

2014 ADVANCE AND REIMBURSEMENT AGREEMENT

This **2014 ADVANCE AND REIMBURSEMENT AGREEMENT** is made and entered into as of this 2ND day of November, 2014, by and between **VDW METROPOLITAN DISTRICT NO. 1**, a quasi-municipal corporation and political subdivision of the State of Colorado (the "District"), and **VDW PROPERTIES, LLC**, a Colorado limited liability company ("VDW Properties"), collectively, the "Parties".

RECITALS

WHEREAS, the District, together with VDW Metropolitan Districts Nos. 2 and 3 (collectively, "the Districts"), were formed pursuant to Section 32-1-101, *et seq.*, C.R.S. as amended, by order of the District Court for Larimer County, Colorado, and after approval of the eligible electors of the District at an organizational election held on May 7, 2002, for the purpose of assisting in the financing and development of the area generally located south of U.S. Highway 34, north of East First Street and one half mile east of Denver Avenue (the "Service Area"); and

WHEREAS, on March 20, 2002, the City Council of the City of Loveland, Colorado approved the "Consolidated Service Plan for VDW Metropolitan Districts Nos. 1, 2 and 3" (the "Service Plan") for the purpose of providing certain parameters for the financing and development of the Service Area; and

WHEREAS, at the organizational election of the District held on May 7, 2002, a majority of eligible electors in the District approved the District's issuance of indebtedness and the imposition of ad valorem taxes by the Districts for the purpose of repaying such debt; and

WHEREAS, the District incurred certain costs associated with the design and construction of certain public improvements (the "Improvements") on Parcel D and Parcel H located within the boundaries of VDW Metropolitan District No. 2 ("District No. 2"); and

WHEREAS, VDW Properties agreed to advance funds to the District to pay for the costs associated with the design and construction of the Improvements and the District agreed to repay VDW Properties for such funds received; and

WHEREAS, the District and VDW Properties entered into that certain Advance and Reimbursement Agreement, dated October 22, 2012, pursuant to which VDW Properties agreed to advance funds to the District, through December 31, 2013, in an amount not to exceed Two Million Nine Hundred Thousand Dollars (\$2,900,000) for the design and construction of the Improvements, and the District agreed to reimburse VDW Properties for such amounts advanced (the "Prior Agreement"); and

WHEREAS, to evidence the District's reimbursement obligation to VDW Properties, the District issued a subordinate promissory note to VDW Properties, dated October 22, 2012 and maturing December 31, 2013, in a principal amount not to exceed \$2,900,000 ("2012 Note"); and

WHEREAS, the District had insufficient funds to pay the 2012 Note on its maturity date, and therefore, as set forth in the Prior Agreement, the District refunded the 2012 Note and issued a new subordinate promissory note to VDW Properties, dated January 1, 2014, in the amount of \$2,626,198.48, such amount representing the total funds advanced to the District ("2014 Note"); and

WHEREAS, the District has determined that it has or will incur additional costs associated with the construction of the Improvements on Parcel D and Parcel H during 2014 and that the District has insufficient funds at this time to pay such costs; and

WHEREAS, VDW Properties is willing to advance additional funds to the District in an amount not to exceed Two Million Nine Hundred Thousand Dollars (\$2,900,000), which amount includes all advances made pursuant to this Agreement (as such term is defined herein) and the Prior Agreement as evidenced on the 2014 Note, provided that the District agrees to repay VDW Properties for such advances; and

WHEREAS, the District has agreed to repay VDW Properties for any and all funds advanced to the District in accordance with the terms hereof and out of the proceeds of Bonds (as such term is defined herein) issued by the District and any other legally available revenues of the District; and

WHEREAS, the District and VDW Properties have negotiated, and desire to enter into, this 2014 Advance and Reimbursement Agreement (the "Agreement") for the purpose of consolidating all understandings and commitments between the Parties relating to the funding and repayment of the District's costs associated with the design and construction of the Improvements, including advances made pursuant to the Prior Agreement; and

WHEREAS, in order to evidence the District's continued obligation to repay VDW Properties for the funds advanced to the District, the District desires to refund the 2014 Note and issue a new subordinate promissory note (such note and any note subsequently issued by the District to refund a note in accordance with the terms hereof, each a "Subordinate Note") in a principal amount not to exceed Two Million Nine Hundred Thousand Dollars (\$2,900,000), which amount includes all advances made pursuant to this Agreement and the Prior Agreement; and

WHEREAS, the District's Board of Directors and VDW Properties' Board of Managers have authorized its officers to execute this Agreement and to take all other actions necessary and desirable to effectuate the purposes of this Agreement; and

WHEREAS, those employees and/or affiliates of VDW Properties who serve on the District's Boards of Directors have each disclosed potential conflicts of interest in connection with this Agreement, as required by law.

