consulting Group

Notes: Household growth rate is based on ESRI-BIS projections

## MARKET ANALYSIS

### Retail Supply Characteristics

Summary retail supply characteristics for the Districts' trade area are presented in Tables 4 and 5:

- By Year-end 2004, the Colorado Springs market had 15.7 million square feet of retail space, of which 8.5 percent was vacant. During this time, the east and southeast sub-markets comprised nearly 40 percent of the total market, with 6.1 million square feet of space.
- Retail vacancies in the east sub-market, at this time, were below the overall market average, at 8.3 percent. In the southeast sub-market, however, vacancies were considerably higher, at 17.6 percent.
- The Colorado Springs market had net absorption of nearly 55,000 square feet through the 4<sup>th</sup> Quarter of 2004, with the east and southeast sub-markets experiencing negative absorption of over 170,00 square feet. This negative absorption is partially due to the conversion of the Better Living Center to an industrial use in the east sub-market and the departure of the Grocery Warehouse in the Spring Creek Center in the southeast sub-market.

Table 4

**Sub-market Supply Conditions Comparison - 2004 (through Q4)**

	No. of Centers	Total Square Feet	Vacant Square Feet	Vacant %	2004 Absorption to Date*	Avg. NNN Rent**
Colorado Springs Market	271	15,740,364	1,336,941	8.5%	54,717	\$12.77
East Sub-market		4,428,637	365,881	8.3%	-93,486	\$12.05
Southeast Sub-market		1,720,756	302,255	17.6%	-77,708	\$9.42
Primary Trade Area (Total)		6,149,393	668,136	10.9%	-171,194	\$10.74

Table 5

**Colorado Springs by Shopping Center Size - 2004 (through Q4)**

	No. of Centers	Total Square Feet	Vacant Square Feet	Vacant %	Avg. Asking Rent
400,000> s.f.	4	2,424,152	146,237	6.0%	\$24.50
200,000-399,999 s.f.	16	3,954,002	412,847	10.4%	\$13.42
100,000-199,999 s.f.	27	3,539,633	235,455	6.7%	\$14.57

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50,000-99,999 s.f.	37	2,652,656	282,368	10.6%	\$11.84
20,000-49,999 s.f.	64	1,932,723	187,766	9.7%	\$10.53
10,000-19,999 s.f.	59	804,911	56,486	7.0%	\$11.40
3,120-9,999 s.f.	64	432,287	15,784	3.7%	\$15.18

Source: Turner Commercial Research and Leland Consulting Group.

\* Negative absorption of 93,486 square feet for the East Sub-market is partially due to the conversion of the Better Living Center to an industrial use. The negative absorption of 77,708 square feet recorded for the Southeast Sub-market is partially due to the departure of the Grocery Warehouse in the Spring Creek Center.

\*\* Asking rent

### Retail Demand

Demand for new retail space is determined by two factors: current consumer expenditures that occur outside the trade area and future retail expenditures by new households. The size of the market trade area for development varies by type of retail/service space analyzed, traffic patterns in the area, the type and location of competitive centers and proximity to the customer base. For the purposes of this analysis, the trade area is the generally the same as that presented on Page 5 of this report and does not change across land uses.

Demand for new commercial development from lost sales (those that occur outside an area) is estimated by analyzing current consumer expenditures by trade area residents across several product categories, identifying the total square feet those expenditures can support and comparing that figure to existing space and retail sales levels. Resident expenditures which occur outside a given area represent a "void" or "residual demand" which could potentially be recaptured. The retail void analysis completed and presented in Table 6 suggests that trade area residents are supporting a sizable amount of space outside their primary market (over 550,000 square feet), some of which could potentially be supported within the Districts.

Demand for space from future expenditures, the second major source of demand for commercial space within the Districts was determined by multiplying growth in households with that portion of household income spent on specific retail purchases. The results of this analysis indicated future demand of approximately 574,000 square feet of additional retail space over the next 10 years. A final estimate of retail space which will turn over or become obsolete over the 10-year analysis period indicated additional support for approximately 274,000 square feet. Therefore, total retail demand in the trade area was estimated at 1.4 million square feet over the 10-year analysis period.

Assuming a blended 15% capture rate across select retail categories, the Districts could capture approximately 210,000 square feet of new space, or an average of 21,000 square feet annually.

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**Table 6**  
**Retail Demand Analysis**  
Waterview Trade Area

Category	Supply (sales)	Demand (retail potential)	Unmet demand	Est. Sales / s.f.	Current Retail Void (s.f.)	Additional Demand from Household Growth (10-yr)	Additional Demand from Turnover / Obsolescence (10-yr)
Auto Parts, Accessories, and Tire Stores	\$19,631,959	\$29,321,936	\$9,689,977	\$250	38,760	22,494	7,853
Furniture & Home Furnishings Stores	\$34,315,367	\$30,968,343	n/a	\$225	n/a	26,397	15,251
Electronics & Appliance Stores	\$22,705,565	\$32,767,906	\$10,062,341	\$275	44,722	27,931	10,091
Bldg Mater., Garden Equip. & Supply	\$39,639,437	\$51,286,034	\$11,646,597	\$240	38,822	32,786	13,213
Food & Beverage Stores							0
Grocery Stores	\$204,786,967	\$189,749,690	n/a	\$175	n/a	97,043	54,610
Specialty Food Stores	\$4,527,868	\$10,918,900	\$6,391,032	\$350	18,260	5,983	1,294
Beer, Wine, and Liquor Stores	\$25,477,709	\$17,750,088	n/a	\$300	n/a	11,347	8,493
Health & Personal Care Stores	\$38,651,120	\$30,721,353	n/a	\$275	n/a	21,425	14,055
Clothing and Clothing Accessories Stores	\$16,275,808	\$45,331,204	\$29,055,396	\$280	145,277	43,469	8,138
Sporting Goods, Hobby, Book, & Music	\$37,816,044	\$25,643,276	n/a	\$300	n/a	24,590	18,908
General Merchandise Stores	\$187,343,974	\$152,337,958	n/a	\$275	n/a	89,896	57,644
Miscellaneous Store Retailers	\$28,188,219	\$24,762,688	n/a	\$200	n/a	23,746	14,094
Food Services & Drinking Places							
Full-Service Restaurants	\$86,747,057	\$111,557,352	\$24,810,295	\$225	110,268	95,089	38,554
Limited-Service Eating Places	\$30,014,804	\$45,622,140	\$15,607,336	\$225	48,023	26,922	9,235
Special Food Services	\$2,399,399	\$30,829,199	\$28,429,800	\$250	113,719	23,650	960
Drinking Places (Alcoholic Beverages)	\$6,153,875	\$1,980,656	n/a	\$150	n/a	1,085	1,738
					557,850	573,852	274,152

