

TIMNATH RANCH METROPOLITAN DISTRICTS NOS. 1, 2, 3 & 4

A SUMMARY

The Timnath Ranch Metropolitan Districts Nos. 1, 2, 3 & 4 (the “Districts”) are independent units of local government, within the boundaries of but separate and distinct from the Town of Timnath. The Districts are political subdivisions of the State of Colorado, designed to serve as quasi-municipal corporations each operating with an elected five-person Board of Directors. The primary purpose of the Districts is to finance the construction of the public improvements and related infrastructure for the use and benefit of all anticipated inhabitants and taxpayers of the Districts, and to provide an on-going institutional structure for the operation and maintenance of irrigation water systems, signage, park, recreation, and landscaping facilities.

The primary benefits of utilizing a Colorado Special District rather than a homeowners association are:

1. Limited liability through the Colorado Governmental Immunity Act;
2. The ability to use, among other sources of revenue, the power of taxation to collect the cost of service and infrastructure on an equitable basis, through income tax deductible means;
3. Exemption of the Districts and its assets from Colorado property, sales, and income taxes.

The Amended Consolidated Service Plan for the Districts was approved by the Timnath Town Council October 3, 2007, and approved by the voters of the Districts in November of 2007.

THE SERVICES

The Service Plan for the Districts provides the Districts with the ability to finance the construction, acquisition and installation of the public improvements needed for the Timnath Ranch development. It also authorizes the Districts to provide for ongoing operations and maintenance of certain limited purposes, including signage and monumentation, park and recreation facilities, irrigation water systems and landscaping services. The main function of the raw water irrigation is to provide untreated water for irrigating greenbelts, parks and open spaces thereby avoiding expensive and unnecessary treatment. Upon completion, certain public improvements financed through the Districts will be dedicated to the Town of Timnath, the South Fort Collins Sanitation District, the Fort Collins – Loveland Water District or to their designees for ownership, operation and maintenance. The Districts could, through a future amendment to the Service Plan, provide additional services if the constituents were to so choose at some future date. The Districts have been designed to avoid the necessity of a homeowners association, and as currently permitted by law, may be utilized for covenant enforcement and design review. The Districts have elected to have the Districts provide covenant enforcement, design review, and any homeowners’ association functions permissible under Colorado law and

eliminate the necessity of a separate homeowners' association and a separate homeowners' association fee.

TAX BURDENS AND MILL LEVIES

All District bonds or other obligations of which the Districts have promised to impose an *ad valorem* property tax mill levy (the "Debt") is expected to be repaid by taxes imposed and collected at a tax mill levy no higher than the Total Combined Mill Levy (50 mills) and no higher than the Maximum Debt Mill Levy (35 mills) for property within the Districts. Such mill levies may be "Gallagherized" or adjusted if, on or after January 1, 2007, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation applicable to such Debt may be increased or decreased to reflect such changes. Such increases or decreases are to be determined by the Board in good faith so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted for changes occurring after January 1, 2007, are neither diminished nor enhanced as a result of such changes.

DEBT AND FEES

Districts 2, 3 and 4 (in conjunction with District 1 as the Service District) are currently authorized to issue up to \$25 million of limited general obligation debt, and to assess up to a 50.0 mill levy. The total combined mill levy for both operations and debt service is capped pursuant to the Service Plan at 50 mills; the debt service portion of the total combined mill levy is further capped at 35 mills; the mill levies may be adjusted upward or downward over time as permitted in the Service Plan. The Districts' debt will primarily be used to pay for the Districts' amenities, including but not limited to, parks, landscaping, greenbelts, open space, recreation facilities and improvements, and raw water system infrastructure and will also be used to pay for a portion of the costs of construction for public infrastructure primarily streets and roadways, water systems, parks and recreation, sanitation and drainage, raw water system infrastructure, and other public infrastructure as permitted by the Service Plan. In addition to the mill levies which are authorized, the Districts have not currently but may in the future establish a one-time Development Fee for all residential and non-residential property within the Districts' boundaries not to exceed \$2,500 for each single family detached residential unit, \$2,000 for multi-family residential unit, and \$.25 per square foot of non-residential structures, all of which would be adjusted for inflation.

The Districts have not certified a mill levy for 2007 and have the potential of utilizing water irrigation system fees, operations and maintenance fees, and out-of-District pool user fees for the purposes of recovering the infrastructure costs and the on-going costs of operation.

HOW TO CALCULATE THE ASSESSMENT

The cost to fund the Districts will be billed to each homeowner annually as part of the Larimer County Property Tax Bill. Each homeowner will be assessed based on the following formula:

Appraised value as determined by the County Assessor X the assessed rate (currently 7.96%) X .035

The assessed rate is set by Larimer County.

BOARD MEMBERSHIP AND PUBLIC REVIEW

Each District is controlled by a five-person Board of Directors, elected at-large, serving four-year staggered terms. Board Member elections are held in May of even numbered years by state statute. The Districts are responsible for producing and filing with the state independent audits of their financial activities, annual budgets, and they are otherwise subject to many state requirements for filings and reportings.

BOARD MEMBERS OF THE DISTRICTS

The current Board Members of the Districts and their current terms are as follows:

Jonathan A. Turner
(term expires May 2010)

Dino A. DiTullio
(term expires May 2008)

Martha F. Turner
(term expires May 2010)

Andrew M. Krill
(term expires May 2008)

Christopher J. Frye
(term expires May 2010)