NOW THEREFORE, in consideration of the promises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the District and VDW Properties agree as follows:

COVENANTS AND AGREEMENTS

1. Advance Amounts and Term. Prior to the date of this Agreement, the Parties acknowledge that VDW Properties has advanced funds to the District for funding the design and construction costs of the Improvements. VDW Properties hereby agrees to continue to advance funds to the District, either directly or on the District's behalf, in one or more amounts not to exceed the aggregate amount of Two Million Nine Hundred Thousand Dollars (\$2,900,000), which amount constitutes the maximum amount that may be advanced and reimbursed hereunder including any previous amounts advanced pursuant to the Prior Agreement as evidenced on the 2014 Note, notwithstanding any payment or prepayment of any portion of such advanced amount pursuant to the terms hereof, unless this Agreement is further supplemented or amended; provided, however, in no event shall any advances made hereunder result in the District exceeding its Service Plan debt cap limit of Sixteen Million Dollars (\$16,000,000), when such advances are combined with any and all other debt obligations of the District then outstanding. These funds shall be available to the District in one or a series of installments as of the effective date of this Agreement through December 31, 2014, which period shall constitute the "Funding Obligation Term" of this Agreement.

2. Advances for the Design and Construction of Certain Improvements. Subject to the aggregate amount that may be advanced hereunder, funds advances by VDW Properties shall be used solely for the District's costs associated with the design and construction of certain Improvements on Parcel D and Parcel H located in District No. 2.

3. Use of Funds.

A. The District agrees that it shall apply all funds advanced by VDW Properties solely to the costs associated with the design and construction of the Improvements described in Paragraph 2 hereof, as such costs are budgeted and appropriated as District expenditures for the Funding Obligation Term of this Agreement. Said funds may not be used for any other purpose without the prior written consent of VDW Properties.

B. The District shall prepare and adopt a budget annually for the duration of this Agreement, and/or at such other times as may be provided by law, which shall be available to VDW Properties for inspection, upon reasonable request.

C. The District will budget all or a portion of the aggregate amount which may be advanced hereunder as "revenue" from year to year, thereby enabling it to appropriate sufficient funds to pay the expenses set forth in its budget during the Funding Obligation Term of this Agreement.

4. Manner for Requesting Advances. VDW Properties is obligated to promptly advance the necessary funds, as requested from the District, for the District to construct the

Improvements described in Paragraph 2 of this Agreement. The procedure for making such a request shall be as follows:

A. The District's Board of Directors shall hold public meetings, as necessary, to review and authorize the execution of contracts and the incurrence of other fees and costs, and to authorize payments therefor, consistent with the District's Service Plan and budget. At said meetings, any and all consultants, contract parties, and/or other individuals or entities shall have the opportunity to submit invoices and/or other notices of payment due for review and authorization. If the District's Board of Directors determines that said invoices and/or notices of payment are consistent with the District's Service Plan, the terms of this Agreement, and the applicable budget, it shall authorize payment therefor, contingent on the receipt of funds advanced from VDW Properties.

B. Thereafter, the District shall advise VDW Properties in writing of the amount to be advanced to the District hereunder to allow the District to pay such invoices and/or notices of payment, and shall certify that the funds so requested are to be used for purposes permitted under this Agreement and consistent with the Service Plan.

C. Immediately upon the receipt of funds from VDW Properties, the District shall evidence the amount of funds advanced, the date of the advance, the total funds advanced to date under this Agreement and the total accrued, unpaid interest due thereon for the then-current calendar year. In addition, the District shall notate the same on Schedule "A" of the Subordinate Note to be issued hereunder as provided in Paragraph 5 hereof. The District will make such evidence available to VDW Properties upon reasonable request and such evidence shall constitute the agreed-upon amounts to be repaid by the District in accordance with the terms of this Agreement.