Source: U.S. Census, ESRI-BIS, Urban Land Institute, Leland Consulting Group

Note: Assumes trade area household growth of 1.77% annually

Note: Conservative assumption of 1% annual turnover from retail space obsolescence

### Office Supply Characteristics

Summary office supply characteristics for the Districts' trade area are presented in Table 7:

- At year-end 2004, the Colorado Springs market had 23.7 million square feet of office space. During this time, the east and southeast sub-markets comprised nearly 19 percent of the total market, with 4.5 million square feet of space. The office market in Colorado Springs has struggled over the past few years, as has Denver's and others across the U.S. Vacancy rates at year-end 2004 averaged 9.2 percent market-wide. Vacancy rates in the east sub-market during this same period were slightly higher at 10.2 percent and significantly higher in the southeast sub-market, at 16.3 percent. Assuming that employment growth in the region continues in 2005, the market should have returned to equilibrium by late 2006/early 2007.
- The Colorado Springs office market experienced positive net absorption of over 120,000 square feet during 2004, with the east sub-market contributing absorption of over 25,000 square feet and the southeast sub-market experiencing absorption of 8,000 square feet.

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- Asking rents across all of the Colorado Springs sub-markets averaged \$10.07 per square foot (NNN) during 2004. Rents (asking) within the east and southeast sub-markets were lower, at \$9.10 and \$7.69, respectively.

Table 7

### Sub-market Supply Conditions Comparison – 2004 (through Q4)

	No. of Buildings	Total Square Feet	Vacant Square Feet	Vacant %	Absorption to Date	Under Construction	Avg. NNN Rent
Colorado Springs Market*	1,304	23,730,585	2,187,119	9.2%	768,596	120,370	\$10.07*
East Sub- market		3,930,872	399,049	10.2%	103,566	25,919	\$9.10
Southeast Sub-market		548,265	89,270	16.3%	41,143	8,035	\$7.69
Primary Trade Area (Total)		4,479,137	488,319	10.9%	144,709	33,954	\$8.40

Source: Turner Commercial Research and Leland Consulting Group.

\* Asking rent

### Office Demand

Demand for new office is derived from three primary sources: expansion of existing industry, relocation of new companies into the market, and creation of new firms. The first two factors are addressed through an analysis of employment projections by industry classification. The third factor, creation of new firms, is addressed by including a factor for self-employed individuals, a sector historically not recorded in state-based employment calculations (and not quantified here).

Employment projections by industry classification for the trade area were used to estimate demand over the next 10 years. As with demand for retail space, the ability to capture additional demand from both within, and outside of the trade area, will depend on the overall development process including the phasing of infrastructure, as well as the environment which is ultimately created to host it. Given planned physical improvements within the property, as well as the proposed development program and project concept, office products will likely be a mix of traditional service and professional office space, freestanding, and vertically integrated space within mixed-use buildings.

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The analysis summarized in Table 8 suggests annual trade area demand for approximately 100,000 square feet over the next 10 years. This figure includes both demand from new employment growth and turnover and obsolescence related to existing space. A capture rate of approximately 20 percent would generate cumulative demand for approximately 200,000 square feet of office space within the Districts over this period, or an annual average of 20,000 square feet.

Table 8

**Summary of Office Space Demand from Employment Growth**  
**Waterview Primary Trade Area**

	Est. 2005 Jobs	Annual Job Growth Rate*	10-yr. Job Growth	Est. Pct. Office Space	10-yr. Office Demand from Job Growth (s.f.)	Est. Existing Office Supply	Est. 10-year Turnover/ Replacement	Est. Office Demand From Turnover
Agriculture & Mining	671	2.7%	205	5%	2,151	7,015	10%	705
Construction	2,885	2.7%	881	5%	9,248	30,293	10%	3,029
Manufacturing	3,364	2.7%	1,027	5%	10,783	35,322	10%	3,532
Transportation	1,137	2.7%	347	5%	3,645	11,709	10%	1,194
Communication	459	2.7%	140	5%	1,471	4,820	10%	482
Electric, Gas, Water, Sanitary Services	124	2.7%	38	5%	397	1,262	10%	130
Wholesale Trade	1,777	2.7%	542	5%	5,696	18,639	10%	1,866
Retail Trade Summary	9,377	2.7%	2,863	5%	30,058	98,459	10%	9,846
Finance, Insurance, Real Estate	1,568	2.7%	479	50%	80,419	262,424	10%	26,342
<b>Services (Non-Retail)</b>								
Hotels & Lodging	311	2.7%	95	5%	997	3,266	10%	327
Automotive Services	664	2.7%	203	5%	2,128	7,052	10%	697
Entertainment & Recreation Services	661	2.7%	202	5%	2,119	6,911	10%	694
Health Services	1,595	2.7%	487	25%	25,564	81,126	10%	8,374
Legal Services	33	2.7%	10	95%	1,904	6,237	10%	624
Education Institutions & Libraries	3,344	2.7%	1,021	20%	42,876	140,416	10%	14,045
Other Services	4,805	2.7%	1,467	25%	77,011	252,263	10%	25,226
Government	17,214	2.7%	5,255	40%	441,431	1,447,976	10%	144,598
Other	75	2.7%	23	10%	1,442	4,725	10%	473
<b>Totals</b>	<b>50,064</b>		<b>15,284</b>		<b>739,340</b>	<b>2,421,825</b>		<b>242,183</b>

Source: ESRI/BIS, Colorado Department of Local Affairs, Leland Consulting Group

\* Trade Area employment growth rate based on DoLA projections for El Paso County

Note: Assumes 210 s.f. of office space per office employee

## Conclusion

As stated in the introduction to this report, the overall vision for the Waterview I and Waterview II Metropolitan Districts is the creation of a high-quality mixed-use master planned development containing an appropriate mix of land uses, with a greater emphasis on multiple forms of access, and resulting in a unique sense of place. The specific vision is the creation of a place which

## MARKET ANALYSIS

provides opportunities to come together as a community – as a resident, visitor, patron and employee.

