

Upon recording return to:

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**GENERAL DISCLOSURE AND COMMON QUESTIONS REGARDING
MOUNTAIN VALLEY METROPOLITAN DISTRICT
CITY OF COLORADO SPRINGS, EL PASO COUNTY, COLORADO**

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

Colorado special districts are local governments just as municipalities 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.

Mountain Valley Metropolitan District (the "District") was, or is expected to be, organized pursuant to Order of the El Paso County District Court following an election in November 2016 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.

The 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." The District is governed by an elected board of directors made up of property owners in the District. The District is an independent unit of local government, separate and distinct from the City of Colorado Springs (the "City"), within which the District is located. Pursuant to the Service Plan for Mountain Valley Metropolitan District (the "Service Plan") approved by the City, the District has the ability and responsibility for constructing major public improvements including, but not limited to park and recreation, water, drainage, wastewater and street improvements within its boundaries. The District is required to dedicate certain public improvements upon completion to the City (drainage, open space, parks and trails, streets and roadways) to any applicable Water and Sanitation District (sanitary sewer and water improvements) or to a property owners association in accordance with requirements of the City and Approved Development Plans. The District has the authority to own, operate and maintain public improvements as permitted by the District Service Plan or by Intergovernmental Agreement with the City, as well as prior to dedication and acceptance to the City, any applicable Water and Sanitation District or a property owners association with the written consent and approval of the City. If the District is permitted by the City to operate and maintain such facilities, the expense associated with such activity may be paid from the District's tax revenues and/or fees lawfully imposed by the District.

2. May the District Impose 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. 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. The District has currently established an annual District fee for covenant enforcement, design review, operations, maintenance and administration of District facilities, services and functions of \$400 per year, to be imposed January 1 of each calendar year or at the time of closing of the property with a property owner to pay for the District costs of providing District services and any District owned public facilities, services and improvements.

In addition to limitations imposed by law, market constraints require that fees within the District be comparable to fees in competing development areas in order to further the community as an attractive place for individuals to buy homes. Therefore, it is in the best interest to maintain fees in the District comparable to the total fees paid in other similar communities so that the fees paid for the amenities and services in the District is a good value.

A homeowners association is separate and distinct from the special district, and is generally responsible for reviewing architectural plans for the construction of new homes 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.

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

The District has the authority to impose property taxes for all of the activities identified in its "Service Plan," a copy of which is on file with the City of Colorado Springs, Colorado and which is 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. The maximum repayment period for the bonds is forty (40) years. 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 and district administration and operating costs, the District will impose mill levies as limited under the Service Plan.

All District bonds or other obligations of which the District has promised to impose an *ad valorem* property tax mill levy (the "Debt") is expected to be repaid by taxes imposed and collected for no longer than the Maximum Debt Mill Levy Imposition Term for residential properties (40 years after the initial imposition of such mill levy) and no higher than the Residential Maximum Debt Mill Levy (30 mills) or than the Commercial Maximum Debt Mill Levy (50 mills) for property within the District. Such mill levies may be "Gallagherized" or adjusted from a Levy of 30/50 mills that existed on January 1, 2016 if, on or after January 1, 2016, there have been or will be 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 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, 2016, are neither diminished nor enhanced as a result of such changes.

Market constraints 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, it is in both the District's and the project developer's best interest to maintain mill levies in the District comparable to the total property taxes paid in other similar communities so that the property taxes paid for the amenities and services in the District is a good value.

It is the intent of the District to dissolve upon payment or defeasance of all Debt incurred or upon a court determination that adequate provision has been made for the payment of all Debt, and if any District has authorized operating functions under an intergovernmental agreement with the City, to retain only the power necessary to impose and collect taxes or fees to pay for these costs.

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 District does 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. In addition, the Service Plan includes a debt limit, a Residential Maximum Debt Mill Levy, and Maximum Debt Mill Levy Imposition Term. The Maximum Debt Mill Levy that may be assessed by the District is 30 mills for residential property and 50 mills for commercial property subject to adjustment to account for changes in state law with respect to the assessment of property for taxation purposes, the ratio for determining assessed valuation, or other similar matters. The adjustment allows for tax revenues to be realized by the District in an equivalent amount as would have been realized by the District based on a levy of mills assessed and adjusted since January 1, 2016 as appropriate absent any change in the manner of the assessment of property for taxation purposes, the ratio for determining assessed valuation, or other similar matters.