5. Issuance of the Subordinate Note; Recordation of Advances; Interest.

A. Upon execution of this Agreement, the District shall promptly execute and deliver to VDW Properties a Subordinate Note, similar in form attached hereto as Exhibit A, which Subordinate Note shall evidence the District's obligation to repay the funds advanced to the District by VDW Properties, as contemplated hereunder. The Subordinate Note shall be repayable only to the extent and in the amount of advances noted as outstanding on Schedule "A" thereto, which amount shall not exceed Two Million Nine Hundred Thousand Dollars (\$2,900,000), notwithstanding any payment or prepayment of any portion of the advances pursuant to the terms thereof, unless this Agreement and the Subordinate Note are further supplemented or amended.

B. Upon receipt of each advance from VDW Properties, the District shall complete the appropriate information on Schedule "A" of the Subordinate Note, showing the date of receipt of the advanced funds, the amount of advanced funds received, the total principal of the Subordinate Note then outstanding, and the total interest accrued thereon for the then-current calendar year. The District and VDW Properties acknowledge that the Subordinate Note shall have an initial balance representing previously advanced funds to the District.

C. Each Subordinate Note issued hereunder shall bear interest as to each advance made hereunder at the rate of Two Percent (2%) plus the current Federal Reserve Bank Prime Rate or at the rate of Six Percent (6%), whichever rate is greater, from the date such advance is made to the District; provided, however, that all interest must be paid during the calendar year in which it accrues. No interest shall be carried forward to the next calendar year if such interest cannot be paid in the year in which said interest accrues. If the Subordinate Note, or any portion thereof, is redeemed prior to its maturity date, then the interest that accrued during the calendar year on the principal amount so redeemed, must be paid upon redemption; for purposes of the foregoing, interest shall be deemed to have accrued up to and including the date of redemption. Following any repayment in whole or in part of a Subordinate Note, advances shall continue to be made and noted on a Subordinate Note in accordance with the provisions hereof, provided that the total of all advances made hereunder, regardless of whether prepaid, shall not exceed Two Million Nine Hundred Thousand Dollars (\$2,900,000), subject to the conditions set forth in Paragraph 1 of this Agreement.

D. The terms of this Agreement may be used to construe the intent of the District and VDW Properties in connection with the issuance of any Subordinate Note, and shall be read as nearly as possible to make the provisions of any Subordinate Note and this Agreement fully effective. Should any irreconcilable conflict arise between the terms of this Agreement and the terms of any Subordinate Note, the terms of such Subordinate Note shall prevail.

E. If, for any reason, a Subordinate Note is determined to be invalid or unenforceable (except in the case of fraud by VDW Properties in connection therewith), the District shall issue a new promissory note to VDW Properties that is legally enforceable. Said new promissory note must evidence the District's obligation to repay all amounts advanced under this Agreement, subject to the terms hereof.

6. Terms of Repayment; Source of Revenues.

A. Any funds advanced hereunder shall be repaid in accordance with the terms of the Subordinate Note on which the amount of such advance is notated and in accordance with the terms provided herein. The Subordinate Note shall have a maturity date of December 31, 2015. If the District lacks sufficient funds to pay such Subordinate Note in full on that date, the District hereby agrees to issue a new Subordinate Note to VDW Properties to refund the existing Subordinate Note, which new Subordinate Note shall be in an amount equal to the outstanding principal of the Subordinate Note to be refunded and shall have a maturity date of December 31, 2016. Similarly, until such time as the District is able to pay in full the amount of any Subordinate Note then outstanding, and no further advances are to be made hereunder, the District shall issue a new Subordinate Note to refund any existing Subordinate Note which, at the date of its maturity, remains unpaid. Each new Subordinate Note issued by the District shall reflect the current outstanding principal on the Subordinate Note being refunded. The District's agreement to issue additional Subordinate Notes to refund any Subordinate Note remaining unpaid at its maturity constitutes a multiple fiscal year obligation under the State of Colorado Constitution, is authorized pursuant to a vote of the eligible electors of the District, and shall not be subject to annual appropriation.