While the final development program has not yet been determined, a preliminary program is presented in Table 9. As shown, 69 percent of the Districts' property will be developed with single family detached uses, 7 percent with multi-family uses, 10 percent with non-residential commercial uses, and the balance with right-of-way, open space and civic uses. As currently programmed, the project will contain approximately 2,000 single family units and 750 multi-family units of varying densities and product types. Approximately 650,000 square feet of non-residential commercial space will also be developed. Based on the market demand estimates prepared herein, we estimate that residential uses will be absorbed in approximately 15 to 17 years, and retail and office uses in approximately 18 years (See Table 10). Factors which will affect this timeframe include: infrastructure timing, public financing commitments, public approvals, and builder commitments.

Table 9

### **Waterview I and Waterview II Metropolitan District Preliminary Development Program**

Land Use Type	Waterview I	Waterview II	Total
Single Family Detached	190	320	510
Multi-Family	20	30	50
Commercial (Retail/Office)	42	33	75
Parks/Open Space	41	62	103
<b>Total</b>	<b>293</b>	<b>446</b>	<b>739</b>

Densities are assumed as follows:

Single Family Detached	4 Units/Acre
Multi-Family	15 Units/Acre
Commercial (Retail/Office)	20% Building/Land Ratio

Source: Leland Consulting Group.

Table 10

### **Waterview I and Waterview II Metropolitan District Estimated Absorption Period by Land Use**

Land Use Type	Total Units/SF	Annual Market Share	Total
Single Family Detached	2,000	120	17
Multi-Family	750	50	15
Commercial (Retail/Office)	650,000	36,000	18

Source: Leland Consulting Group.

**WATERVIEW II**  
**CONCEPTUAL LEVEL CONSTRUCTION COSTS**  
 April 6, 2005

<b>D. WATERVIEW II DIRECT CONSTRUCTION COSTS - TRUNK INFRASTRUCTURE</b>		
Component	Total Costs	
1. Roadway	\$	2,914,776.26
2. Drainage	\$	1,440,200.00
3. Sanitary Sewer	\$	375,300.00
4. Potable Water	\$	648,300.00
5. Dry Utilities	\$	107,800.00
6. WQ Ponds	\$	595,000.00
Subtotal Trunk Infrastructure	\$	6,081,276.26
Contingency (20%)	\$	1,216,255.25
<b>WATERVIEW II Total Trunk Infrastructure</b>	<b>\$</b>	<b>7,297,531.51</b>
<b>E. WATERVIEW II INDIRECT CONSTRUCTION (SOFT) COSTS - TRUNK INFRASTRUCTURE</b>		
Component	Total Costs	
1. Planning/Surveying/Engineering (10%)	\$	729,753.15
2. Construction Surveying (3%)	\$	218,925.95
3. Geotechnical Engineering (2%)	\$	145,950.63
<b>WATERVIEW II Total Indirect Costs - Trunk Infrastructure</b>	<b>\$</b>	<b>1,094,629.73</b>
<b>F. WATERVIEW II AGGREGATE COSTS</b>		
Category	Total Costs	
1. Trunk Infrastructure Direct Costs	\$	7,297,531.51
2. Trunk Infrastructure Indirect Costs	\$	1,094,629.73
<b>WATERVIEW II TOTAL</b>	<b>\$</b>	<b>8,392,161.24</b>

1. COST OPINIONS FOR TRUNK IMPROVEMENTS BASED UPON CONCEPTUAL PLANS PREPARED BY URS DATED JUNE 1, 2001. COSTS ARE SUBJECT TO MODIFICATION AS ADDITIONAL DATA IS OBTAINED AND THE LEVEL OF DESIGNS ARE ADVANCED.
2. ALL COSTS ARE IN 2005 DOLLARS.
3. SINCE THE ENGINEER HAS NO CONTROL OVER THE COST OF LABOR, MATERIALS, EQUIPMENT OR SERVICES FURNISHED BY OTHERS, OR OVER THE CONTRACTOR'S METHOD OF DETERMINING PRICES, OR OVER THE COMPETITIVE BIDDING OR MARKET CONDITIONS, ITS OPINIONS OF PROBABLE PROJECT COST AND CONSTRUCTION COST PROVIDED HEREIN ARE MADE ON BASIS OF ITS EXPERIENCE AND QUALIFICATIONS AND REPRESENTS ITS BEST JUDGMENT AS AN EXPERIENCED AND QUALIFIED ENGINEER FAMILIAR WITH THE CONSTRUCTION INDUSTRY, BUT ENGINEER CANNOT AND DOES NOT GUARANTEE THAT PROPOSALS, BIDS OR ACTUAL PROJECTS OR CONSTRUCTION COSTS WILL NOT VARY FROM ITS OPINION OF PROBABLE COST.
4. THE FOLLOWING ARE EXCLUDED FROM THE COST MODEL ABOVE:
  - A) TAP FEES
  - B) IN-TRACT DEVELOPMENT WITHIN THE COMMERCIAL, OFFICE/INDUSTRIAL AND MULTI-FAMILY PARCELS
  - C) SCHOOLS
5. LANDSCAPE COSTS BEYOND SEEDING ARE NOT INCLUDED.
6. POND VOLUMES ARE FOR WATER QUALITY ONLY. NO DETENTION IS ASSUMED.
7. MAINTENANCE COSTS ARE NOT INCLUDED.
8. OFFSITE UTILITY INFRASTRUCTURE COSTS ARE NOT INCLUDED.

