

GENERAL DISCLOSURE AND COMMON QUESTIONS REGARDING BANNING LEWIS RANCH METROPOLITAN DISTRICTS

1. What is the Banning Lewis Ranch Metropolitan District?

Answer: Colorado special districts are local governments and subdivisions of the State of Colorado – just like cities, towns and counties. Special districts are formed to provide necessary public services and facilities that, for a variety of reasons, cities, towns and counties cannot.

Banning Lewis Ranch Metropolitan District No. 2 (the "Metro 2") was organized pursuant to an Order of the El Paso County District Court following an election in November 2005. At the election 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. You are receiving this Disclosure because you live in the Banning Lewis Ranch community and are within the legal boundaries of the Banning Lewis Ranch Metropolitan District No. 2.

Pursuant to a "Service Plan," a copy of which may be obtained from the District, the District has responsibility for coordination and cooperation with respect to financing and constructing major public utilities and roads within, and adjacent to, its boundaries. In addition, the District will be responsible for continued operation and maintenance of certain landscaping and recreational amenities within the boundaries of the District. Other improvements, not maintained by the District, will be the responsibility of the Town or a private entity established for such purposes.

Metro 2 has entered or will enter into an Intergovernmental Agreement with the Banning Lewis Ranch Metropolitan District No. 1, in which Banning Lewis Ranch Metropolitan District No. 1 ("Metro 1") will own and operate the Northtree Ranch House recreational center and pool, and will assess a monthly operation and maintenance fee for use of these facilities currently estimated to be \$35.00 per month. Metro 1 will also provide broadband entertainment and communications services currently estimated to be \$42.50 per month for a minimum of 55 television channels and high-speed internet access through Falcon Broadband. Metro 1 will also be assessing a monthly fee currently estimated to be \$8.50 per month for weekly trash pickup and recycling services to be provided to homeowners. You may not elect out of the total \$86.00 per month fee for the pool and recreation center, the broadband service and the trash and recycling services. At the closing of the purchase of your home, a Fee Deposit of three months of this fee (currently \$258.00) will be collected from you by Metro 1, of which one-third will be used to pay the first month's fee requirement, and the balance will be held in a non-interest bearing account as a deposit for any unpaid monthly fees related to your home. Upon the sale of your home, any remaining balance in the Fee Deposit will be refunded by Metro 1 to you. More information related to this Fee Deposit can be obtained at the offices of Metro 1 at the address and phone number specified in No. 5 below.

In addition, Metro 1 has been designated by the Master Declaration of Covenants, Conditions and Restrictions for Banning Lewis Ranch (the "Master Declaration") as the entity that will be responsible for enforcing the covenants and restrictions contained in the Master Declaration. It is also the entity that is responsible under the Master Declaration for reviewing plans for any proposed improvements, additions or changes to the Lot or the Residence. In general Metro 1 has agreed to operate and maintain certain public improvements, to charge fees for the associated costs, and to perform certain obligations and exercise certain rights as set forth in the Master Declaration. From here on in this document, both Metro 1 and Metro 2 will be referred to together as "the District".



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

Answer: Colorado law expressly authorizes special districts to adopt and charge fees for services. These fees for services that the District provides may include, but are not limited to, fees for general operations and use fees for the District's planned recreation centers. The current fees are specified in Paragraph 1 above. 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 and pursuant to the provisions of the Service Plan. All fees imposed by the District constitute liens against the Lots, which each owner will be required to pay on an ongoing basis.

3. May the District Impose Taxes Upon Me as a Property Owner?

Answer: Colorado law expressly authorizes the District to impose property taxes for all of the activities identified in its Service Plan. The District is further authorized to issue bonds to pay for the costs of capital improvements within its boundaries. In order to meet the debt service for the bonds, and to pay operation and maintenance costs associated with providing services, the District may impose mill levies under its Service Plan. The District mill levy is currently fifty (50) mills, but may be adjusted upward or downward over time as permitted by the Service Plan as discussed below. As of March 2008, the City approved a total mill levy of fifty (50) mills, with thirty (30) mills attributed to debt service, and the balance of twenty (20) mills attributed to operations and maintenance for the District-owned properties.

