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MEMORANDUM

TO: Board of Directors of the Murphy Creek Metropolitan District No. 3

FROM: White, Bear & Ankele Professional Corporation

RE: Exclusion of Property from District Nos. 1 and 3

DATE: October 12, 2012

The purpose of this memorandum is to provide the Board with an update on the sale of the property from Murphy Creek, LLC (the "Developer") to the Archdiocese of Denver (the "Church") prior to the scheduled October 16, 2012 Special Meeting. At the time of our August 23, 2012, memorandum to the Board, it was contemplated that a portion of the property being purchased by the Church would be transferred from District No. 1 to District No. 3. Since that time, the Church has conducted further due diligence and has requested to be excluded from both Districts altogether. This memorandum summarizes that request.

Question: What property is the subject of the request?

Answer: The Developer currently owns a 35-acre parcel of land at the northwest corner of East Jewell Avenue and Harvest Mile Road. The southeast portion of the property (approximately 18-acres) is presently located in District No. 1 with the remainder of the property to the north and west located in District No. 3.

The Developer has entered into a Purchase and Sale Agreement with the Church for the Church's purchase of 20-acres of land within this 35-acre parcel. The Church has selected the northern portion of the overall parcel, including 13.87-acres in District No. 3 and 6.13-acres in District No. 1. A map of the proposed Church property is attached to this memo.

Question: What development is being proposed?

Answer: The Church has proposed the construction of a new church and possibly a school and related amenities. No specific site development plans have been prepared at this time, nor have land use applications for rezoning (if necessary) or any other required approvals been submitted to the City of Aurora. Such actions would take place in the future, would be proposed

by the Church and subject to any land use approvals required by the City of Aurora. Presumably any such changes would require public notices and hearings and would be subject to public comments submitted to the City.

Question: What is being requested of District No. 3?

Answer: The Church has requested, and the Developer has petitioned for, exclusion of the entire 20-acre parcel from both Districts, including exclusion of 13.87-acres from District No. 3. The result would be that the Church parcel would no longer be part of any of the Districts.

Question: What is the effect of this on District No. 3?

Answer: By law, even after exclusion, the portions of the Church property that were previously in District No. 3 will remain subject to the District No. 3 debt service mill levy for as long as it remains taxable and the bonds are outstanding. Ultimately, the Church will be tax-exempt for any portion of its land that is actually developed for church or other tax-exempt purposes. If the property reverts back to taxable status in the future for whatever reason (i.e. because the Church re-sells to a developer, or decides to develop the land itself), the property would again be subject to the District No. 3 debt service mill levy for the life of the existing bonds.

Question: What about operations?

Answer: Under the current fee resolution, commercial property is not subject to the operational fee levied by the Districts each month. The Districts' maintenance responsibilities for right-of-way landscaping in the vicinity of the property will not change as a result of the exclusion.

Question: Will the Church property be subject to the development fees?

Answer: Yes. Tax-exempt properties are not exempt from the development fees currently imposed by the Districts, and the Church has agreed to pay the full commercial development fee at its current 2012 rate. The Church will be responsible for paying \$250,000 in fees to the District at the time it applies for a building permit. The Church has requested that for a period of ten (10) years the property not be subject to the annual 5% escalator on the development fee or any increases in the base per-acre fee amount, provided that the property is developed for a church or other non-profit use. If the property is developed for any use other than a church or non-profit use, the development fee due will be subject to any increases in the base fee, as well as the annual escalator.

Question: Will the Districts be required to install public infrastructure to serve the Property?

Answer: No request has been made for the Districts to furnish any public infrastructure beyond those improvements which are currently in place.

Question: Who is paying the costs of the exclusions?

Answer: The Districts' costs (i.e. Developer counsel, engineer, Districts' counsel, etc.) associated with the exclusions are being paid by the Developer. The Church is paying its costs associated with the exclusions.

Question: What is the process for the exclusion?

Answer: The process is statutory and requires that the owner of a parcel (here, Murphy Creek, LLC) submit a petition to the District requesting exclusion of the parcel. The District then conducts a public hearing on the exclusion (which is noticed by publication) to consider whether to approve, disapprove or conditionally approve the exclusion. The Board then adopts a resolution to this effect. Because of the unique nature of this exclusion, and the ongoing obligations to the Districts even after exclusion, the resolution will be accompanied by an Exclusion Agreement among the Districts, the Developer, and the Church, which will outline the terms of the exclusion. A draft term sheet will be provided to the Board prior to the special meeting for review.

Also, because the proposed exclusions will remove property entirely from the Districts, the exclusion must be approved by the Aurora City Council. The City has agreed to schedule the proposed exclusions for a public hearing and Council consideration on October 29, 2012. Once the Districts and the City have approved the exclusions, a motion and proposed order are submitted to the District Court for Arapahoe County. The Judge enters an Order for Exclusion which is then recorded on the property. The exclusion becomes effective at that time.

Question: Why the rush to process the exclusions?

Answer: The timeline for the exclusions is driven by the closing schedule contained in the Purchase and Sale Agreement between the Developer and the Church (November 6, 2012), and the deadlines associated with obtaining City Council approval prior to the closing date.