**WATERVIEW II**  
**CONCEPTUAL LEVEL CONSTRUCTION COSTS**  
 April 6, 2005

<b>Bradley Road (210' ROW) Major Arterial 4-Lane Divided Highway</b>					
Description	Unit	Quantity	Unit Price		Cost
<b>ROADWAY IMPROVEMENTS</b>					
Full Depth Bituminous Pavement (9" Thick)	SY	32640	\$ 15.03	\$	490,579.20
Type 1 Slip Formed Curb	LF	9180	\$ 8.00	\$	73,440.00
Type 1 Hand Formed Curb	LF	1020	\$ 14.01	\$	14,290.20
Type 3 Slip Formed Curb	LF	9180	\$ 7.04	\$	64,627.20
Type 3 Hand Formed Curb	LF	1020	\$ 12.28	\$	12,525.60
Median Cover	SF	81600	\$ 6.00	\$	489,600.00
Concrete Pedestrian Ramp	EA	20	\$ 750.00	\$	15,000.00
Concrete Sidewalk (4 inch)	SF	61200	\$ 3.00	\$	183,600.00
Over Lot Grading	LF	5100	\$ 50.00	\$	255,000.00
Traffic Signal - Full Signal Mast Arm	EA	1	\$ 250,000.00	\$	250,000.00
Erosion Control	AC	25	\$ 95.00	\$	2,335.74
Soil Engineering	AC	25	\$ 550.00	\$	13,522.73
Seeding	AC	7	\$ 350.00	\$	2,450.00
Roadway Inspection	LF	5100	\$ 1.30	\$	6,630.00
Construction Surveying	LF	5100	\$ 12.00	\$	61,200.00
<b>Subtotal Roadway Improvements</b>				\$	<b>1,934,809.35</b>
<b>STORM DRAIN IMPROVEMENTS</b>					
18" RCP CLASS II	LF	300	\$ 36.00	\$	10,800.00
24" RCP CLASS II	LF		\$ 48.00	\$	-
30" RCP CLASS II	LF		\$ 60.00	\$	-
36" RCP CLASS II	LF	1600	\$ 76.00	\$	121,600.00
42" RCP CLASS II	LF		\$ 95.00	\$	-
48" RCP CLASS II	LF		\$ 125.00	\$	-
54" RCP CLASS II	LF		\$ 175.00	\$	-
60" RCP CLASS II	LF		\$ 225.00	\$	-
72" RCP CLASS II	LF		\$ 250.00	\$	-
78" RCP CLASS II	LF		\$ 300.00	\$	-
84" RCP CLASS II	LF		\$ 350.00	\$	-
Storm Drain Manhole	EA	4	\$ 3,750.00	\$	15,000.00
Inlet L=5'	EA	4	\$ 3,725.00	\$	14,900.00
Inlet L=10'	EA		\$ 4,600.00	\$	-
Inlet L=15'	EA		\$ 6,000.00	\$	-
<b>Subtotal Storm Drain Improvements</b>				\$	<b>162,300.00</b>
<b>SANITARY SEWER IMPROVEMENTS</b>					
8" PVC Sewer Main	LF	5100	\$ 20.00	\$	102,000.00
8" PVC Sewer Main (OFFSITE)	LF		\$ 30.00	\$	-
Underdrain System (80% Passive/20% Active)	LF	5100	\$ 10.00	\$	51,000.00
SS Manhole	EA	15	\$ 2,800.00	\$	42,000.00
<b>Subtotal Sanitary Sewer Improvements</b>				\$	<b>195,000.00</b>
<b>DOMESTIC WATER IMPROVEMENTS</b>					
8" PVC Water Main and Fittings	LF		\$ 25.00	\$	-
12" PVC Water Main and Fittings	LF		\$ 40.00	\$	-
16" PVC Water Main and Fittings	LF	5100	\$ 60.00	\$	306,000.00
20" PVC Water Main and Fittings	LF		\$ 75.00	\$	-
24" PVC Water Main and Fittings	LF		\$ 90.00	\$	-
30" PVC Water Main and Fittings	LF		\$ 115.00	\$	-
6" Fire Hydrant Assembly	EA	18	\$ 3,500.00	\$	63,000.00
8" Gate Valve	EA		\$ 790.00	\$	-
12" or greater Gate Valve	EA	16	\$ 1,450.00	\$	23,200.00
<b>Subtotal Domestic Water Improvements</b>				\$	<b>392,200.00</b>
<b>GAS MAIN IMPROVEMENTS</b>					
Gas Main	LF	5100	\$ 11.00	\$	56,100.00
<b>SUBTOTAL</b>					
				\$	<b>2,740,409.35</b>

