

WATER TANK BONDS PLEDGE AGREEMENT

This **WATER TANK BONDS PLEDGE AGREEMENT** (the “**Agreement**” or “**Pledge Agreement**”), is made and entered into and dated as of _____, 2012 by and between TRAER CREEK METROPOLITAN DISTRICT (“**TCMD**”) a quasi-municipal corporation and political subdivision of the State of Colorado (the “**State**”), THE VILLAGE METROPOLITAN DISTRICT (“**VMD**,” and together with TCMD, the “**Districts**”) a quasi-municipal corporation and political subdivision of the State, and UPPER EAGLE REGIONAL WATER AUTHORITY (the “**Authority**”), a political subdivision of the State.

RECITALS

WHEREAS, TCMD has previously issued its Variable Rate Revenue Bonds, Series 2002 and its Variable Rate Revenue Bonds, Series 2004 (collectively, the “**Outstanding TCMD Bonds**”); and

WHEREAS, payment of the Outstanding TCMD Bonds is secured by certain revenues of the Districts, and also by an irrevocable letter of credit issued by BNP PARIBAS, San Francisco Branch (“**BNP**”); and

WHEREAS, TCMD and other entities are parties to that certain litigation (consolidated civil action Case No. 2008CV385, Eagle County District Court), and have entered into that certain Settlement Term Sheet dated October 7, 2011 (the “**Term Sheet**”), to set forth the agreement of the parties concerning resolution of various disputes at issue in the litigation; and

WHEREAS, TCMD, the Authority, the Town of Avon (the “**Town**”) and Traer Creek LLC have entered into that certain Traer Creek Water Storage Tank Agreement dated as of _____, 2012 (the “**Water Tank Agreement**”) to implement certain provisions of the Term Sheet relating to the construction of a water tank (as more particularly described in the Water Tank Agreement, the “**Tank Project**”), and to address other related matters; and

WHEREAS, the Term Sheet and the Water Tank Agreement contemplate that the Authority will issue bonds to finance the construction of the Tank Project (the “**Tank Project Bonds**”), and that TCMD and VMD will pledge and pay to the Authority the “Annual Debt Service Obligation” (as more particularly defined and described herein); and

WHEREAS, the revenues pledged to pay the Annual Debt Service Obligation on the Tank Project Bonds were pledged to pay all amounts due to BNP (the “**BNP Pledge**”) under the Amended and Restated Reimbursement Agreement, dated as of June 1, 2004, by and among the Districts and BNP (the “**Reimbursement Agreement**”), and BNP has agreed to consent to release the amount necessary to pay the Annual Debt Service Obligation from the BNP Pledge; and

WHEREAS, TCMD, VMD and the Authority are entering into this Pledge Agreement for the purpose of obligating TCMD and VMD to pay the Annual Debt Service Obligation to the Authority and for the Authority to agree to issue the Tank Project Bonds, subject to the conditions and limitations set forth herein; and

WHEREAS, implementation of the settlement contemplated by the Term Sheet requires the satisfaction of various mutually dependent conditions, including but not limited to the restructuring of the Outstanding TCMD Bonds in accordance with the Term Sheet (such restructuring being referred to herein as the “**TCMD Bond Reissue**” and the bonds issued in connection therewith being referred to as the “**TCMD Refunding Bonds**”) in a manner sufficient to, among other things, facilitate the performance by TCMD and VMD of this Pledge Agreement; and,

WHEREAS, certain documents required to implement the Term Sheet are to be deposited pursuant to a master escrow agreement (the “**Escrow Agreement**”) into escrow (the “**Escrow**”), subject to release, delivery and recording upon closing of the TCMD Bond Reissue; and

WHEREAS, the Districts have determined and hereby determine that the execution of this Pledge Agreement is in the best interests of the Districts and the residents, property owners, users and taxpayers thereof.

AGREEMENTS

NOW, THEREFORE, for and in consideration of the promises and the mutual covenants and stipulations herein, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Interpretation. Unless otherwise provided herein, this Agreement takes effect on the Implementation Date and ends on the Termination Date. In this Agreement, unless the context expressly indicates otherwise, the interpretations and meanings set forth below shall apply:

(a) The terms “herein,” “hereunder,” “hereby,” “hereto,” “hereof” and any similar terms, refer to this Agreement as a whole and not to any particular article, section, or subdivision hereof; the term “heretofore” means before the date of execution of the Agreement; and the term “hereafter” means after the date of execution of this Agreement.

(b) All definitions, terms, and words shall include both the singular and the plural.

(c) Words of the masculine gender include correlative words of the feminine and neuter genders, and words importing the singular number include the plural number and vice versa.

