

Upon recording return to:

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**AMENDED AND RESTATED
GENERAL DISCLOSURE AND COMMON QUESTIONS REGARDING
THE SOUTH TIMNATH METROPOLITAN DISTRICT NOS. 1 & 2
LARIMER COUNTY, COLORADO**

1. What is a special district and what does it do?

Colorado special districts are local governments just as municipalities (cities and towns) and counties are considered local governments. Often, municipalities and counties are limited by law and other factors as to the services they may provide. Therefore, special districts are formed to provide necessary public services that the municipality or county cannot otherwise provide. South Timnath Metropolitan Districts Nos. 1 & 2 (collectively, the "District") are separate and distinct entities; the developer, builder, real estate agents, or current homeowner cannot change, make any promises, waivers or commitments to the taxes, operations and maintenance fees, or other fees, tolls or charges of the District when they apply, Guidelines/Covenants, for the District.

Each District was organized pursuant to an Order of the Larimer County District Court following an election held May 2, 2006, at which time a majority of the eligible electors voted in favor of the formation of the District, elected members to the initial board of directors and voted in favor of certain tax and debt authorization.

Each District is a quasi-municipal governmental entity with the power to impose property taxes and other fees and charges for services within its boundaries. Legal descriptions and a map of the District are attached hereto as Exhibit A. Each District is governed by an elected board of directors made up of property owners from each District. South Timnath Metropolitan District No. 1 currently operates pursuant to an Amended and Restated Service Plan for South Timnath Metropolitan Districts No. 1, approved by the Town Council of the Town of Timnath, Colorado (the "Town Council") on February 12, 2019 (the "District No. 1 Service Plan"), and South Metropolitan District No. 2 currently operates pursuant to an Amended and Restated Service Plan for South Timnath Metropolitan District No. 2, approved by the Town Council on February 12, 2019 (the "District No. 2 Service Plan" and together with the District No. 1 Service Plan, the "Service Plans"). As part of those amended service plans, an amended and restated disclosure was required to be provided to all purchasers of the property located within the District, which disclosure is to provide a general description of the Maximum Aggregate Mill Levy, as well as a general description of the District's authority to impose and collect rates, Fees, tolls and charges.

Each District has the ability to construct and finance major public improvements as well as additional amenities, including, but not limited to park and recreation, landscaping, water,

drainage, wastewater and road improvements within its boundaries. The District has authority to own, operate and maintain drainage improvements, any recreation and associated facilities, district pool and clubhouse, parks, tract landscaping, detention ponds and trail systems and other public facilities and infrastructure not otherwise dedicated to or accepted by the Town or other applicable public entity, upon appropriate approval of the Town. If the District operates and maintains such facilities, the expense associated with such activity may be paid from the District's Service Fee revenues and/or fees lawfully imposed by the District.

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2. May the Districts Impose Any Fees Upon Me as a Property Owner?

Special districts are governmental entities, and have the power to impose property taxes and to adopt and charge fees, rates, tolls, penalties, or charges for services including but not limited to general administrative, operations and maintenance services. The District also has the power to adopt and charge monthly fees, rates, tolls, penalties, or charges for services including but not limited to general administrative, operations and maintenance services as authorized by the Town for all residential property within the District's boundaries. The District is authorized pursuant to Section 32-1-1001(1)(j)(I) of the Colorado Revised Statutes ("C.R.S."), to fix and impose fees, rates, tolls, charges and penalties for services, programs or facilities provided by the District which, until paid, shall constitute a perpetual lien on and against the property served.

The Service Plans currently provide for a maximum District Service Fee for the payment of District services, operations and maintenance obligations Fee of up to \$100 per month or \$1,200.00 per year in the aggregate to be assessed against all platted lots or residential dwelling units to pay for the costs associated with the providing District services and to provide for the operation and maintenance of public facilities and services 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 provided by the District as permitted by Colorado law.

A "Non-District Pool User Fee" for each family residing outside of the Districts desiring to use the Districts' Pool is also authorized for out of District users 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.

Notwithstanding the foregoing, all parks and trails shall be open to the general public, including Town residents who do not reside in the District, free of charge.

All District fees and rates may be adopted and/or amended from time to time by the District's board of directors at their discretion, as permitted by law.