**WATERVIEW II**  
**CONCEPTUAL LEVEL CONSTRUCTION COSTS**  
 April 6, 2005

3 LANE HIGHWAY (80' ROW) 3-Lane					
Description	Unit	Quantity	Unit Price	Cost	
ROADWAY IMPROVEMENTS					
Full Depth Bituminous Pavement (9" Thick)	SY	22560	\$ 15.03	\$	339,076.80
Type 1 Slip Formed Curb	LF	8460	\$ 8.00	\$	67,680.00
Type 1 Hand Formed Curb	LF	940	\$ 14.01	\$	13,169.40
Type 3 Slip Formed Curb	LF	8460	\$ 7.04	\$	59,558.40
Type 3 Hand Formed Curb	LF	940	\$ 12.28	\$	11,543.20
Concrete Pedestrian Ramp	EA	20	\$ 750.00	\$	15,000.00
Concrete Sidewalk (4 inch)	SF	56400	\$ 3.00	\$	169,200.00
Over Lot Grading	LF	4700	\$ 50.00	\$	235,000.00
Traffic Signal - Full Signal Mast Arm	EA		\$ 250,000.00	\$	-
Erosion Control	AC	9	\$ 95.00	\$	820.02
Soil Engineering	AC	9	\$ 550.00	\$	4,747.47
Seeding	AC	5	\$ 350.00	\$	1,661.62
Roadway Inspection	LF	4700	\$ 1.30	\$	6,110.00
Construction Surveying	LF	4700	\$ 12.00	\$	56,400.00
Subtotal Roadway Improvements				\$	979,966.91
STORM DRAIN IMPROVEMENTS					
18" RCP CLASS II	LF	500	\$ 36.00	\$	18,000.00
24" RCP CLASS II	LF		\$ 48.00	\$	-
30" RCP CLASS II	LF		\$ 60.00	\$	-
36" RCP CLASS II	LF		\$ 76.00	\$	-
42" RCP CLASS II	LF		\$ 95.00	\$	-
48" RCP CLASS II	LF		\$ 125.00	\$	-
54" RCP CLASS II	LF		\$ 175.00	\$	-
60" RCP CLASS II	LF	1100	\$ 225.00	\$	247,500.00
72" RCP CLASS II	LF	2350	\$ 250.00	\$	587,500.00
78" RCP CLASS II	LF	1100	\$ 300.00	\$	330,000.00
84" RCP CLASS II	LF		\$ 350.00	\$	-
Storm Drain Manhole	EA	12	\$ 3,750.00	\$	45,000.00
Inlet L=5'	EA	4	\$ 3,725.00	\$	14,900.00
Inlet L=10'	EA	5	\$ 4,600.00	\$	23,000.00
Inlet L=15'	EA	2	\$ 6,000.00	\$	12,000.00
Subtotal Storm Drain Improvements				\$	1,277,900.00
SANITARY SEWER IMPROVEMENTS					
8" PVC Sewer Main	LF	4700	\$ 20.00	\$	94,000.00
8" PVC Sewer Main (OFFSITE)	LF		\$ 30.00	\$	-
Underdrain System (80% Passive/20% Active)	LF	4700	\$ 10.00	\$	47,000.00
SS Manhole	EA	14	\$ 2,800.00	\$	39,200.00
Subtotal Sanitary Sewer Improvements				\$	180,200.00
DOMESTIC WATER IMPROVEMENTS					
8" PVC Water Main and Fittings	LF		\$ 25.00	\$	-
12" PVC Water Main and Fittings	LF	4700	\$ 40.00	\$	188,000.00
16" PVC Water Main and Fittings	LF		\$ 60.00	\$	-
20" PVC Water Main and Fittings	LF		\$ 75.00	\$	-
24" PVC Water Main and Fittings	LF		\$ 90.00	\$	-
30" PVC Water Main and Fittings	LF		\$ 115.00	\$	-
6" Fire Hydrant Assembly	EA	12	\$ 3,500.00	\$	42,000.00
8" Gate Valve	EA		\$ 790.00	\$	-
12" or greater Gate Valve	EA	18	\$ 1,450.00	\$	26,100.00
Subtotal Domestic Water Improvements				\$	256,100.00
GAS MAIN IMPROVEMENTS					
Gas Main	LF	4700	\$ 11.00	\$	51,700.00
SUBTOTAL					
				\$	2,745,866.91

WATERVIEW II  
 CONCEPTUAL LEVEL CONSTRUCTION COSTS  
 April 6, 2005

WATER QUALITY PONDS					
Description	Area AC	Impervious	Quantity AC-FT	Unit Price	Cost
WATERVIEW II					
	446.32	Com/Ind 90%			
POND #1			8.5	\$ 30,000	\$ 255,000
POND #2			10	\$ 30,000	\$ 300,000
Outfall			2	\$ 20,000	\$ 40,000
Total				\$	595,000.00

**Waterview II Metropolitan District  
El Paso County, Colorado**

**Projected Financing Plan**

Year of Tax Collection	Tax Collection																	Year of Tax Collection
	Year Assessed Valuation (1)	Debt Service		Operating Expenses		Facility Fees	Developer Advance-Opr. Expenses (5)	Capitalized Interest	Interest Income (6)	Projected District Revenues	Estimated Operating Expenses	Available for Debt Service	Debt Service Series 2009A	Proposed "B" Debt Service (7)	Accumulated Surplus Fund			
		Tax Revenues (3)	Tax Levy	Mill Levy	Tax Revenues (3)													
																Mill Levy (2)	Revenues (3)	
2010	1,508	25,000	37	5	8	418,176	2	24,992	345,600	5,184	793,999	25,000	768,999	691,200	30,000	47,799	2010	
2011	1,508	25,000	37	5	8	418,176	2	25,492	345,600	15,552	804,667	25,500	779,367	721,200	30,000	75,967	2011	
2012	8,731,515	25,000	215,014	5	45,583	418,176	12,901	(19,573)			672,100	26,010	646,090	693,800	30,000	(1,743)	2012	
2013	17,550,345	25,000	432,177	3.1347	57,441	418,176	25,931	(30,911)			902,814	26,530	876,284	833,400	30,000	11,141	2013	
2014	26,632,867	20,000	524,667	0.973152	27,061	418,176	31,480				1,001,384	27,061	974,324	946,800	30,000	8,665	2014	
2015	35,628,955	20,000	701,890	1.075263	40,000	418,176	42,113				1,202,180	40,000	1,162,180	1,010,200	150,000	10,644	2015	
2016	45,071,294	20,000	887,904	0.866998	40,800	418,176	53,274				1,400,155	40,800	1,359,355	1,206,800	150,000	13,199	2016	
2017	54,248,204	20,000	1,068,690	0.734739	41,616	418,176	64,121				1,592,603	41,616	1,550,987	1,400,400	150,000	13,786	2017	
2018	64,059,365	10,000	630,985	0.634652	42,448	418,176	37,859				1,129,468	42,448	1,087,020	939,800	150,000	11,006	2018	
2019	73,420,731	10,000	723,194	0.564807	43,297	418,176	43,392				1,228,059	43,297	1,184,762	1,035,800	150,000	9,968	2019	
2020	83,609,918	10,000	823,558	0.505896	44,163	418,176	49,413				1,335,310	44,163	1,291,147	1,051,400	240,000	9,715	2020	
2021	93,159,447	10,000	917,621	0.463118	45,046	418,176	55,057				1,435,900	45,046	1,390,854	1,147,200	240,000	13,369	2021	
2022	103,736,066	10,000	1,021,800	0.424218	45,947	418,176	61,308				1,547,232	45,947	1,501,284	1,291,400	240,000	13,253	2022	
2023	113,477,541	10,000	1,117,754	0.395557	46,866	418,176	67,065				1,648,661	46,866	1,602,995	1,361,600	240,000	14,648	2023	
2024	124,451,206	10,000	1,225,844	0.367892	47,604	454,244	73,551				1,801,442	47,604	1,753,639	1,512,800	240,000	15,487	2024	
2025	134,388,484	10,000	1,323,727	0.347502	48,760		79,424				1,451,910	48,760	1,403,150	739,600	665,000	13,837	2025	
2026	146,634,681	10,000	1,444,352	0.324850	49,735		86,661				1,560,748	49,735	1,531,013		1,530,150	14,700	2026	
2027	146,634,681	10,000	1,444,352	0.331347	50,730		86,661				1,581,742	50,730	1,531,013		1,388,800	156,912	2027	
		14,503,602			717,314	6,308,708	870,216	0	691,200	20,736	23,111,777	717,314	22,394,462	16,553,600	5,683,950			

1) The construction costs have been inflated by one percent per year and the assessed value of commercial property has been estimated to increase by one percent every two years as a result of revaluation by the County Assessor.