B. The District shall repay any advances made hereunder from the proceeds of any general or special obligation bonds, revenue bonds or other multiple fiscal year obligations including, but not limited to, loans from financial institutions (collectively, the "Bond" or "Bonds") issued by the District. The issuance of any such Bonds shall be in the discretion of the District, and the Bonds shall be issued at such time or times, and contain such terms, as may be determined by the District. The foregoing shall not constitute a lien or encumbrance upon any Bond proceeds now or hereafter held by the District. In the event Bond proceeds are not available to fund repayment of any amounts owed hereunder, as evidenced by any Subordinate Note, the District may make repayment from any legally available revenues of the District, including fees, rates, tolls, charges and revenues resulting from the imposition of ad valorem taxes, subject to any restrictions provided in the District's Service Plan and electoral authorization; *provided, however, that any such repayment shall be subject to the terms and conditions of, and such repayment obligations shall be subordinate to, the Bonds, including the limited property tax supported revenue bonds issued in the amount of \$3,000,000 in 2007 and the limited property tax supported revenue bonds issued in the amount of \$1,200,000 in 2011, and any further refundings thereof, and the provisions of any bond resolution, indenture or any other document related thereto, and to that certain subordinate promissory note, dated May 20, 2010, issued under that certain amended and restated improvement acquisition and reimbursement agreement; and further provided that any mill levy certified by the District for the purpose of repaying advances made hereunder shall not be higher than the Service Plan mill levy cap, as it now exists or may be amended from time to time as provided therein.* The Subordinate Note must be paid in full by the District prior to payment of any other obligation thereof which may have a claim on any District revenues which are otherwise available for payment of the Subordinate Note, other than current District operation and maintenance expenses and as otherwise provided in this Paragraph 6.B.

C. Repayment by the District of some or all of the amounts owing hereunder, as evidenced on any Subordinate Note issued hereunder, shall be contingent upon the availability of Bond proceeds or other legally available revenues of the District. Failure by the District to repay the amounts due hereunder as a result of insufficient funds shall not constitute a default, nor subject the District to any claims and/or causes of action by VDW Properties, including mechanic's liens, arising out of the District's nonperformance of its payment obligation. Failure by the District to make a payment of principal and/or interest on the Subordinate Note shall not cause or permit acceleration thereof.

D. Any Subordinate Note may be prepaid, in whole or in part, at any time without redemption premium or other penalty, but with interest accrued to the date of prepayments of the then-current calendar year on the principal amount prepaid. Any and all prepayments shall first be applied to accrued and unpaid interest for the then-calendar year and then to principal.

E. Any repayment made by the District to VDW Properties shall be notated on Schedule "A" attached to such Subordinate Note.

7. Obligations Irrevocable. The obligations created by this Agreement are absolute, irrevocable, and unconditional, unless a contrary notation is specifically made herein, and may

only be modified pursuant to Paragraph 12 herein. VDW Properties shall not take any action which would delay or impair the District's ability to receive the advanced proceeds contemplated herein with sufficient time to properly pay approved invoices and/or notices of payment due.

8. Termination.

A. VDW Properties' obligations to advance funds to the District in accordance with this Agreement shall terminate on December 31, 2014, except to the extent advance requests have been made to VDW Properties that are pending by this termination date, in which case said pending request(s) will be honored notwithstanding the passage of the termination date.

B. The District's obligations hereunder shall terminate at the earlier of the repayment in full of Two Million Nine Hundred Thousand Dollars (\$2,900,000) and any interest accrued in the then-calendar year of repayment in full, as evidenced under the Subordinate Note (or such lesser amount advanced hereunder if it is determined by the District that no further advances shall be required hereunder) or thirty (30) years from the execution date hereof; provided that the District shall continue to be obligated to pay any amounts then owing under any Subordinate Note issued and outstanding hereunder in accordance with the terms thereof.

9. Tax Covenant. In the event the District is advised by nationally recognized bond counsel that payments of all or any portion of interest due on any Subordinate Note issued hereunder may be excluded from gross income of the holder thereof for federal income tax purposes upon compliance with certain procedural requirements and restrictions that are not inconsistent with the intended uses of funds contemplated herein and are not overly burdensome to the District, the District agrees to take all action reasonably necessary to satisfy the applicable provisions of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, in accordance with written instructions of nationally recognized bond counsel. VDW Properties acknowledges that no representations or warranties whatsoever have been made by the District or its Board of Directors as to the treatment for federal or state income tax purposes of any interest payable hereunder.

10. Time Is of the Essence. Time is of the essence hereof; provided, however, that if the last day permitted or otherwise determined for the performance of any required act under this Agreement falls on a Saturday, Sunday or legal holiday, the time for performance shall be extended to the next succeeding business day, unless otherwise expressly stated.