(d) The captions or headings of this Agreement are for convenience only, and in no way define, limit, or describe the scope or intent of any provision, article, or section of this Agreement.

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

Section 1.02. Definitions. As used herein, unless the context expressly indicates otherwise, the words capitalized throughout the text of this Agreement shall have the respective meanings set forth below or parenthetically defined elsewhere in this Agreement.

(a) “Annual Debt Service” means scheduled principal payments (including mandatory sinking fund payments) and interest payments due in any calendar year on the Tank Project Bonds.

(b) “Annual Debt Service Obligation” means, for each calendar year or portion of a calendar year in which any Tank Project Bonds are Outstanding, or for thirty (30) years following the date of issuance of the Tank Project Bonds, whichever first occurs, the amount set forth for each such calendar year or portion of a calendar year on the then applicable Annual Debt Service Schedule. Once the Annual Debt Service Obligation is established by the issuance of Tank Project Bonds, it shall not be increased (but may be decreased) due to a refunding of the Tank Project Bonds without the written consent of TCMD and BNP (so long as BNP is the provider of liquidity or credit enhancement on TCMD Refunding Bonds or any amounts are due and owing to BNP by TCMD in connection with such TCMD Refunding Bonds or the Outstanding TCMD Bonds). In the event that any payment due to the Authority is not made when due, the Annual Debt Service Obligation shall also include interest, attorney’s fees and costs as herein provided.

(c) “Annual Debt Service Schedule” means the schedule to be attached as Exhibit A to this Pledge Agreement upon the issuance of any Tank Project Bonds and other circumstances set forth herein, in accordance with Section 2.09 hereof. To the extent an issue of Tank Project Bonds refunds or repays all or a portion of a prior issue of Tank Project Bonds, then the Annual Debt Service Schedule shall be substituted or revised, as more particularly described in Section 2.09.

(d) “Authority” means Upper Eagle Regional Water Authority, or its successors or assigns.

(e) “Business Day” means a day on which banks or trust companies in Denver, Colorado, are not authorized or required to remain closed and on which the New York Stock Exchange is not closed.

(f) “Districts” means TCMD and VMD.

(g) “Implementation Date” means the first Business Day on which all of the following conditions are occurring or have occurred (1) the Water Tank Agreement is executed and delivered by the parties thereto, and (2) the conditions of Section 2.08 hereof are satisfied.

(h) “Interest Payment Date” means, in connection with the Tank Project Bonds, June 1 and December 1 of each year while the Tank Project Bonds are Outstanding.

(i) “Maximum Mill Levy” means an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) of fifty (50) mills; provided, however, that, in the event the method of calculating assessed valuation is changed after the date of issuance of the Tank Project Bonds, the maximum mill levy of fifty (50) mills provided herein may be increased or decreased to reflect such changes, such increases or decreases to be determined by TCMD in good faith (such determination to be binding and final on all Parties) so that to the extent possible, the actual tax revenues generated by such mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation. Notwithstanding anything herein to the contrary, in no event may the mill levy be established at a level which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the Districts’ electoral authorization, and if the Maximum Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the Districts’ electoral authorization, the Maximum Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

(j) “Outstanding” means all Tank Project Bonds that have been executed and delivered, except (i) Tank Project Bonds theretofore cancelled by the Authority or the registrar or paying agent for the Tank Project Bonds or delivered for cancellation because of payment at maturity or prior redemption, (ii) Tank Project Bonds that have been defeased pursuant to the terms of the resolution, indenture or other document pursuant to which such Tank Project Bonds were issued, and (iii) Tank Project Bonds in lieu of which other Tank Project Bonds have been executed and delivered as a result of the transfer and exchange of Tank Project Bonds or the replacement of mutilated, lost, stolen or destroyed Tank Project Bonds.

(k) “Payment Date” means May 1 and November 1 of each year, commencing with the first May 1 or November 1 occurring after the Implementation Date.

(l) “Tank Project Property Tax Revenues” means all moneys derived from imposition of the Senior Required Mill Levy by the Districts and payable to the Authority or its designees in accordance with this Pledge Agreement. [if change agreed to, must also change in alpha order]

(m) “Semi-Annual Obligation” shall mean the amount of the Annual Debt Service Obligation coming due on the Interest Payment Date for the Tank Project Bonds which immediately succeeds a Payment Date, as set forth in the Annual Debt Service Schedule.

(n) “Senior Payment Fund” means the Senior Payment Fund created pursuant to this Agreement and held by TCMD for the purpose of providing for the payment of the Annual Debt Service Obligation.