4. What are the Limits on the District's Ability to Assess Property Taxes?

Answer: As a general matter, the District is limited to a mill levy of thirty (30) mills for debt service and twenty (20) mills for operations on residential property; and fifty (50) mills for debt service and twenty (20) mills for operations on commercial property subject to the provisions of the Service Plan discussed below. The District's Service Plan provides as follows with respect to the aggregate mill levy:

The mill levy limit described above, is subject to change if there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement. Under such circumstances, the Board will determine any such change in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted for changes occurring after January 1, 2005, are neither diminished nor enhanced as a result of such changes.

5. What is the District's Role Under the Master Declaration?

Answer: The Master Declaration establishes a number of restrictions and requirements that apply to much of the property within the Banning Lewis Ranch. These include requirements that any external changes or improvements to your property be reviewed and approved in advance, and that your property be properly maintained. As set forth in the Master Declaration, the District is responsible for reviewing any plans for any proposed improvements or changes to your property, and for enforcing the restrictions in the Master Declaration. It is very important that you familiarize yourself with the Design Guidelines applicable to your property before making any changes. For more information regarding the District's role under the Master Declaration, you should contact R.S. Wells at 6399 S. Fiddler's Green Circle, Suite 102, Greenwood Village, CO 80111, (303) 779-4525, the management company that has been retained by the District to assist with these functions under the Master Declaration.



6. Is There an Advantage of the District Over a Typical Homeowners Association?

Answer: Yes, special districts are tax exempt governmental entities. Common area owned by a district is exempt from property tax. A county would tax homeowner association property by allocating a portion of the value of the common area among the privately owned lots in a community. The District is also protected by the Colorado Governmental Immunity Act, which limits the liability of the District for injuries which may occur on the District's property, which will result in lower insurance costs for the common areas. The mill levy revenue for the District is collected by the El Paso County Assessor's office as a portion of your property taxes and consequently property owners are able to deduct the property taxes paid to the district on their federal income tax returns and, therefore, the taxes assessed by a district will be approximately 30% less than homeowner's association fees depending on tax brackets. Finally, the District is able to borrow money at tax exempt rates through bond financing for completion of capital projects or replacements. The \$86.00 monthly fee paid to the District, described in Paragraph 1 for cable TV, internet, trash pickup/recycling and use and maintenance of the Ranch House recreational amenities, is not assessed as part of your taxes and is not tax deductible.

7. What is the Banning Lewis Ranch Regional Metropolitan District?

Answer: The Banning Lewis Ranch Regional Metropolitan District (the "Regional District") is a district being formed as required by the City of Colorado Springs to fund the construction of a regional wastewater facility or other wastewater facilities to service Banning Lewis Ranch pursuant to that certain Wastewater Facilities Participation, Utilization and Service Agreement dated January 24, 2006, and recorded on February 15, 2006, at Reception No. 206024599, in the El Paso County real estate records, as amended from time to time (the "Wastewater Agreement"). Currently it is estimated that the Regional District will have a mill levy of approximately ten (10) mills, but this may be adjusted upward or downward over time as permitted by the Service Plan and the City. A copy of the Wastewater Agreement will be available in the title documents received from the homebuilder.

8. Where Can I Get Additional Information Regarding the Districts?

Answer: This document is not intended to address all issues associated with special districts generally or with the District or the Sanitation District specifically. More information may be obtained by contacting the District's general counsel, Grimshaw & Harring, P.C., 1700 Lincoln Street, Suite 3800, Denver, Colorado 80203, (303) 839-3800, or by attending District meetings. The District may hold regular meetings on the first Monday of every month at 2:00 P.M. at 90 South Cascade Avenue, Suite 950, Colorado Springs, Colorado. Confirmation of the meeting times and dates may be obtained by calling the District's management company. The District is also required to keep minutes and other records, which are open for inspection by any citizen, hold elections for the board of directors, adopt annual budgets, and submit to financial audits.