11. Notices and Place for Payments. Any notices, demands, or other communications required or permitted to be given by any provision of this Agreement shall be given in writing and shall be delivered in person, by certified mail, postage prepaid, return receipt requested, by a commercial overnight courier that guarantees next day delivery and provides a receipt, or by electronic mail communications ("E-Mail"), and such notices shall be addressed as follows:

If to the District: VDW Metropolitan District No. 1
c/o Pinnacle Consulting Group, Inc.
1627 E. 18th Street
Loveland, CO 80538
Attn: Peggy Dowswell
Email: peggyd@pinnacleconsultinggroupinc.com

With a copy to: Icenogle Seaver Pogue, P.C.
4725 S. Monaco St, Suite 225
Denver, Colorado 80237
Attn: Alan D. Pogue
Email: APogue@ISP-law.com

If to VDW Properties: VDW Properties, LLC
2725 Rocky Mountain Avenue, #200
Loveland, Colorado 80538
Attn: Julie L. Den Herder
Email: julied@mcwhinney.com

or to such other address as either party may from time to time specify in writing to the other party. Notice shall be considered delivered upon delivery by certified mail, overnight courier, E-Mail or upon hand delivery. When using E-Mail to provide notice, the receiving party must respond via "reply" acknowledging receipt of the E-Mail notification or a read receipt or delivery receipt must be provided to the sender. If the sending party fails to receive acknowledgement of such receipt, an alternative form of notification must be used.

12. Amendments. Except as otherwise provided herein, this Agreement may not be amended, modified, or changed, in whole or in part, without a written agreement executed by both the District and VDW Properties.

13. Assignment. This Agreement may not be assigned, in whole or in part, without the prior written consent of the non-assigning party. Any attempted assignment in violation of this paragraph shall be immediately void and of no effect.

14. Applicable Laws. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Colorado.

15. Severability. If any clause or provision of this Agreement is adjudged invalid and/or unenforceable by a court of competent jurisdiction or by operation of any law, such clause or provision shall not affect the validity of this Agreement as a whole, but shall be severed herefrom, leaving the remaining Agreement intact and enforceable.

16. Authority. By execution hereof, the District and VDW Properties represent and warrant that their respective representatives signing hereunder have full power and authority to execute this Agreement and to bind the respective party to the terms hereof.

17. Legal Existence. The District will maintain its legal identity and existence so long as any of the advanced amounts contemplated herein remain outstanding. The foregoing statement shall apply unless, by operation of law, another legal entity succeeds to the liabilities and rights of the District hereunder without materially adversely affecting VDW Properties' privileges and rights under this Agreement.

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

19. Effect on Prior Agreement.

A. This Agreement, and any Subordinate Note, when issued, constitute and represent the entire, integrated agreement between the District and VDW Properties with respect to the matters set forth herein and hereby supersedes any and all prior negotiations, representations, agreements or arrangements of any kind with respect to those matters, whether written or oral, including the Prior Agreement. This Agreement shall become effective upon the date of full execution hereof. The Prior Agreement is hereby terminated and shall be of no further force or effect.

B. VDW Properties and the District each hereby waives any claims available to it as a result of any failure by the other party to perform any covenant or condition, or to otherwise comply with the provisions of the Prior Agreement.

(Remainder of Page Left Intentionally Blank.)

IN WITNESS WHEREOF, the District and VDW Properties have executed this Agreement to be effective on the date and year first above written.

**VDW METROPOLITAN DISTRICT
NO. 1**



Kim L. Perry, President

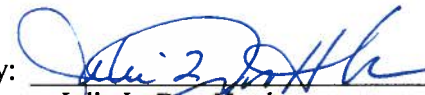
ATTEST:



Tom Hall, Secretary

VDW PROPERTIES, LLC,
a Colorado Limited Liability Company

By: McWhinney Real Estate Services, Inc., a
Colorado Corporation, Manager

By: 

Julie L. Den Herder,
Chief Operations Officer

EXHIBIT A
(To 2014 Advance and Reimbursement Agreement)

FORM OF SUBORDINATE PROMISSORY NOTE

**VDW METROPOLITAN DISTRICT NO. 1
REVENUE AND LIMITED TAX OBLIGATION
SUBORDINATE PROMISSORY NOTE**

PRINCIPAL AMOUNT: Up to Two Million Nine Hundred Thousand Dollars (\$2,900,000)