(o) “Senior Required Mill Levy” means an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the Districts each year in an

amount necessary as determined by the Districts, to generate Tank Project Property Tax Revenues sufficient, together with amounts on deposit in the Senior Payment Fund on the date the Senior Required Mill Levy is certified by the Districts, to pay the Annual Debt Service Obligation as the same becomes due and payable, but not in excess of the Maximum Mill Levy. So long as the Senior Required Mill Levy is less than the Maximum Mill Levy, the total mill levy set by one or both of the Districts may include additional mills required by the BNP Pledge or for other lawful purposes of the Districts, provided that the total mill levy shall not exceed the Maximum Mill Levy.

(p) “State” means the State of Colorado.

(q) “Supplemental Act” means the “Supplemental Public Securities Act,” being Title 11, Article 57, Part 2, Colorado Revised Statutes, as amended.

(r) “Tank Project” has the meaning assigned it in the Water Tank Agreement.

(s) “Tank Project Bonds” means, notes, bonds or other obligations issued by the Authority for the purpose of financing costs of the Tank Project, and any refundings thereof.

(t) “TCMD” means Traer Creek Metropolitan District.

(u) “Termination Date” shall mean, the earlier of (a) the date that is thirty years after the date of issuance of the first Tank Project Bonds issued; or (b) the date that the Tank Project Bonds are paid in full or defeased in accordance with Section 2.02(e) hereof; and

(v) “VMD” means The Village Metropolitan District.

(w) “Water Tank Agreement” means the Traer Creek Water Storage Tank Agreement dated as of April 26, 2012, entered into among TCMD, the Authority, the Town of Avon and Traer Creek LLC.

ARTICLE II

ANNUAL DEBT SERVICE OBLIGATION

Section 2.01. No Additional Electoral Approval Required. The authorization for issuance of debt, fiscal year spending, revenue collections and other constitutional matters requiring voter approval for purposes of this Agreement, was approved at elections held by each of TCMD and VMD on November 6, 2001 and November 5, 2002, in accordance with law and pursuant to due notice. The performance of the terms of this Agreement by the Districts requires no further electoral approval. The Districts have determined that, for purposes of appropriately allocating their respective electoral debt authorization to the Annual Debt Service Obligation herein, the Annual Debt Service Obligation shall be characterized as a debt in the principal amount equal to the principal amount of the Tank Project Bonds (when initially issued), issued for the purpose of funding costs of water system infrastructure. The Districts shall be obligated to provide for the annual repayment costs of such debt in an amount equal to the Annual Debt Service Obligation and for a term not to exceed 30 years. Furthermore, because the Districts

cannot determine the precise amount of Annual Debt Service on the Tank Project Bonds that will be funded by each of the Districts, each of the Districts shall allocate the full principal amount of the Annual Debt Service Obligation (i.e., the principal amount of the Tank Project Bonds) to their electoral debt authorization.

Section 2.02. Annual Debt Service Obligation; Limited Tax General Obligation.

(a) In exchange for the undertakings of the Authority set forth in the Water Tank Agreement, TCMD and VMD [jointly and severally Dee, we have a question about this since TCMD does not currently have AV sufficient to pay. In the Reimbursement Agreement, TCMD is obligated to the mill levy pledge only after its AV reaches \$1 million. Can we do something like that here?] agree to pay or cause to be paid the Annual Debt Service Obligation to the Authority by paying the Semi-Annual Obligation to the Authority on the Payment Dates. The Districts jointly and severally agree to deposit or cause the deposit into the Senior Payment Fund an amount sufficient to pay the Annual Debt Service Obligation due on each Payment Date as set forth in the Annual Debt Service Schedule.

(b) The [joint and several obligation of the Districts See previous comment] to pay the Annual Debt Service Obligation shall constitute a limited tax obligation of each District payable from the Tank Project Property Tax Revenues or other legally available revenues of the Districts. This Agreement and the obligation to pay the Annual Debt Service Obligation shall constitute an irrevocable lien upon the Tank Project Property Tax Revenues and the Senior Payment Fund. The Districts hereby elect to apply all of the provisions of the Supplemental Act to this Pledge Agreement.

(c) There is hereby established and created a fund of TCMD to be designated the “Traer Creek Metropolitan District Senior Payment Fund” (the “Senior Payment Fund”), which shall be established as a depository account owned by TCMD. The Senior Payment Fund shall not be maintained at BNP nor shall the amounts held in the Senior Payment Fund be invested with BNP. TCMD hereby agrees to maintain the Senior Payment Fund from and after the Implementation Date until the Termination Date. The Tank Project Property Tax Revenues or other legally available revenues of the District shall be credited to the Senior Payment Fund so that on or before each Payment Date the balance of the Senior Payment Fund is sufficient to pay the portion of the Semi-Annual Obligation due on such Payment Date. On or before each Payment Date, commencing on the Payment Date occurring after the Tank Project Bonds are issued, TCMD shall pay to the Authority the portion of the Semi-Annual Obligation due on such Payment Date.