Question: How can we get more information?

Answer: For questions regarding the private transaction, Michael Sheldon is the best resource for additional information. For questions relating to the Districts and their respective rights, limitations and powers, our firm can provide information and answers to your questions.

If you have any additional questions, please do not hesitate to contact us.

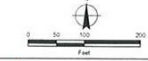
Thank you.

Murphy Creek PUD Aurora, Colorado

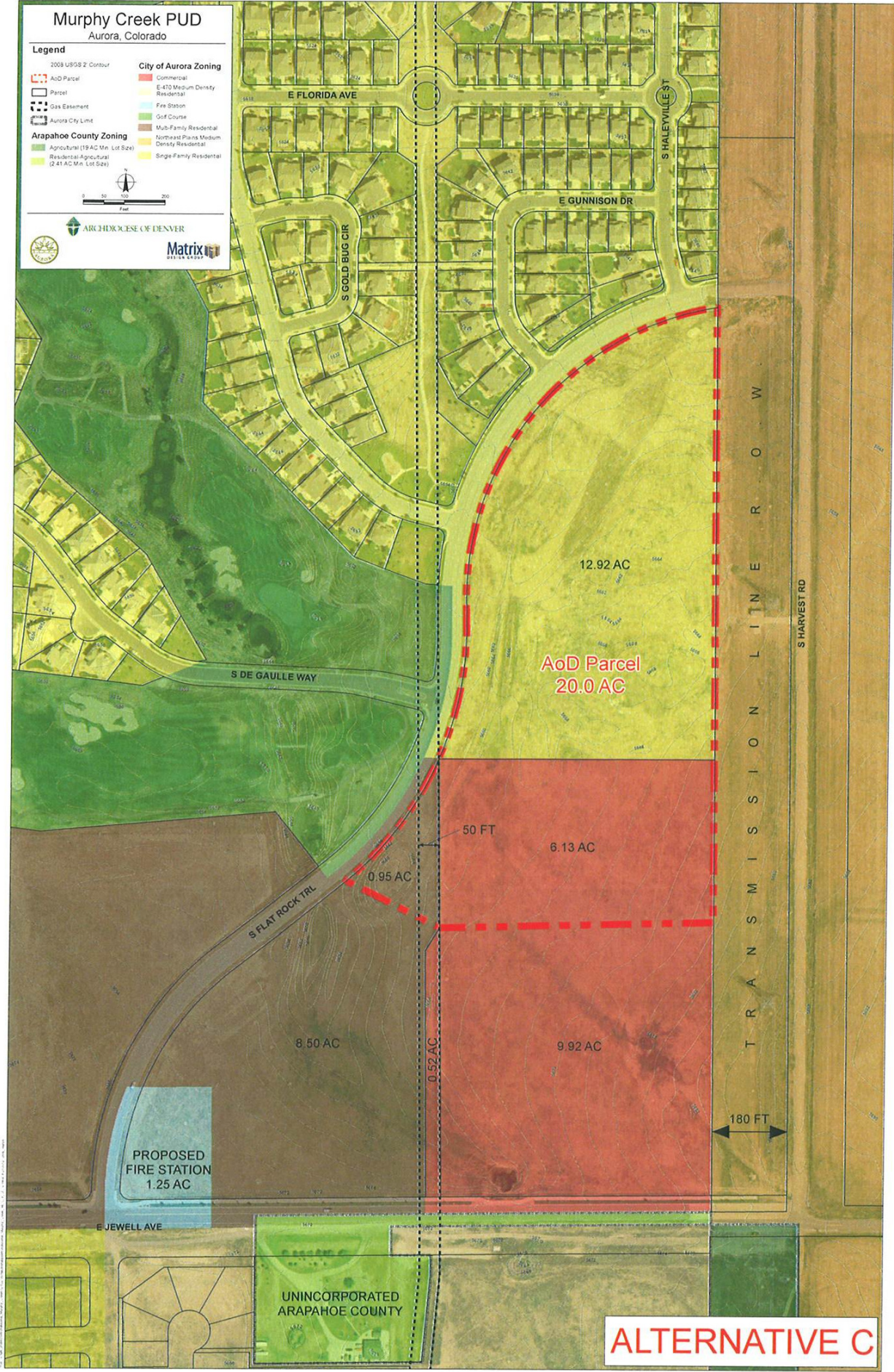
Legend

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|---|--|
| <ul style="list-style-type: none"> 2008 USGS 2' Contour AoD Parcel Parcel Gas Easement Aurora City Limit | <ul style="list-style-type: none"> City of Aurora Zoning Commercial E-470 Medium Density Residential Fire Station Golf Course Multi-Family Residential Northwest Plains Medium Density Residential Single Family Residential |
|---|--|

- Arapahoe County Zoning**
- Agricultural (19 AC Min. Lot Size)
 - Residential-Agricultural (2.41 AC Min. Lot Size)



ARCHDIOCESE OF DENVER



AoD Parcel
20.0 AC

12.92 AC

6.13 AC

9.92 AC

8.50 AC

PROPOSED
FIRE STATION
1.25 AC

UNINCORPORATED
ARAPAHOE COUNTY

ALTERNATIVE C