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 debt limit and the mill levy cap will remain in place for general obligation limited tax bonds issued by the District. Additionally, the City of Colorado Springs limits all new special districts to the same mill levy limitations as 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 El Paso County, the City of Colorado Springs, 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 District?

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 general counsel, Spencer Fane LLP, 1700 Lincoln Street, Ste. 2000, Denver, Colorado 80203, (303) 839-

3800; the Colorado Department of Local Affairs, (303) 864-7720; or by attending District meetings. The District holds special meetings on an as needed basis. The District is also required to keep minutes and other records that are open for inspection by any citizen, hold elections for the board of directors, adopt annual budgets, and submit to financial audits.

On behalf of _____, I hereby acknowledge that I have received and read this
GENERAL DISCLOSURE REGARDING MOUNTAIN VALLEY METROPOLITAN
DISTRICT.

Lots _____

Signed: _____

Printed Name: _____

Title: _____

On behalf of: _____

I, _____, hereby acknowledge that I have received and read this GENERAL DISCLOSURE REGARDING MOUNTAIN VALLEY METROPOLITAN DISTRICT.

Buyer	Lot	Address	Date
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Buyer	Lot	Address	Date
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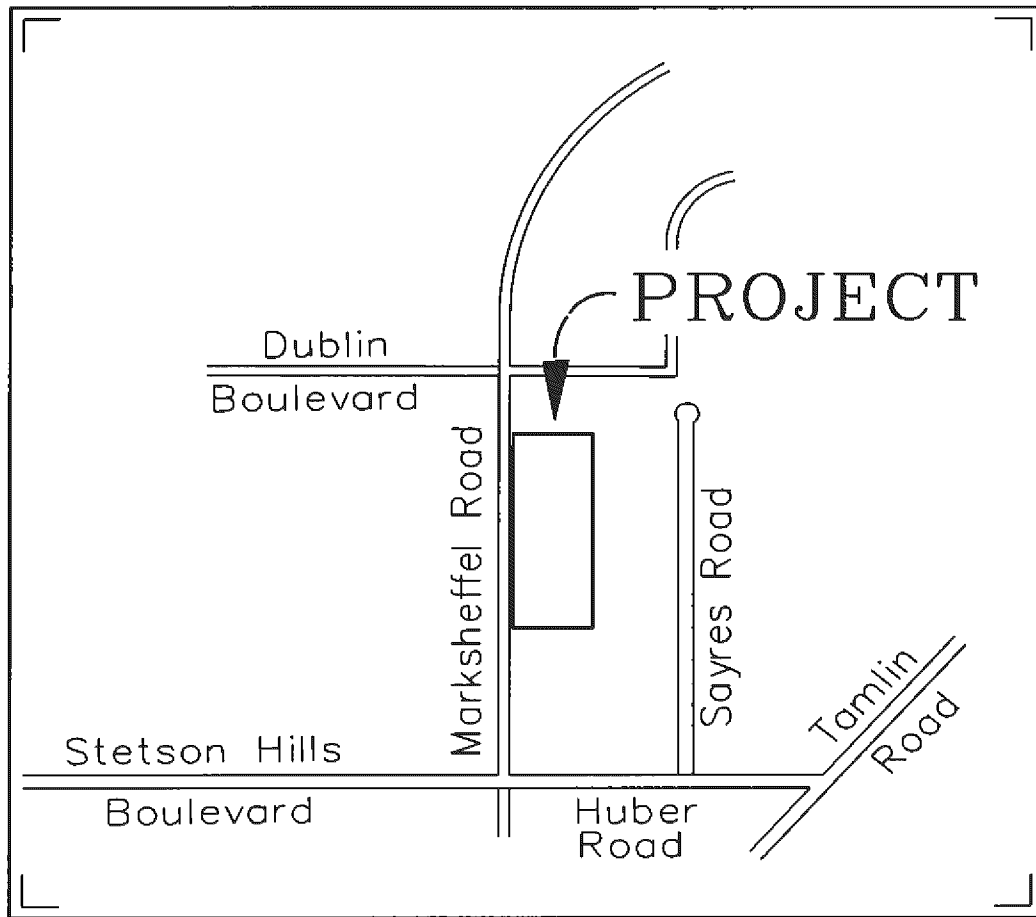
Buyer	Lot	Address	Date
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EXHIBIT A