(d) All amounts payable by the Districts hereunder to the Authority shall be paid in lawful money of the United States of America by check mailed or delivered, or by wire transfer, to the Authority or to its designee, in accordance with its written instruction.

(e) The Districts may, at any time, pay to the Authority an amount sufficient to defease the Tank Project Bonds in accordance with the provisions of the resolution, indenture or other document pursuant to which the Tank Project Bonds were issued.

(f) Upon the occurrence of an Event of Default, all amounts due and owing but unpaid by the Districts to the Authority hereunder shall bear interest at the maximum rate permitted under the District's electoral authorization until paid in full.

Section 2.03. Imposition of Senior Required Mill Levy.

(a) In order to pay the Annual Debt Service Obligation, commencing with the year in which the Implementation Date occurs, [each District See comment in (a) above] agrees to levy on all of the taxable property in such District, in addition to all other taxes, direct annual taxes in each year so long as the Tank Project Bonds remain Outstanding, in the amount of the applicable Senior Required Mill Levy. Nothing herein shall be construed to require a District to impose an ad valorem property tax levy for the payment of Annual Debt Service Obligation in excess of the Senior Required Mill Levy or after the Termination Date.

(b) In order to facilitate the determination of the Senior Required Mill Levy by VMD, TCMD shall provide to VMD: (i) on or before September 30 of each year, the preliminary certification of assessed value for the VMD provided by the Eagle County Assessor; and (ii) no later than one day after receipt by VMD, the final certified assessed value for VMD, provided by the Eagle County Assessor (expected to be provided by the Eagle County Assessor no later than December 10 of each year). In accordance with the definition of Senior Required Mill Levy set forth herein, TCMD shall preliminarily determine, and provide to VMD, the Senior Required Mill Levy for [each District] no later than October 15 of each year, and shall finally determine, and provide to VMD, the Senior Required Mill Levy for [each District] no later than December 12 of each year.

(c) Each District acknowledges that it has actively participated in the development of the calculation for determining the Senior Required Mill Levy, that such calculation is designed to relate to the mutual benefit to the Districts of the Water Tank Project and the relative ability of such Districts, dependent upon the relative stages of development therein, to fund the Annual Debt Service Obligation from Tank Project Property Tax Revenues in any given year and that, so long as made in accordance with the foregoing and the definition of Senior Required Mill Levy herein, the determinations of TCMD as to the Senior Required Mill Levy shall be final and binding upon both Districts.

(d) This Section 2.03 is hereby declared to be the certificate of the Districts to the Board of County Commissioners indicating the aggregate amount of taxes to be levied for the purposes of paying the Annual Debt Service Obligation due hereunder.

(e) It shall be the duty of [each District] annually at the time and in the manner provided by law for the levying of its taxes, if such action shall be necessary to effectuate the provisions of this Agreement, to ratify and carry out the provisions hereof with reference to the levy and collection of the ad valorem property taxes herein specified, and to require the officers of such District to cause the appropriate officials of Eagle County, to levy, extend and collect said ad valorem taxes in the manner provided by law for the purpose of providing funds for the payment of the amounts to be paid

hereunder promptly as the same, respectively, become due. Said taxes, when collected, shall be applied only to the payment of the amounts to be paid hereunder.

(f) Said taxes shall be levied, assessed, collected, and enforced at the time and in the form and manner and with like interest and penalties as other general taxes in the State.

(g) Each District shall pursue all reasonable remedies to collect, or cause the collection of, delinquent ad valorem taxes within its boundaries.

Section 2.04. Limitations on Annual Debt Service Obligation. In no event shall the total or annual obligations of either District hereunder exceed the maximum amounts permitted under its electoral authority and any other applicable law. The entire Annual Debt Service Obligation will be deemed defeased and no longer outstanding with respect to both Districts upon the earlier of: (i) the payment by either District of such amount; or (ii) the Termination Date.

Section 2.05. Effectuation of Pledge of Security, Current Appropriation. The sums herein required to pay the amounts due from the Districts hereunder are hereby appropriated for that purpose, and said amounts for each year shall be included in the annual budget and the appropriation resolution or measures to be adopted or passed by the Board of Directors of each District in each year while any of the obligations herein authorized are outstanding and unpaid. No provisions of any constitution, statute, resolution or other order or measure enacted after the execution of this Agreement shall in any manner be construed as limiting or impairing the obligation of the Districts to pay the Annual Debt Service Obligation as provided herein.

