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I. History of Solterra

The Solterra development was initially started by Carma Lakewood LLC, in 2006. Carma Lakewood LLC later changed its name to Solterra LLC and was later acquired by Brookfield Residential Properties, Inc. ("Brookfield"). Brookfield I is a wholly-owned subsidiary of Brookfield Asset Management Inc. and is referred to as the developer.

On June 30, 2017, after disputes between Brookfield and the residents arose, all Brookfield employees that were previously serving as the majority of the Boards of Directors resigned from the District 1, 2 and 3 Boards. The existing resident Board Members from Districts 2 and 3 appointed qualified electors and those new Board Members for District 2 and District 3 were sworn in on September 26, 2017. District 1 had no qualified electors because, at the time, District 1 was a small 10-foot plot of land owned by Brookfield but with no board of directors after the *en mass* Brookfield board member resignation. As such, Districts 2 and 3 sought a Jefferson County court order allowing Districts 2 and 3 to manage District 1, until such time as the resident election in May of 2018. On November 13, 2017, the District Court ruled that the five resident board members comprising of the District 2 and 3 Boards could assume control of District 1.

Since the Brookfield board resignations, the Solterra residents have controlled the three District Boards. That has inevitably led to various disputes between Brookfield and the District Boards, culminating in several currently pending lawsuits. More information about these lawsuits can be found on Solterra-Connect.com/brookfield-lawsuit.html.

II. Metropolitan District General Information

1. What is the difference between the Fossil Ridge Metropolitan Districts ("FRMD") and the Solterra HOA?

FRMD and the HOA are two separate entities which perform entirely separate governing functions. The HOA duties are limited to trash removal and architectural/covenant control while FRMD participates in the financing, construction and operation and maintenance of the public improvements, including the Retreat, pool, parks and all non-private owned land in Solterra.

2. How is Solterra Organized **(Keep flow chart)**
3. What is a Special District?

Special Districts are local governments and political subdivisions of the State. Local governments are comprised of counties/cities/towns, but also include other types

of governments such as school districts and special districts. Metropolitan Districts are a subsection of special districts which provide two or more services on behalf of their constituents. Special Districts have existed in Colorado in various forms since the mid 1950's in order to finance and provide public infrastructure and services. There are over 2,000 special districts in the State of Colorado, which serve both residential and commercial developments.

Metropolitan Districts are governed by an elected board of directors, which hold a common-law as well as statutory fiduciary obligation to the district and its constituents. They are regulated by Colorado Revised Statute Title 32.

Board elections are held in May of odd years. Special districts may also conduct special elections in February, May, October, November and December if necessary. Board candidates run for either a 2 or 4 year term. Vacancies on the Board are appointed by the Board to serve until the next scheduled election. Special District Boards are subject to various transparency laws, which means they must hold open meetings, properly provide notice of all meetings, keep minutes and other records which are open for inspection, hold elections for their governing board of directors, adopt annual budgets and submit to annual financial audits.

Metropolitan districts are able to finance public facilities with tax exempt municipal bonds which may result in cost savings to property owners through a reduced cost of borrowing. Metropolitan districts can also take certain tax deductions in connection with ad valorem taxes (typically real estate taxes) paid to the district. The financing powers of special districts also offer advantages over the funding of costs for items that might otherwise be provided through homeowner's associations, which rely upon assessments that are not tax deductible to the homeowner.

4. What is a Service Plan?

A Service Plan is a document that is approved by the existing local governing jurisdiction (here, the City of Lakewood). It sets forth the development and financial authorization of a special district, grants and limits certain powers of the district, and governs the overall structure of the district. The Service Plan will continue to govern FRMD as long as FRMD remains in existence.

5. What is Mount Carbon Metropolitan District?

Mount Carbon Metropolitan District ("Mount Carbon") is a separate and special district with legal boundaries that encompass certain properties within the Rooney Valley. Mount Carbon was organized on September 14, 1976, and at the time of its organization included the property within Solterra along with adjacent developments. Mount Carbon filed bankruptcy on July 14, 1997 under Chapter 9 of the Federal

Bankruptcy Code. The Mount Carbon Bankruptcy Plan was approved and funded on April 22, 2004, at which point the debt outstanding was restructured.

As with other properties previously within its boundaries, the Solterra property was excluded from Mount Carbon in August 2006 as a condition of the City of Lakewood prior to the organization of FRMD. In accordance with C.R.S. §32-1-503, the Solterra property excluded from Mount Carbon (along with other properties that were excluded at that time) remains subject to all Mount Carbon debt in existence at the time of exclusion until the same is fully discharged or paid. Mount Carbon, as a separate governmental entity, holds and is fully responsible for its debt. FRMD does not have any discretion or direct responsibility for, or over, the debt. All property that is within the current Mount Carbon boundaries, as well as those that were excluded from its boundaries while the debt was in place, remains subject to the imposition of the current 27 mils or negotiated mil levy at the time of the exclusion, until such debt is paid or discharged, which is currently scheduled for 2043 based upon Mount Carbon's audited financial information.

III. Information on FRMD

1. What is FRMD?

FRMD is a special district which was organized in 2006 for the specific purpose of financing certain construction necessary for the development of Solterra. Financing of the development includes that which can be accomplished through bonds issued through FRMD as well as private financing through the developer. The developer is responsible for financing private improvements or those public improvements which cannot be financed through FRMD. FRMD was provided with sufficient flexibility to also handle the operations and maintenance of amenities within the community on a long-term basis. FRMD is authorized under Title 32, C.R.S., and pursuant to its Service Plan.