2) The revenues derived from the debt service Mill Levy, Specific Ownership Tax, and Facility Fee revenues, will be applied to: (a) 2009A Bond debt service first; (b) then to additional parity bonds if any; (c) then to subordinate Series B Notes interest only.

3) Property tax revenues are shown net of the one and one-half percent County Treasurer collection fee.

4) The Specific Ownership Tax (SOT), estimated as being six percent of the net property taxes collected.

5) The Developer will be required to advance the District's operating expense if the revenues from the operating mill levy do not cover the District's operating expenditures.

6) Interest income has been projected at 3% on the Capitalized Interest.

7) Series "B" debt service is interest only until all Series "A" debt is retired.

Buildout of the District is based upon the District projections and contracts entered into between the Primary Owner or Developer and prospective builders.

While the proposed District the Developer and the Financial Advisor believe that such assumptions are reasonable, no assurance can be given that projected revenues and expenditures will be realized within the time period set forth in the Projected Financing Plan. Variations from the Projected Financing Plan are likely to occur and such variations may be material.

Compiled by Bathgate Capital Partners  
Greenwood Village, Colorado

**\$8,640,000**

**Waterview II Metropolitan District, El Paso County, Colorado**  
**General Obligation Limited Tax Bonds Series 2009A**

Dated: Date of Delivery (12-15-09 Est.)  
Term Bond Maturing: December 15, 2025  
Annual Sinking Fund Payments beginning 12/15/11 through 12/15/24  
Coupon Rate: 8.000%  
Interest: June & Dec. 15, First Coupon 6-15-10

<u>Year</u>	<u>Annual Principal</u>	<u>June 15 Interest</u>	<u>December 15 Interest</u>	<u>Annual Total</u>
2010		345,600	345,600	691,200
2011	30,000	345,600	345,600	721,200
2012	5,000	344,400	344,400	693,800
2013	145,000	344,200	344,200	833,400
2014	270,000	338,400	338,400	946,800
2015	355,000	327,600	327,600	1,010,200
2016	580,000	313,400	313,400	1,206,800
2017	820,000	290,200	290,200	1,400,400
2018	425,000	257,400	257,400	939,800
2019	555,000	240,400	240,400	1,035,800
2020	615,000	218,200	218,200	1,051,400
2021	760,000	193,600	193,600	1,147,200
2022	935,000	163,200	163,200	1,261,400
2023	1,110,000	125,800	125,800	1,361,600
2024	1,350,000	81,400	81,400	1,512,800
2025	685,000	27,400	27,400	739,800
	8,640,000	3,956,800	3,956,800	16,553,600

**Waterview II Metropolitan District, El Paso County, Colorado**  
**General Obligation Limited Tax Bonds Series 2009 B**

Sub Series 2009 "B" Notes - \$3,000,000

DATED:	Date of Delivery (12-15-09 Est.)
Maturing: Term Bond	December 15, 2027
Interest Payable:	Annually December 15
Coupon Rate	Various

<u>Year</u>	<u>Principal</u>	<u>Annual Variable Coupon</u>	<u>Annual Interest</u>	<u>Interest Accrued</u>	<u>Interest Paid</u>	<u>Total Principal and Interest</u>
2010		1.00%	30,000		30,000	30,000
2011		1.00%	30,000		30,000	30,000
2012		1.00%	30,000	-	30,000	30,000
2013		1.00%	30,000		30,000	30,000
2014		1.00%	30,000		30,000	30,000
2015		5.00%	150,000		150,000	150,000
2016		5.00%	150,000		150,000	150,000
2017		5.00%	150,000		150,000	150,000
2018		5.00%	150,000		150,000	150,000
2019		5.00%	150,000		150,000	150,000
2020		8.00%	240,000		240,000	240,000
2021		8.00%	240,000		240,000	240,000
2022		8.00%	240,000		240,000	240,000
2023		8.00%	240,000		240,000	240,000
2024		8.00%	240,000		240,000	240,000
2025	410000	8.50%	255,000		255,000	665,000
2026	1310000	8.50%	220,150		220,150	1,530,150
2027	1280000	8.50%	108,800		108,800	1,388,800
	3,000,000		2,683,950		2,683,950	5,683,950

- 1) Notes are cash flow from surplus revenues after Series "A" Debt service both interest and principal. If interest is not paid it accrues and is paid when surplus funds are available. There is no interest on interest.
- 2) The projected Interest Coupon rates are variable as shown above.

**Waterview II Metropolitan District  
El Paso County, Colorado General Obligation  
Limited Tax Bonds Series 2009A and B**

**Projected Sources and Uses  
Series 2009  
Dated & Closing: 12/15/2009**

**Sources:**

Bond Proceeds		
\$ 8,640,000	Series A - Sold @ 100.00000	8,640,000
\$ 3,000,000	Series B Sub Notes (Purchased by Developers)	3,000,000

Total Sources	<u>\$ 11,640,000</u>
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**Uses:**

Funds for District Improvements	10,519,221
Legal Fees for District Formation (Estimated)	25,000
Capitalized Interest - One year of Series A	691,200
Cost of Bond Issuance	400,610
Surplus	3,969

Total Uses	<u>\$ 11,640,000</u>
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## Waterview II Metropolitan District El Paso County , Colorado