Section 2.06. Limited Defenses. It is understood and agreed by the Districts that their obligations hereunder are absolute, irrevocable, and unconditional except as specifically stated herein, and so long as any obligation of a District hereunder remains unfulfilled, such District agrees that notwithstanding any fact, circumstance, dispute, or any other matter, it will not assert any rights of setoff, counterclaim, estoppel, or other defenses to its Annual Debt Service Obligation, or take or fail to take any action which would delay a payment to the Authority or the Authority's ability to receive payments due hereunder.

Section 2.07. Additional Covenants.

(a) Covenants of the Districts.

(i) The Districts will not issue or incur bonds, notes, or other obligations payable in whole or in part from, or constituting a lien upon, the Tank Project Property Tax Revenues of the Districts or the Senior Payment Fund without the prior consent of the Authority; provided, however, that the Districts may issue obligations with a lien on other property tax revenues of the Districts without the consent of Authority if (1) no Event of Default exists under this Agreement, and (2) no property taxes may be applied for payment of such obligations until the full amount of the Annual Debt Service Obligation is on deposit in the Senior Payment Fund on an annual basis.

(ii) At least once a year as required by applicable State law, each of the Districts will cause an audit to be performed of the records relating to revenues and expenditures of the Districts, and the Districts shall use their best efforts to have such audit report completed no later than 180 days after the end of any calendar year. The foregoing covenant shall apply notwithstanding any State law audit exemptions that may exist. In addition, at least once a year as required by applicable State law, each District will cause a budget to be prepared and adopted. Copies of the budget and the audit will be filed and recorded in the places, time, and manner as required by applicable State law.

(iii) Each District covenants that it will not take any action or fail to take any action which action or failure to act would release any property which is included within the boundaries of the District at any time from liability for the payment of amounts due under this Agreement.

(iv) Each District covenants that it shall not take any action or that it shall not fail to take any action which action or failure to act would result in a material impairment of the rights of the Authority under this Agreement and that it will diligently, in good faith, and with best efforts seek to prevent, to the fullest extent permitted by law the taking of such action.

(v) Each District will at all times preserve and maintain its existence, rights and privileges in the State.

(vi) Not later than January 15 in each year, each District shall provide the Authority a certificate of an authorized officer of the District setting forth (A) the amount of the Senior Required Mill Levy certified in December of the immediately preceding year for collection in the current year and (B) the balance of the Senior Payment Fund as of the date of certification.

(vii) The Districts have deposited to the Senior Payment Fund an amount sufficient to make all payments due on each Payment Date occurring in the same year as the Implementation Date. Dee, Wouldn't this be better in Section 2.08?

(b) Covenants of the Authority.

(i) The Authority will keep and maintain accurate records and accounting entries reflecting all funds received from the District and the uses of such funds, and include such amounts in monthly unaudited financial statements.

(ii) At least once a year (until completion), the Authority will cause an audit to be performed of records relating to revenues and expenditures for the Tank Project and the Tank Project Bonds, copies of which will be filed and recorded in the places, time and manner provided by law.

Section 2.08. Conditions to Implementation Date. All of the conditions set forth below shall have been satisfied on or before the Implementation Date.

- (a) Execution of this Pledge Agreement by TCMD, VMD and the Authority;
- (b) Release and delivery of this Pledge Agreement in accordance with the terms of the Escrow Agreement;
- (c) Delivery of an opinion from Kutak Rock LLP, in form and substance satisfactory to the Authority, addressed to the Authority to the effect that this Agreement is a valid and binding obligation of the Districts;
- (d) Issuance by TCMD of the TCMD Refunding Bonds;
- (e) Issuance by the Authority of Tank Project Bonds with an Annual Debt Service which does not exceed \$500,000, or for any period which is a portion of a calendar year, the pro rata portion of \$500,000 which is allocable to such portion of the year;
- (f) The attachment to this Pledge Agreement and delivery to the Districts of an Annual Debt Service Schedule in accordance with Section 2.09 hereof; and
- (g) BNP executes and delivers the acknowledgement and consent in substantially the form attached hereto as Exhibit B.
- (h) [add 2.07(g) if you agree with my comment about that]