A homeowners association is separate and distinct from the special districts, and is generally responsible for reviewing architectural plans for the construction of new homes, as well as improvements, modifications, additions or other changes to existing homes or landscaping, and enforcing restrictive covenants in the community to help maintain property values. The homeowners association is normally responsible for the maintenance and operation of the common areas and other landscaping within a community and may assess dues to its members but has no ability to impose taxes. The District has the ability to enforce covenants, perform design review, and perform many homeowner's association responsibilities at favorable rates payable through tax deductible property taxes and District Fees. The District, the developer and the builders within the District have elected to have the District perform as many of the homeowners' association functions and services as permitted by law.

Please note that it is the homeowner's responsibility to review and see the Community Covenants and Guidelines and understand them. By signing the District disclosure you are also agreeing to follow the community covenants and guidelines. The Covenants and Guidelines go over such items as commercial vehicle parking restrictions, vehicles with logos, restrictions on very limited parking of RV's, trailers, boats, etc., landscaping requirements, required fencing, required fence stain, etc. All improvements to the outside of the home or landscape must be approved by the Architectural Review Committee prior to installation.

3. How much property tax will the District collect to construct improvements and pay for operations and maintenance?

Each District has the authority to impose property taxes for all of the activities identified in the District No. 1 Service Plan and the District No. 2 Service Plan, as applicable, copies of which are on file with the Town of Timnath, Colorado and which are available to prospective purchasers. The District may issue bonds to provide for the costs of capital improvements within its boundaries. Once the bonds are sold, they must be repaid over time with interest. Each Service Plan has specific limitations on mill levies, fees and time the mill levies may be assessed and collected for the repayment of debt. The annual payment on the bonds is known as "debt service." In order to meet the debt service requirements for the bonds, and to pay operations and maintenance costs associated with the provision of services, each District will impose a mill levy under the District No. 1 Service Plan and the District No. 2 Service Plan, as applicable, and as more particularly described below.

District No. 2 Mill Levy and Term. The Maximum Aggregate Mill Levy for District No. 2 shall be the maximum combined mill levy a District is permitted to impose upon the taxable property within the District for payment of all expense categories, including but not limited to: Debt, capital costs, and administration, operations, and maintenance costs, and shall be thirty-five (35) mills, which maximum shall be subject to Gallagher Adjustment. The District shall not have authority to impose or collect any mill levy, fee,

charge, rate, toll or any other financial burden on property or persons for repayment of any and all Debt (or use the proceeds hereof for repayment of Debt) on any single property developed for residential uses within the District after December 31, 2058. After December 31, 2058, any and all Debt that has not been paid shall be forgiven. Notwithstanding this limitation, the foregoing provisions of Section VI(D) of the District No. 2 Service Plan shall not apply to the District's Limited Tax General Obligation Refunding and Improvement Bonds, Series 2016 or any debt service mill levy imposed for the payment of such bonds.

District No. 1 Mill Levy and Term. The Maximum Aggregate Mill Levy for District No. 1 shall be the maximum combined mill levy a District is permitted to impose upon the taxable property within the District for payment of all expense categories, including but not limited to: Debt, capital costs, and administration, operations, and maintenance costs, and shall be fifteen (15) mills, which maximum shall be inclusive of the Regional Improvement Mill Levy, and which maximum shall be subject to Gallagher Adjustment. The District shall not have authority to impose or collect any mill levy, fee, charge, rate, toll or any other financial burden on property or persons for repayment of any Debt (or use the proceeds hereof for repayment of Debt) on any single property developed for residential uses within District No. 1 after December 31, 2058. After December 31, 2058 any and all Debt that has not been paid shall be forgiven.

4. Why are special districts used for financing public infrastructure?

Many areas in Colorado utilize special districts to finance public improvements. Homeowners often are surprised to find that they have lived for years in water and sanitation districts, or other types of special districts. Since cities and counties typically do not provide for construction or installation of water and wastewater systems, roads, or recreation facilities in new communities, special districts are organized to build these facilities. Special districts and the financial powers they utilize permit early construction of recreation facilities and other amenities for the benefit of the community. Where special districts are established, the costs of public improvements within the community are generally spread over 20 to 30 years and are paid from mill levies which, under current tax laws, may result in federal income tax benefits.

5. What limitations exist to make sure the Districts do not issue too many bonds and create unreasonably high mill levies?