INTEREST RATE: Two Percent (2%) plus the Federal Reserve Bank Prime Rate, or Six Percent (6%), whichever is greater

DATED: November 2, 2014

REGISTERED OWNER: VDW Properties, LLC. ("VDW Properties, LLC")

MATURITY DATE: December 31, 2014

VDW Metropolitan District No. 1 (the "District"), a body corporate, politic and a political subdivision organized under the laws of the State of Colorado, for the value received, hereby promises to pay, but solely and only from, and contingent upon receipt of, the sources hereinafter described, the principal sum stated above (or such lesser amount as may be shown as advanced hereunder as set forth in Schedule "A" attached hereto) together with interest at the rate stated above, which interest shall accrue on said principal sum from and after the date hereof to the maturity date hereof, in lawful money of the United States of America to the registered owner named above, or registered assigns, on the maturity date stated above unless this Note shall be prepaid in full, in which case on such payment date.

In any case where the date of maturity for payment of interest or principal on this Note or the date fixed for prepayment hereof shall be a Saturday or Sunday, a legal holiday or a day on which banking institutions in the city or town of payment are authorized by law to close, then payment of interest and/or principal or prepayment price shall be made on the immediately following business day with the same force and effect as if made on the date of maturity or the date fixed for prepayment. Prior to the Maturity Date, and at such time as the District has available funds, this Note may be prepaid, in whole or in part, without redemption premium or other penalty, but with interest accrued on the principal amount prepaid, up to and including the date of prepayment. Any and all prepayments shall first be applied to accrued, unpaid interest, then to the principal. This Note shall be paid in full from the sources hereinafter described prior to the payment of any other obligation of the District which may have a claim on any revenues thereof that would otherwise be available for the payment of this Note, other than current operation and maintenance expenses of the District; and further provided that any such repayment of this Note shall also be subject to the terms and conditions of, and such repayment obligation shall be subordinate to, the issuance of any general or special obligation bonds, revenue bonds or other multiple fiscal year obligations including, but not limited to, loans from financial institutions (collectively, the "Bonds") issued or entered into by the District to fund

capital improvements now or hereafter and any refundings thereof, and the provisions of any bond resolution, indenture or any other document related thereto, as further set forth herein.

This Note is executed pursuant to that certain 2014 Advance and Reimbursement Agreement entered into by and between the District and VDW Properties, dated November 2, 2014, the terms of which are hereby incorporated by reference, and has been executed and delivered to refund an outstanding subordinate promissory note and to pay for certain indebtedness incurred by the District as set forth therein.

Pursuant to said 2014 Advance and Reimbursement Agreement, the District is obligated to repay both the principal amount of this Note and any and all interest accrued thereon during the calendar year of payment, from the sources and in the manner specified in the Advance and Reimbursement Agreement, contingent upon receipt of funds from certain revenue sources, including bond proceeds. In the event bond proceeds are not available to fund repayment of any amounts owed hereunder, as evidenced by any Subordinate Note, the District may make repayment from any legally available revenues of the District, including fees, rates, tolls, charges and revenues resulting from the imposition of ad valorem taxes, subject to any restrictions provided in the District's Service Plan and electoral authorization; provided, however, that any such repayment shall be subject to the terms and conditions of, and such repayment obligations shall be subordinate to, the Bonds, including the limited property tax supported revenue bonds issued in the amount of \$3,000,000 in 2007 and the limited property tax supported revenue bonds issued in the amount of \$1,200,000 in 2011, and any further refundings thereof, and the provisions of any bond resolution, indenture or any other document related thereto, and to that certain subordinate promissory note, dated May 20, 2010, issued under that certain amended and restated improvement acquisition and reimbursement agreement; and further provided that any mill levy certified by the District for the purpose of repaying advances made hereunder shall not be higher than the Service Plan mill levy cap, as it now exists or may be amended from time to time as provided therein. **In no event shall a mill levy of the District be levied in excess of 50 mills for the repayment of this Note.**

Failure by the District to repay VDW Properties as a result of insufficient funds shall not constitute a default hereunder, nor subject the District to any claims and/or causes of action by VDW Properties, including mechanic's liens, arising out of the District's nonperformance of its payment obligation. Failure by the District to make a payment of principal or interest due on the Note shall not cause or permit acceleration thereof.