Section 2.09. Annual Debt Service Schedule. On the date of issuance of the Tank Project Bonds, the Authority shall provide to the Districts and attach as Exhibit A to this Pledge Agreement a schedule describing the Annual Debt Service to come due on such Tank Project Bonds including the Semi-Annual Obligations due on each Interest Payment Date. In the event that the Authority subsequently issues additional Tank Project Bonds for the purpose of refinancing all or any portion of any previously issued Tank Project Bonds, or otherwise redeems or defeases Tank Project Bonds in a manner that would reduce the Annual Debt Service as shown on the then current Annual Debt Service Schedule attached to this Pledge Agreement in each remaining period, the Authority shall replace promptly the prior Annual Debt Service Schedule with the new Annual Debt Service Schedule reflecting the new Annual Debt Service to come due on the Tank Project Bonds then Outstanding, and shall provide a copy of the same to the Districts. Any Annual Debt Service Schedule required to be provided in accordance with this Section 2.09 shall not be considered delivered for purposes of this Pledge Agreement unless and until accompanied by a certification of an authorized representative of the Authority stating that such Annual Debt Service Schedule represents the true and correct Annual Debt Service of the Tank Project Bonds then Outstanding. Once the Annual Debt Service Obligation is established by the initial Annual Debt Service Schedule, it shall not be increased (but may be decreased) due to a refunding of the Tank Project Bonds.

Section 2.10. Representations and Warranties of the Districts. Each of TCMD and VMD hereby makes the following representations and warranties as of the Implementation Date:

- (a) The District is a quasi-municipal corporation and political subdivision duly organized and validly existing under the laws of the State.

(b) Upon the issuance of the TCMD Refunding Bonds, there are no prior liens on the Tank Project Property Tax Revenues or the Senior Payment Fund.

(c) The District has all requisite corporate power and authority to execute, deliver, and to perform its obligations under this Pledge Agreement. The District's execution, delivery, and performance of this Pledge Agreement have been duly authorized by all necessary action.

(d) The District is not in violation of any of the applicable provisions of law or any order of any court having jurisdiction in the matter, which violation could reasonably be expected to materially adversely affect the ability of the District to perform its obligations hereunder. The execution, delivery and performance by the District of this Pledge Agreement (i) will not violate any provision of any applicable law or regulation or of any order, writ, judgment or decree of any court, arbitrator, or governmental authority, (ii)[upon issuance of the TCMD Refunding Bonds?] will not violate any provision of any document or agreement constituting, regulating, or otherwise affecting the operations or activities of the District in a manner that could reasonably be expected to result in a material adverse effect, and (iii) [upon issuance of the TCMD Refunding Bonds?] will not violate any provision of, constitute a default under, or result in the creation or imposition of any lien, mortgage, pledge, charge, security interest, or encumbrance of any kind on any of the revenues or other assets of the District pursuant to the provisions of any mortgage, indenture, contract, agreement, or other undertaking to which the District is a party or which purports to be binding upon the District or upon any of its revenues or other assets which could reasonably be expected to result in a material adverse effect.

(e) The District has obtained all consents and approvals of, and has made all registrations and declarations with any governmental authority or regulatory body required for the execution, delivery, and performance by the District of this Pledge Agreement.

(f) Except as described in the recitals hereof, there is no action, suit, inquiry, investigation, or proceeding to which the District is a party, at law or in equity, before or by any court, arbitrator, governmental or other board, body, or official which is pending or, to the best knowledge of the District threatened, in connection with any of the transactions contemplated by this Pledge Agreement nor, to the best knowledge of the District is there any basis therefor, wherein an unfavorable decision, ruling, or finding could reasonably be expected to have a material adverse effect on the validity or enforceability of, or the authority or ability of the District to perform its obligations under, this Pledge Agreement.

(g) This Pledge Agreement constitutes the legal, valid, and binding limited tax general obligation of each District, enforceable against the District in accordance with its terms (except as such enforceability may be limited by bankruptcy, moratorium, or other similar laws affecting creditors' rights generally and provided that the application of equitable remedies is subject to the application of equitable principles).

ARTICLE III

EVENTS OF DEFAULT AND REMEDIES

Section 3.01. Events of Default. The occurrence or existence of any one or more of the following events shall be an “Event of Default” hereunder:

(a) The Districts fail to pay any Semi-Annual Obligation when due on any Payment Date;

(b) The Districts fail to levy, collect and apply Tank Project Property Tax Revenues as required by the terms of this Pledge Agreement;

(c) any representation or warranty made by the Districts in this Pledge Agreement proves to have been untrue or incomplete in any material respect when made and which untruth or incompleteness would have a material adverse effect upon any other party;

(d) any District fails in the performance of any other of its covenants in this Pledge Agreement, and such failure continues for sixty (60) days after written notice specifying such default and requiring the same to be remedied is given by the Authority; or

(e) (i) Either District shall commence any case, proceeding, or other action (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, or other similar official for itself or for any substantial part of its property, or either District shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against either District any case, proceeding, or other action of a nature referred to in clause (i) and the same shall remain not dismissed within ninety (90) days following the date of filing; or (iii) there shall be commenced against either District any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, distraint, or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed, or bonded pending appeal within ninety (90) days from the entry thereof, or (iv) either District shall take action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) either District shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due.