All general obligation bonds anticipated to be issued by the District will be governed by the controls adopted by the Colorado legislature and governing the process by which bonds are issued by special districts. The Gallagher Adjustment referred to above allows the Maximum Aggregate Mill Levies described above to be adjusted for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement occurring after January 1, 2006, so that the actual tax revenues generated by the applicable mill levy, as adjusted for changes occurring after January 1, 2006, are neither

diminished nor enhanced as a result of such changes. A change in the ratio of actual valuation is considered a change in the method of calculating assessed valuation.

In addition, various voter limitations exist which affect the taxing powers of the District, including maximum annual taxing limitations and expenditure limitations. The TABOR Amendment, Article X, Section 20 of the Colorado Constitution, also provides for various legal limitations which may restrict the taxing and spending authority of the District.

The mill levies expected in the District are reasonable and comparable to other developments served by special districts that provide similar services and amenities. The mill levy cap will remain in place for general obligation limited tax bonds issued by the District. These limits, as well as others existing under Colorado law and various voter approvals, are believed to be adequate to control the tax levels within the District.

Market constraints on property sales by the developer also require that the mill levy within the District be comparable to mill levies in competing development areas in order to further the community as an attractive place for individuals to buy homes. Therefore, in the initial stages of the development, it is in both the District's and the project developer's best interest to maintain a mill levy in the District comparable to the total property taxes in other similar communities so that the property taxes paid for the amenities and services in the District are a good value.

6. Who bears the risk that the community may not fully develop?

During the early stages of development, the developer of the project will be providing necessary funding and advancing funds to the District to pay for the public infrastructure construction costs and operational needs. The developer advances will be reimbursed at the time the District is able to issue general obligation, limited tax bonds. Property taxes paid and collected within the District will help pay the costs of all bonds. Therefore, if the actual build-out that occurs is less than what is projected, the individual property owners will not experience an increase in their tax obligations to the District beyond the limits described herein. The limited mill levy will be assessed the same on each home and other taxable property in the District regardless of the number of taxable structures. This results in the risk of development being shared by bondholders and the developer. The property owners also share risk relative to the bonds, but this risk is limited as discussed above.

7. What will the tax bill look like, and what are the various taxes used for?

It is anticipated that the tax bill for individual properties will show mill levies for Larimer County, the Town of Timnath, school districts and various other public service providers, including the District. Colorado municipalities certify their mill levies on an annual basis, so the most accurate manner of ascertaining the specific taxing entities and current total and overlapping mill levy on any property is to directly contact the County Treasurer and Assessor. Attached hereto as Exhibit B is a general formula for the manner in which residential property in Colorado is assessed.

In summary, it is anticipated that the total mill levy charged to properties within the boundaries of the District will be comparable to those of surrounding, similar communities.

8. Where can one get additional information regarding the Districts?

This document is not intended to address all issues associated with special districts generally or with the District specifically. More information may be obtained by contacting the District's Manager, at 6000 Summerfields Parkway, Timnath, Colorado 80547 (970) 225-1515; the District's general counsel, Spencer Fane LLP, 1700 Lincoln, Suite 2000, Denver, Colorado 80203 (303) 839-3800; the Colorado Department of Local Affairs, (303) 866-2156; or by attending District meetings. The District may hold regular meetings, which are scheduled each year and posted at the District community center and on the District's website, and which are held at the 6000 Summerfields Parkway, Timnath, Colorado 80547. The District is also required to keep minutes and other records that are open for inspection, hold elections for the boards of directors, adopt annual budgets, and submit to financial audits.