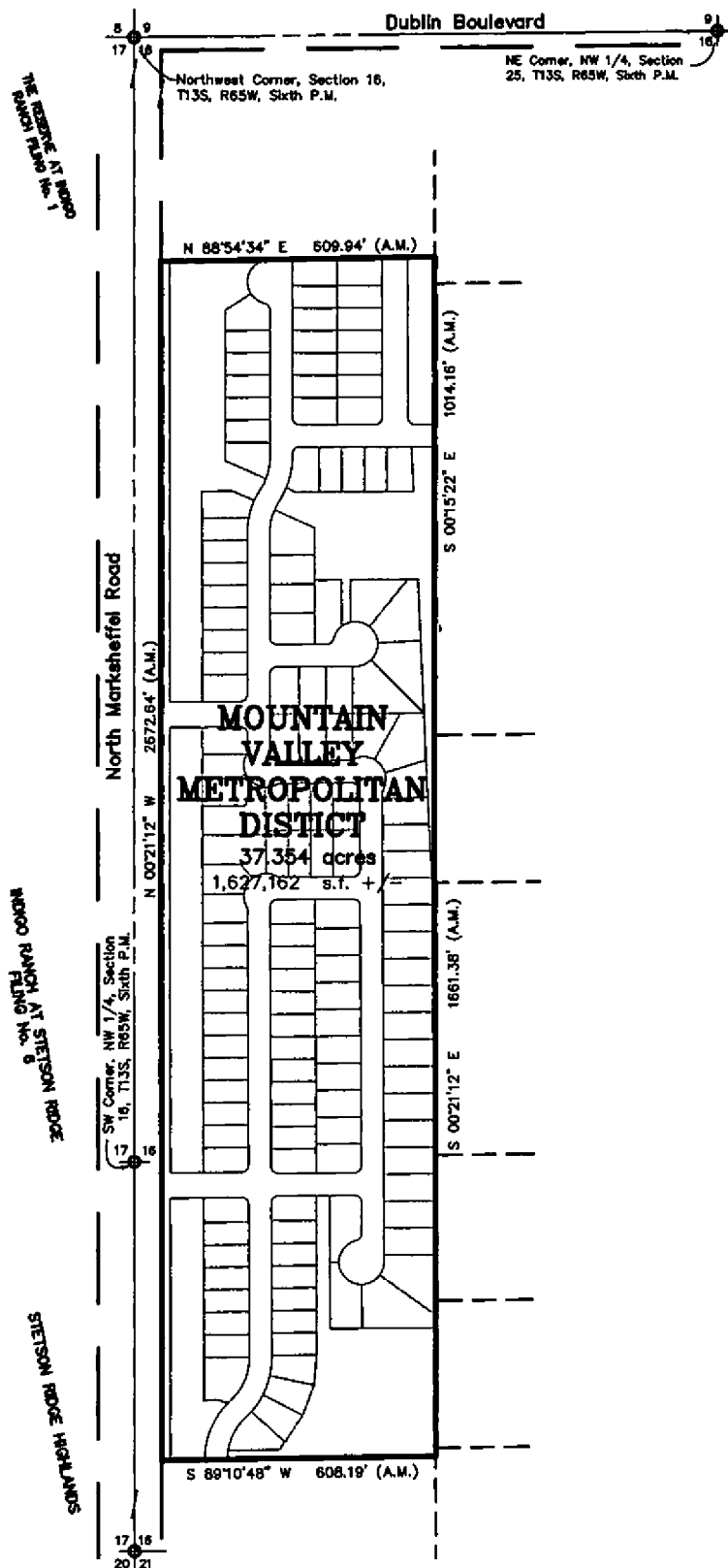
**TO THE
GENERAL DISCLOSURE AND COMMON QUESTIONS REGARDING
MOUNTAIN VALLEY METROPOLITAN DISTRICT**

**LEGAL DESCRIPTION AND MAP OF THE PROPERTY WITHIN THE
MOUNTAIN VALLEY METROPOLITAN DISTRICT**

VICINITY MAP




DISTRICT EXHIBIT



MOUNTAIN VALLEY METROPOLITAN DISTRICT
 37.354 acres
 1,627,762 s.t. ±



SCALE: 1" = 400'

PREPARED BY:  Drexel, Barrell & Co. Engineers/Surveyors 3 SOUTH 7TH STREET COLORADO SPRINGS, COLORADO 80905 (719)260-0887 1800 38TH STREET BOULDER, COLORADO 80301 (303)442-4336			
Revisions - Date	Date	Drawn By	Job No.
	7/11/16	GES	20534-04
	Scale	Checked By	Drawing No.
	1" = 400'	PCO	DEXH1