Section 3.02. Remedies for Events of Default. Upon the occurrence and continuance of an Event of Default, any non-defaulting Party may proceed to protect and enforce its rights against the defaulting Party, by mandamus or such other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction, including an action for specific

performance. In the event of any litigation or other proceeding to enforce any of the terms, covenants or conditions hereof, the prevailing party in such litigation or other proceeding shall obtain, as part of its judgment or award, its reasonable attorneys' fees and costs.

ARTICLE IV

MISCELLANEOUS

Section 4.01. Pledge of Tank Project Property Tax Revenues. The creation, perfection, enforcement, and priority of the pledge of revenues to secure or pay the Annual Debt Service Obligation shall be governed by Section 11-57-208 of the Supplemental Act and this Pledge Agreement. The Tank Project Property Tax Revenues and the Senior Payment Fund shall immediately be subject to the lien of such pledge without any physical delivery, filing, or further act. The lien of such pledge shall be valid, binding, and enforceable as against all persons having claims of any kind in tort, contract, or otherwise against the Districts irrespective of whether such persons have notice of such liens.

Section 4.02. No Recourse against Officers and Agents. Pursuant to Section 11-57-209 of the Supplemental Act, if a member of the Boards of Directors of the Districts or the Authority, or any officer or agent of the Districts or Authority acts in good faith, no civil recourse shall be available against such member, officer, or agent for, with respect to the obligations of the Districts or the Authority hereunder. Such recourse shall not be available either directly or indirectly through the Authority or the Districts, or otherwise, whether by virtue of any constitution, statute, rule of law, enforcement of penalty, or otherwise. By the acceptance of this Pledge Agreement and as a part of the consideration hereof, the Authority and the Districts each specifically waives any such recourse.

Section 4.03. Conclusive Recital. Pursuant to Section 11-57-210 of the Supplemental Act, this Pledge Agreement contains a recital that it is entered into pursuant to certain provisions of the Supplemental Act, and such recital is conclusive evidence of the validity and the regularity of this Pledge Agreement after its delivery for value.

Section 4.04. Limitation of Actions. Pursuant to Section 11-57-212, C.R.S., no legal or equitable action brought with respect to any legislative acts or proceedings in connection with the authorization, execution, or delivery of this Pledge Agreement shall be commenced more than thirty days after the authorization of this Pledge Agreement.

Section 4.05. Notices. All approvals, consents, notices, objections, and other communications (a "Notice" and, collectively, "Notices") under this Pledge Agreement shall be in writing and shall be deemed properly given and received when personally delivered, or sent by overnight courier, or by emailed (pdf), or by registered or certified United States mail, postage prepaid, addressed to the respective party at their respective addresses as set forth below. Notices shall be deemed effective: (i) if personally delivered, when actually given and received; or (ii) if by overnight courier service, on the next business day following deposit with such courier service; or (iii) if by email (pdf), on the same day if sent before 5:00 P.M. Mountain Time, or on the next business day if sent after 5:00 P.M. Mountain Time; or (iv) if by registered or certified United States mail, postage prepaid, three (3) business days after mailed. All Notices

shall be addressed as follows (or to such other address as may be subsequently specified by Notice given in accordance herewith):

To the Authority:
Upper Eagle Regional Water Authority
846 Forest Road
Vail, CO 81657
Attention: General Manager
Telephone: (970) 477-5444
Email: lbrooks@erwsd.org

With a required copy to:
Collins, Cockrel & Cole, P.C.
390 Union Boulevard, Suite 400
Denver, Colorado 80228-1556
Attn: Jim Collins
Telephone: (303) 986-1551
Email: jcollins@cccfirm.com

To TCMD:
Traer Creek Metropolitan District
141 Union Boulevard, Suite 150
Lakewood, CO 80228
Attn: Lisa Jacoby
Telephone: (303) 897-0835
Email: ljacoby@sdmsi.com

With a required copy to:
McGeady Sisneros, P.C.
450 E. 17th Avenue, Suite 400
Denver, Colorado 80202-1214
Attn: Mary Jo Dougherty
Telephone: (303) 592-4380
Email: mjdougherty@mcgeadysisneros.com