### Proposed Infrastructure and Drainage Fee Income

Facility Fees	Commercial (3)		Total Facility Fee Income
	Sq Feet (3)	Fee Income	
		\$ 0.40	
<u>Year</u>			
2009			
2010	1,045,440	418,176	418,176
2011	1,045,440	418,176	418,176
2012	1,045,440	418,176	418,176
2013	1,045,440	418,176	418,176
2014	1,045,440	418,176	418,176
2015	1,045,440	418,176	418,176
2016	1,045,440	418,176	418,176
2017	1,045,440	418,176	418,176
2018	1,045,440	418,176	418,176
2019	1,045,440	418,176	418,176
2020	1,045,440	418,176	418,176
2021	1,045,440	418,176	418,176
2022	1,045,440	418,176	418,176
2023	1,045,440	418,176	418,176
2024	1,135,609	454,244	454,244
	<u>15,771,769</u>	<u>6,308,708</u>	<u>6,308,708</u>

**Assumptions:**

- 1) Commercial projects will pay when getting a building permit \$.40 per square foot of the gross acreage in their building site.

**Waterview II Metropolitan District  
El Paso County, Colorado**

**Projecting timing of construction cost of construction with Inflation - Projection of Assessed Valuation**

			Construction	Commercial	Commercial	Accumulated	Tax Collection
			Year	Assessed	Revaluation	Commercial	Year
				@ 29%	1% every	Assessed	
Square Feet	Commercial				Two Years (2)		
Avg Cost (1)	3,785,225	\$ 120.00					
Year							
2009			2009				2011
2010	250,906	30,108,672	2010	8,731,515		8,731,515	2012
2011	250,906	30,409,759	2011	8,818,830		17,550,345	2013
2012	250,906	30,713,856	2012	8,907,018	175,503	26,632,867	2014
2013	250,906	31,020,995	2013	8,996,089		35,628,955	2015
2014	250,906	31,331,205	2014	9,086,049	356,290	45,071,294	2016
2015	250,906	31,644,517	2015	9,176,910		54,248,204	2017
2016	250,906	31,960,962	2016	9,268,679	542,482	64,059,365	2018
2017	250,906	32,280,572	2017	9,361,366		73,420,731	2019
2018	250,906	32,603,377	2018	9,454,979	734,207	83,609,918	2020
2019	250,906	32,929,411	2019	9,549,529		93,159,447	2021
2020	250,906	33,258,705	2020	9,645,025	931,594	103,736,066	2022
2021	250,906	33,591,292	2021	9,741,475		113,477,541	2023
2022	250,906	33,927,205	2022	9,838,890	1,134,775	124,451,206	2024
2023	250,906	34,266,477	2023	9,937,278		134,388,484	2025
2024	272,546	37,594,181	2024	10,902,312	1,343,885	146,634,681	2026
			2025			146,634,681	2027
			2026		1,466,347	148,101,028	2028
			2027			148,101,028	2029
	3,785,225	487,641,186					
				141,415,944	6,685,084		

- (1) The projected average estimated construction cost for year 2010 is \$120.00 per square foot starting year 2010 and inflated at 1% per year thereafter.  
 (2) Commercial property revaluation estimated every two years and inflated at 1%.

## Waterview II Metropolitan District

### Projected Absorption Schedule

362.07 Acres of Commercial (Retail / Office / Industrial)

<u>Year of Construction</u> (A)	<u>Acres</u> (B)	<u>Building Sq. Ft. (1)</u> (C)
2009		
2010	24	250,905.6
2011	24	250,905.6
2012	24	250,905.6
2013	24	250,905.6
2014	24	250,905.6
2015	24	250,905.6
2016	24	250,905.6
2017	24	250,905.6
2018	24	250,905.6
2019	24	250,905.6
2020	24	250,905.6
2021	24	250,905.6
2022	24	250,905.6
2023	24	250,905.6
2024	26.07	272,546.2
<hr/>		
	362.07	3,785,224.6

1) Average floor building area to land acreage estimated at 24%.

**Waterview II Metropolitan District El Paso County, Colorado**

**ESTIMATED ISSUANCE EXPENSES**

Type of Service	Date:		
	5/19/2005		
	Amount	Amount	Amount
<b>A. Legal</b>			
1. Bond Documents, Opinion & Disclosure			
Shughart Thompson & Kilroy			
Opinion & Disclosure	52,500		
<b>B. Bond Printing</b>	0		
<b>C. Bank Fees</b>			
1. Trustee & Inception Fee	1,500		
Trustee Travel & out of Pocket (Est.)	1,000		
Trustee's Legal Counsel Fee	7,500		
Trustee's Legal Counsel Out of Pocket (Est.)	1,000		
2. Paying Agent/Registrar - First Year Fee			
<b>D. Rating</b>			
1. Moody's			
2. S & P			
<b>E. Buyer's Counsel</b>	10,000		
<b>F. Professional Services</b>			
1. CPA, includes escrow verification	0		
2. Calculation - Computer	1,400		
3. Feasibility Studies	0		
4. Preparation of Official Statement - in house	0		
<b>G. Official Statement Printing</b>			
1. Preliminary & Final	3,000		
3. Other Printing - Shipping and Handling	500		
<b>H. Fees</b>			
1. DTC	700		
2. CUSIP	360		
<b>I. Bond Insurance</b> _____ % of Debt Service			
<b>J. Clearing/Delivery</b>	2,600		
<b>K. Travel</b>	850		
<b>L. Misc. - Postage, FedEx, Tele.</b>	300		
<b>M. Expense Reserve</b>			
<b>Subtotal</b>	83,210	-	-
<b>N. Underwriting Fee</b> _____			
<b>Grand Total</b>		-	-

Underwriting Fee:      302,400.00      3.5 pts on Series A  
                                  15,000.00      0.5 pts on Series B  
                                                       of OID

317,400.00

55000-00-231

7 &amp; 8-15-65

	DBD	RE		
CYGNET LAND LLC	value:	2420	land:	2420
24 N TEJON ST FL 2	levy:	58.497	impr:	0
COLORADO SPRINGS, CO 80903-1508	tax:	141.56	growth:	0
	balance:	0.00 as of 06/09/2006		