LEGAL DESCRIPTION:

A TRACT OF LAND BEING A PART OF THE WEST HALF OF SECTION 16, TOWNSHIP 13 SOUTH, RANGE 65 WEST OF THE 6TH P.M., EL PASO COUNTY, COLORADO, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID SECTION 16, AND CONSIDERING THE WEST LINE OF SAID SECTION 16 TO BEAR NORTH $00^{\circ}21'12''$ WEST, ALONG SAID WEST LINE, A DISTANCE OF 1993.31 FEET; THENCE NORTH $89^{\circ}38'48''$ EAST, A DISTANCE OF 60.00 FEET TO A POINT AT THE INTERSECTION OF A LINE LYING 60.00 FEET EASTERLY OF AND PARALLEL WITH THE WEST LINE OF SAID SECTION 16 AND THE SOUTH LINE OF LOT 1, BLOCK 1, TOY RANCHES ESTATES, A SUBDIVISION RECORDED AT RECEPTION NO. 479331 IN THE RECORDS OF THE OFFICE OF THE EL PASO COUNTY CLERK AND RECORDER, SAID POINT BEING THE "POINT OF BEGINNING"; THENCE NORTH $00^{\circ}21'12''$ WEST, ALONG SAID PARALLEL LINE AND ALONG THE EASTERLY RIGHT-OF-WAY LINE OF MARKSHEFFEL ROAD, A DISTANCE OF 2672.64 FEET TO THE SOUTHERLY LINE OF THAT TRACT OF LAND DESCRIBED IN BOOK 2306 AT PAGE 918, SAID EL PASO COUNTY RECORDS; THENCE NORTH $88^{\circ}54'34''$ EAST, ALONG SAID SOUTH LINE, A DISTANCE OF 609.94 FEET; THENCE SOUTH $00^{\circ}15'22''$ EAST, A DISTANCE OF 1014.16 FEET TO THE NORTHEAST CORNER OF THAT TRACT DESCRIBED IN BOOK 2155 AT PAGE 70, SAID EL PASO COUNTY RECORDS; THENCE SOUTH $00^{\circ}21'12''$ EAST, ALONG THE EAST LINE OF SAID TRACT AND ALONG THE EAST LINE OF SAID LOT 1, A DISTANCE OF 1661.38 FEET TO THE SOUTHEAST CORNER OF SAID LOT 1; THENCE SOUTH $89^{\circ}10'48''$ WEST, ALONG THE SOUTH LINE OF SAID LOT 1, A DISTANCE OF 608.19 FEET TO THE "POINT OF BEGINNING".


PREPARED BY:			
		Drexel, Barrell & Co. Engineers/Surveyors	
3 SOUTH 7TH STREET 1800 38TH STREET		COLORADO SPRINGS, COLORADO 80905 (719)260-0887 BOULDER, COLORADO 80301 (303)442-4338	
Revisions -- Date	Date	Drawn By	Job No.
	7/11/16	GES	20534-04
	Scale	Checked By	Drawing No.
	1" = 400'	PCO	DEXH1

EXHIBIT B

TO THE
GENERAL DISCLOSURE AND COMMON QUESTIONS REGARDING
MOUNTAIN VALLEY METROPOLITAN DISTRICT

GENERAL FORMULA FOR ASSESSMENT
OF RESIDENTIAL PROPERTY

1. Assessor's office makes a market value determination based upon sales prices of comparable homes in the area (the "Market Property Valuation").
2. Market Property Valuation is multiplied by the assessment rate which is set every odd numbered year and as of January 1, 2016, was 7.96%. The current assessment rate can be obtained from the County Assessor's Office (Market Property Valuation times the assessment rate = Assessment Valuation).
3. Applicable Mill Levy is applied to the Assessment Valuation, resulting in the total assessment to the residential property.

For example, a home and property sold for \$300,000 should have a "market value" of \$300,000. Applying the 7.96% valuation factor produces an assessed valuation of \$23,880. One mill (.001) applied to that assessed valuation produces \$23.88 of additional taxes. Assuming the District's projected Maximum Debt Mill Levy of 30 mills for residential property would result in \$716.40 in additional taxes each year for a residential property with a market value of \$300,000.