The District and VDW Properties agree that, upon each advance made from VDW Properties to the District pursuant to the Advance and Reimbursement Agreement, the District shall indicate on Schedule "A" of this Note, the amount of funds advanced to the District, the date of the advance, the total funds advanced to date under the Note, and the total accrued, unpaid interest due thereon for the then-current calendar year. Any payments made on the Note by the District shall also be evidenced on Schedule "A" attached hereto.

Neither the Board of Directors of the District, nor any person executing this Note, shall be personally liable hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

This Note is issued pursuant to and in full compliance with the Constitution and laws of the State of Colorado. All issues arising hereunder shall be governed by the laws of Colorado.

This Note is issued pursuant to the Supplemental Public Securities Act, Section 11-57-201, *et seq.*, C.R.S., as amended.

THIS NOTE IS A SPECIAL LIMITED OBLIGATION OF THE DISTRICT AND SHALL BE PAYABLE SOLELY FROM CERTAIN REVENUES SPECIFIED IN THE 2014 ADVANCE AND REIMBURSEMENT AGREEMENT. THIS NOTE SHALL NOT CONSTITUTE A DEBT OR OBLIGATION OF THE STATE OF COLORADO OR LARIMER COUNTY, COLORADO. VDW PROPERTIES SHALL HAVE NO RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF COLORADO OR LARIMER COUNTY TO PAY THIS NOTE OR THE INTEREST THEREON, NOR TO ENFORCE PAYMENT OF THE SAME AGAINST THE PROPERTY OF THE STATE OF COLORADO OR LARIMER COUNTY, NOR SHALL THIS NOTE CONSTITUTE A CHARGE, LIEN OR ENCUMBRANCE, LEGAL OR EQUITABLE, UPON ANY PROPERTY OF THE STATE OF COLORADO OR LARIMER COUNTY.

BY ITS ACCEPTANCE HEREOF, VDW PROPERTIES ACKNOWLEDGES THAT THE DISTRICT AND ITS OFFICERS, ATTORNEYS, EMPLOYEES OR AGENTS NEITHER MAKE, NOR HAVE MADE, ANY REPRESENTATIONS OR WARRANTIES WHATSOEVER AS TO THE PROPER TREATMENT FOR FEDERAL, STATE AND/OR LOCAL INCOME TAX PURPOSES OF THE INTEREST PAYABLE HEREUNDER.

The District waives demand, presentment, and notice of dishonor and protest with respect to any payment due hereunder. No waiver of any payment or other right under this Note shall operate as a waiver of any other payment or right, including right of offset. If VDW Properties enforces this Note upon default, the District shall pay or reimburse VDW Properties for reasonable expenses incurred in the collection hereof or in the realization of any security hereof, including reasonable attorney's fees.

Notwithstanding any provision herein, or in any instrument now or hereafter securing the obligation of the District specified herein, the total liability for payments in the nature of interest shall not exceed the limit now imposed by the usury laws of the State of Colorado. By signing in the space provided below, the District hereby acknowledges and agrees that this Note shall be irrevocable for all purposes and shall be binding upon the District, subject to the provisions herein. This Note may not be terminated orally, but only by payments in full or by a written discharge signed by the owner and holder of this Note, or as otherwise provided in the 2014 Advance and Reimbursement Agreement.

This Note shall not be transferable, negotiable, or otherwise payable to any party other than VDW Properties without the written consent of the District, which may be denied for any reason.

If, for any reason, this Note is determined to be invalid or unenforceable (except in the case of fraud by VDW Properties in connection therewith), the District shall issue a new promissory note to VDW Properties that is legally enforceable. Said new promissory note shall evidence the District's obligation to repay all amounts due hereunder.

It is hereby certified, recited and declared that all conditions, acts and things required to exist or occur by the Constitution or statutes of the State of Colorado, currently exist and either occurred prior to, or in connection with, the issuance of this Note.

(Signatures Begin Next Page.)

IN WITNESS WHEREOF, the District has caused this Note to be executed in its name and on its behalf by its President, with an imprint of its seal affixed hereon and attestation via the signature of its Secretary.

VDW METROPOLITAN DISTRICT NO. 1

(S E A L)

By: **EXHIBIT FORM – DO NOT SIGN**
President

ATTEST:

EXHIBIT FORM – DO NOT SIGN
Secretary

SCHEDULE A