The Village Metropolitan District
141 Union Boulevard, Suite 150
Lakewood, CO 80228
Attn: Lisa Jacoby
Telephone: (303) 897-0835
Email: ljacoby@sdmsi.com

With a required copy to:
McGeady Sisneros, P.C.
450 E. 17th Avenue, Suite 400
Denver, Colorado 80202-1214
Attn: Mary Jo Dougherty

Telephone: (303) 592-4380
Email: mjdougherty@mcgeadysisneros.com

Section 4.06. Escrow; Escrow Instructions. As quickly as is practicable after the mutual approval and execution by the parties hereto of this Pledge Agreement, each Party will deposit a signed original of this Pledge Agreement into the Escrow subject to the instructions set forth in the Escrow Agreement. If the Outside Date (as defined in the Escrow Agreement) occurs without the Implementation Date having occurred, this Pledge Agreement shall be deemed void ab initio and of no further force or effect.

Section 4.07. Miscellaneous.

(a) Neither District may assign its obligations under this Agreement without the prior written consent of the Authority.

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

(c) If any term or provision of this Pledge Agreement is determined to be illegal, unenforceable, or invalid in whole or in part for any reason, such illegal, unenforceable, or invalid provisions or part thereof shall be stricken from this Pledge Agreement, and such provision shall not affect the legality, enforceability, or validity of the remainder of this Pledge Agreement. If any provision or part thereof of this Pledge Agreement is stricken in accordance with the provisions hereof, then such stricken provision shall be replaced, to the extent possible, with a legal, enforceable, and valid provision that is as similar in tenor to the stricken provision as is legally possible.

(d) The Districts find that the total Annual Debt Service Obligation evidenced by this Agreement is in excess of \$500,000 and is assignable or transferable only in whole and, as a result, is exempt from the registration requirements of the Colorado Municipal Bond Supervision Act, Title 11, Article 59, C.R.S.

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

(f) This Pledge Agreement may be amended or supplemented by the parties, but any such amendment or supplement must be in writing and must be executed by all parties and consented to by BNP so long as BNP is the provider of liquidity or credit

enhancement on TCMD Refunding Bonds or any amounts are due and owing to BNP by TCMD in connection with the TCMD Refunding Bonds or the Outstanding TCMD Bonds.

(g) Other than BNP at any time it is the provider of liquidity or credit enhancement for the TCMD Bonds or TCMD Refunding Bonds, it is intended that there be no third party beneficiaries of this Pledge Agreement. Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority any claim, remedy, or right under or pursuant hereto, and any agreement, condition, covenant, or term contained herein required to be observed or performed by or on behalf of any party hereto shall be for the sole and exclusive benefit of the other party.

(h) Venue for any and all claims brought by any party to this Pledge Agreement to enforce any provision of this Agreement shall be the District Court in and for the County of Eagle and State of Colorado.

(i) If the date for making any payment hereunder or performing any action hereunder shall be a legal holiday or a day on which banks in Denver, Colorado are authorized or required by law to remain closed, such payment may be made or act performed on the next succeeding day which is not a legal holiday or a day on which banks in Denver, Colorado are authorized or required by law to remain closed.

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

(k) This Pledge Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signatures appear on following page.]

IN WITNESS WHEREOF, the Districts and the Authority have executed this Agreement as of the day and year first above written.

TRAER CREEK METROPOLITAN DISTRICT

By: _____
President

ATTEST:

Secretary

THE VILLAGE METROPOLITAN DISTRICT

By: _____
President

ATTEST:

Secretary

**UPPER EAGLE REGIONAL WATER
AUTHORITY**

By: _____
President

ATTEST:

Secretary

EXHIBIT A

(Attach Annual Debt Service Schedule)

EXHIBIT B

ACKNOWLEDGEMENT AND CONSENT

The undersigned representative of BNP Paribas (“BNP”), in its capacity as the issuer of irrevocable direct pay letters of credit securing the Traer Creek Metropolitan District Variable Rate Revenue Bonds, Series 2002 and the Traer Creek Metropolitan District Variable Rate Revenue Bonds, Series 2004, hereby acknowledges and consents to the foregoing Water Tank Bonds Pledge Agreement (the “Pledge Agreement”) and represents that as of the Implementation Date, BNP will not have a lien on the Tank Project Property Tax Revenues (as defined in the Pledge Agreement) or the Senior Payment Fund (as defined in the Pledge Agreement).

Date: _____

BNP PARIBAS

By: _____

Name: _____

Title: _____