EXHIBIT A

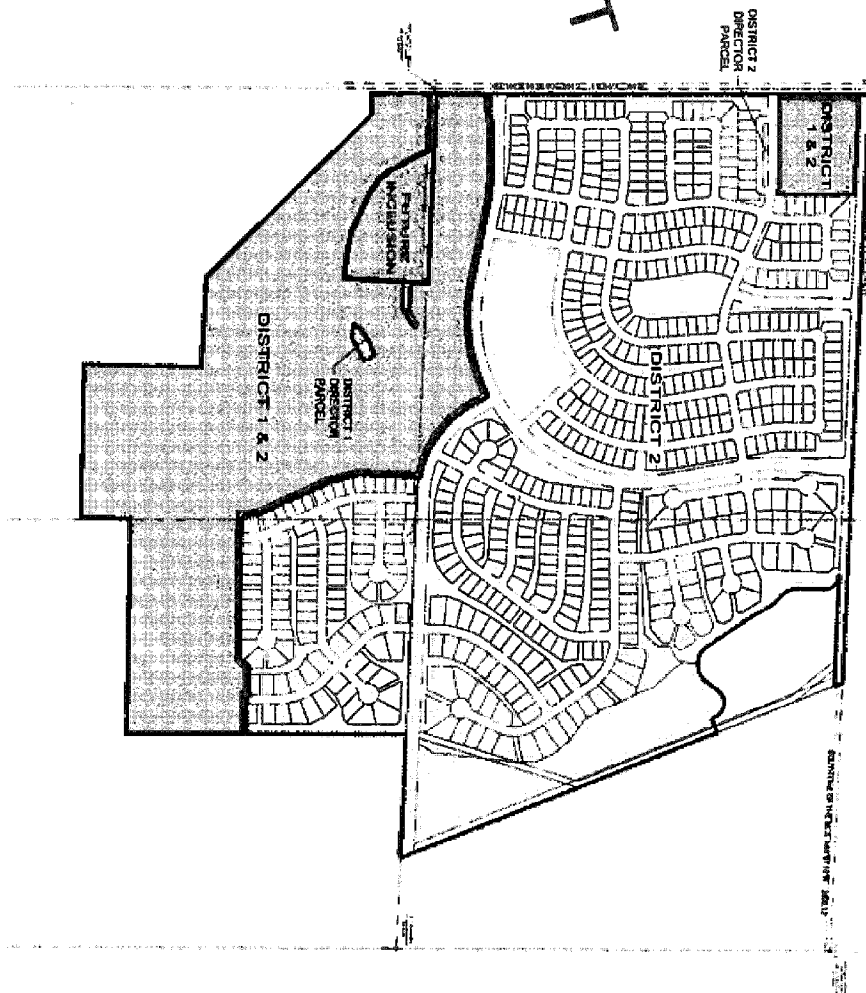
LEGAL DESCRIPTION AND MAP OF THE PROPERTY WITHIN THE
SOUTH TIMNATH METROPOLITAN DISTRICT NOS. 1 & 2

(see attached)

SOUTH TIMNATH METRO DISTRICT BOUNDARY EXHIBIT

SECTION 12, TOWNSHIP 6 NORTH, RANGE 68 WEST,
TOWN OF TIMNATH, COUNTY OF LARIMER, STATE OF COLORADO

DRAFT
3-18-19



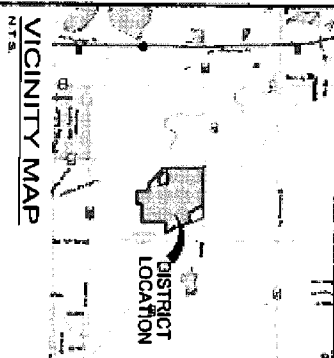
LEGEND:

- Section Corner
- Overall District Boundary
- Metro District No. 1
- Metro District No. 2
- Metro District No. 1 & 2



FEBRUARY 15, 2019

VICINITY MAP



SOUTH
TIMNATH

EXHIBIT

EXHIBIT B

GENERAL FORMULA FOR ASSESSMENT OF RESIDENTIAL PROPERTY

The assessment for a home is determined as follows:

The County Assessor's Office determines the Actual Value of the property based upon sales prices of comparable property in the area.

To determine the Assessed Valuation, the Actual Value of the home is multiplied by the Assessment Ratio, which is set every odd numbered year by the state legislature. As of January 1, 2018, the Residential Assessment Ratio was 7.20%. The current Assessment Ratio can be obtained from the County Assessor's Office.

The applicable Mill Levy is multiplied by the Assessed Valuation of the home, resulting in the assessment for the home. The mill levy is determined by calculating the District's funding needs for operation and debt service.

Sample Calculation of District Property Taxes (assuming 35 mills):

\$300,000 Actual Value x 7.20% assessment rate = \$21,600 assessed value

Property tax: \$21,600 assessed / divide by 1,000 (mill levy applies to every \$1,000 in value) x 38.694 mills (35 mills in 2006 adjusted for Gallagherization) = \$835.80 in annual property tax, or \$69.65 per month on a 12-month basis.