YEAR	DIST	TAX	PAYMENT	DATE	M	RCT	OID	MEDIA	BALANCE
2005	1 1 tax DBD	141.56	141.56	03/02/06	5	154	L-H	CKC N	0.00

Pboo NORTH AMERICAN TITLE CO. OF COLO.  
5540 TECH CENTER DR., STE. 100  
COLORADO SPRINGS, CO 80919  
Ref. no. 21 CO 06 002654

TRACT OF LAND IN SECS 6, 7, 8 & 17-15-65 DESC AS FOLS,  
BEG AT NE COR OF SEC 08-15-65, TH S ALG E LN OF SEC 8  
TO SE COR OF SD SEC 8, TH S 00<54'15'' E ALG E LN OF  
SEC 17 5248.90 FT TO NLY R/W LN OF FONTAINE BLVD,  
ALG SD R/W LN OF FONTAINE BLVD S 89<18'29'' W  
2609.06 FT, N 15<25'25'' W 1467.33 FT, N 24<43'25'' W  
1806.98 FT TO INTSEC BDRY LN OF RESERVOIR NO 2, TH ALG  
SD BDRY LN S 32<13'19'' E 924.86 FT, S 75<22'15'' E  
515.37 FT, N 77<24'58'' E 187.17 FT, S 66<19'13'' E  
919.45 FT, S 75<25'14'' E 812.70 FT, N 08<44'50'' E  
108.40 FT, N 14<04'14'' W 500.00 FT, N 03<43'12'' W  
160.00 FT, N 13<52'33'' E 499.62 FT, N 17<32'53'' E  
792.35 FT, N 26<27'13'' W 258.36 FT, N 38<36'10'' W  
498.36 FT, N 20<30'03'' W 291.87 FT, N 03<00'07'' W  
439.81 FT, N 21<01'33'' E 249.97 FT, N 64<33'25'' E  
339.47 FT, N 49<52'38'' E 261.22 FT, N 49<22'11'' W  
826.66 FT, S 80<23'02'' W 276.65 FT, N 39<37'20'' W  
589.63 FT, S 72<26'14'' W 309.90 FT, N 83<38'01'' W  
499.96 FT, N 52<36'23'' W 460.14 FT, N 54<37'13'' W  
1000.04 FT, N 64<10'36'' W 357.47 FT, N 82<17'35'' W  
328.11 FT, S 24<06'12'' W 778.55 FT, N 04<38'38'' E  
600.00 FT, S 89<24'22'' W 300.00 FT, S 00<35'38'' E  
447.28 FT, S 89<24'22'' W 2825.00 FT, TH N 00<37'43'' W  
ALG NLY R/W LN OF BRADLEY RD 1001.05 FT, S 88<51'29'' W  
2782.68 FT, TH N 00<42'02'' W ALG W LN OF SEC 7 TO  
NW COR OF SD SEC, TH N 00<46'01'' W 1900.86 FT TO PT  
OF CUR, ALG ARC OF CUR TO L WITH A C/A OF 90<10'37'' AN  
A RAD OF 1895.00 FT WHICH CHORD BEARS S 45<51'19'' E  
2684.07 FT AN ARC DIST OF 2982.51 FT TO PT ON N LN OF  
NW4 OF SD SEC 7, TH N 89<03'22'' E 818.10 FT TO N4 COR  
OF SD SEC 7, N 89<03'54'' E 2651.07 FT TO NE COR OF  
SD SEC 7, N 89<34'46'' E ALG N LN OF NW4 COR OF SEC 8  
2677.46 FT TO N4 COR OF SD SEC 8, TH N 89<34'19'' E  
2617.73 FT TO POB, EX ST CONV TO COUNTY BY REC  
(99080406) KNOWN AS GRINNELL ST, EX PT CONV TO CITY BY  
REC #200120591

\*\*\*\* NEW PARCEL NUMBERS IN 2006 ARE

55000-00-289 & 290 \*\*\*\*

55000-00-135

09-15-65

DEB

RE

CYGHET LAND LLC

value: 1760 land: 1760

24 N TEJON ST FL 2

levy: 58.497 impr: 0

COLORADO SPRINGS, CO 80903-1508

tax: 102.95 growth: 0

balance: 0.00 as of 06/09/2006

YEAR	DIST	TAX	PAYMENT	DATE	M	RCT	OID	MEDIA	BALANCE
2005	1 1 tax DEB	102.95	102.95	05/02/06	4	30	CAT	CKM G A	0.00

Phoo CYGHET LAND LLC  
24 N TEJON ST  
COLORADO SPRINGS, CO 80903

W2 SEC 9-15-65

# *Security Water and Sanitation Districts / Enterprises*

P. O. BOX 5156 • COLORADO SPRINGS, COLORADO 80931

TELEPHONE 719-392-3475 • FAX 719-390-7252

[www.securitywsd.com](http://www.securitywsd.com)

May 10, 2006

A. Kristine Young  
19 North Tejon Street, Suite 200 H  
Colorado Springs, CO 80903

RE: Waterview II Water and Wastewater Service

Dear Kris:

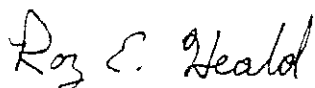
The Security Water and Sanitation Districts acknowledge that the property known as Waterview II may be within a likely future service area of both districts. The districts are currently reviewing and working on their capacity to provide water and wastewater services to this property and other possible inclusion areas at the time in the future when those services are needed.

At this time, it is contemplated that the subject property will consist of a commercial, office, light industrial and retail development of approximately 446 acres. If changes in the proposed future use of the property result in a significant modification to the demand for services from what is currently contemplated, the districts will have to reevaluate their ability to provide services.

Obviously, the property owner will need to seek inclusion of the property into the Security Water District and the Security Sanitation District at some future date. As part of a negotiated inclusion agreement, the districts' Boards of Directors will commit to provide service to the subject property if sufficient water and wastewater capacities are available at that time. Furthermore, services will be subject to construction requirements and facilities constraints, as well as the rules, regulations and other conditions of the districts at the time of development. Services will also be contingent upon the payment of appropriate fees at the time of requested service connection.

If you have any other questions or need additional information, please contact me.

Respectfully,  
Security Water and Sanitation Districts



Roy E. Heald, General Manager