

SOUTH TIMNATH METROPOLITAN DISTRICT NOS. 1 - 3

A SUMMARY

The South Timnath Metropolitan Districts Nos. 1 - 3 (the “Districts”) are governmental entities and political subdivisions of the State of Colorado, designed to serve as perpetual quasi-municipal corporations each operating with an elected five-person Board of Directors. The primary purpose of the Districts are to finance infrastructure required by the South Timnath development and to provide an on-going institutional structure for the operation and maintenance of signage, park, recreation and landscaping facilities.

The primary benefits of utilizing a Colorado Special District rather than a homeowner’s 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 District and its assets from Colorado property, sales and, income taxes.

The Consolidated Service Plan for the Districts was approved by the Timnath Town Board of Trustees January 18, 2006 and approved by the voters of the District in May of 2006. The Districts have certified a mill levy of 35.0 mills for 2007 and have the potential of utilizing development 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.

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 South Timnath. It also authorizes the Districts to provide for ongoing operations and maintenance of 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. 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, the developers and the builders within 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.

HOW TO CALCULATE THE ASSESSMENT

The cost to fund the district 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 changes each year and 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. 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, and they are otherwise subject to many state requirements for filings and reportings.

DEBT AND FEES

Districts 2 and 3 (in conjunction with District 1 as the Service District) currently are authorized to issue up to \$20 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 have currently certified a combined mill levy of 35 mills for both debt and operations. 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, landscaping, open space, and raw water system infrastructure. In addition to the 35.0 mill levy which is certified, it is anticipated that raw water use service charges will be utilized to finance operational costs should the raw water system ever be extended to serve the residential lots. The water rights are either purchased or leased with an option to purchase at a future date.

The District has not currently, but may in the future establish a one-time Development Fee for all residential and non-residential property within the District's boundaries. In May 2007, the Districts established an Operations and Maintenance Fee of \$175.00 per year to be assessed against all platted lots or residential dwelling units in 2007 and \$500.00 per year in 2008 to pay for the annual costs and expenses associated with the operation and maintenance of public facilities, amenities, services, and functions to be provided by the Districts including but not limited to: landscaping and common areas, operations and maintenance of the public pool, park and recreation facilities and improvements, and the costs associated with assuming the ownership and operation of all facilities, improvements and services traditionally provided by homeowners associations as permitted by Colorado law.

A "Non-District Pool User Fee" of up to one thousand dollars (\$1,000.00) per year for each family residing outside of the Districts desiring to use the Districts' Pool was also established for out of District users (subject to an exception for specific residents of the Town as of November 1, 2005) in order to pay for the costs associated with the use, operation, maintenance, and related services of the Districts' Pool and related facilities and improvements, and to include an administrative fee and to account for other fees and taxes paid by residents of the Districts to subsidize the construction, operation and maintenance of public facilities and improvements related to the District Pool and recreation facilities.

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BOARD MEMBERS OF THE DISTRICTS

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

Dino A. DiTullio
(term expires May 2010)

Jonathan A. Turner
(term expires May 2008)

Jennifer L. DiTullio
(term expires May 2010)

Martha Turner
(term expires May 2008)

Michael J. DiTullio
(term expires May 2010)