2. What is FRMD authorized to do?

FRMD is authorized by the Service Plan to finance, construct and operate water, sanitation, street, traffic and safety controls, park and recreation improvements, and to engage in services for mosquito and pest control, security and covenant control. While the Service Plan authorizes FRMD to provide these services, FRMD uses other special districts and municipalities like the City of Lakewood to provide many of these services like water (Consolidated Mutual Water,), sanitation (Green Mountain Water and Sanitation District), traffic and safety control (City of Lakewood) and covenant control (Solterra HOA). FRMD does not provide mosquito and pest control.

3. Who are the current board of directors of the Districts and their terms?

See Solterra Connect. <https://www.solterra-connect.com/board-members.html>

4. How do I get on the board?

In order to be qualified to serve on the Board of Directors of a District, a person must be an “eligible elector” of the District. An “eligible elector” is a person who, at the designated time or event, is registered to vote in the State of Colorado pursuant to the Uniform Election Code of 1992, and who either: 1) is a resident of the special district; 2) owns, or has a spouse or civil union partner who owns, real or personal property within the special district; or 3) is obligated to pay taxes under a contract to purchase taxable property within the special district. Before each election, the District provides notice to the eligible electors informing them of the upcoming election and requesting self-nomination forms. Any eligible elector may submit a self-nomination form nominating themselves to participate in the election process for a board seat. If there are more self-nomination forms than open board seats, the District will proceed with either a mail ballot or polling place election. All eligible electors of FRMD are able to vote. If there are not more interested candidates that have submitted a self-nomination form than there are open seats, the election will be cancelled, and the candidates will be elected by acclamation and take their seats immediately after the May election date. If a board member resigns during their term, the vacancy is filled by appointment of the remaining board members and the appointee then serves until the next regular election.

5. When do the Boards meet?

See Solterra Connect. <https://www.solterra-connect.com/board-meetings.html>

6. What are Intergovernmental Agreements?

An intergovernmental agreement (“IGA”) is a contractual agreement between at least two governmental entities, i.e. other Metropolitan District, City, County or State. As a governmental entity, FRMD may enter into agreements with other governmental entities. See Solterra Connect for a list and copies of the IGAs FRMD has: <https://www.solterra-connect.com/intergovernmental-agreements.html>

7. How can I request documents that are not readily available concerning FRMD?

FRMD has an approved Public Records Request Policy in place, which is posted on Solterra-Connect (https://www.solterra-connect.com/uploads/2/3/8/0/23806366/public_records_request_policies_and_forms.pdf) and is readily available from the District manager. The Public Records Request Policy contains information as to how to make requests for inspection or copies of any public documents of FRMD.

IV. Financial Information of the Districts

1. What do the FRMD Quarterly Fees Pay For?

FRMD establishes a schedule of fees concurrently with annual budget requirements. FRMD is responsible for operation and maintenance associated with public amenities such as the pool and Retreat, and landscaping of common areas, parks and trails within the community. FRMD 1 also provides additional services to some of the Townhomes and the Gated Community for additional fees assessed quarterly.

2. What is the current mill levy imposed by FRMD.

All developable property in Solterra pays the same mill levy toward all debt issued by FRMD. For the current year rate see [Solterra-Connect.com](https://www.solterra-connect.com/uploads/2/3/8/0/23806366/frmd_2_2024_dola_budget.pdf)
https://www.solterra-connect.com/uploads/2/3/8/0/23806366/frmd_2_2024_dola_budget.pdf

and

https://www.solterra-connect.com/uploads/2/3/8/0/23806366/frmd_3_2024_dola_budget.pdf

3. How are the funds raised by the FRMD mill levy used?

Current FRMD Budgets may be accessed by using the following link:
The District - Financial Information - Solterra District Budget Information - SOLTERRA (solterra-connect.com)

4. What is the maximum FRMD mill levy?

The Service Plan limits the FRMD mill levy to a total of 50 mills, which includes both debt and operations purposes. The 50 mills may be adjusted proportionately to the extent the RAR (Residential Adjustment Rate) is decreased/increased such that FRMD property tax revenue remains neutral.

5. Mill levy rate increases.

The boards of directors approve the Districts mill levies, including any proposed increases, when approving the subsequent year's budget at a public hearing. The mill levy of FRMD is required to be certified to Jefferson County by December 15 of each year.

6. What is the maximum debt permitted to be issued by FRMD?

FRMDs debt limitation is set forth in the Service Plan. In general, there are two categories of debt: 1) General Obligation Debt; and 2) Revenue Debt. Revenue Debt is further divided into two types, which are discussed below. The total combination of General Obligation Debt and Revenue Debt cannot exceed \$91,000,000. The breakdown is as follows:

- a. General Obligation Debt is limited to \$70,000,000.
- b. Revenue Debt is separated into two types, each with its own limit and purpose.
 - i. Revenue Debt that is funded by any combination of funding from A) regional service providers, B) reimbursements to FRMD from property owners, and, C) grants and other revenues provided to FRMD by governmental agencies. This type of Revenue Debt may only be used for funding Regional Improvements and is limited to \$21,000,000.
 - ii. Revenue Debt that is funded solely by Capital Fees. "Capital Fees" are fees that FRMD may impose on the developer in an amount FRMD sets and which is due before or at the time the developer obtains a building permit for a lot. FRMD is authorized to issue up to \$70,000,000 in Revenue Debt that is funded by Capital Fees. FRMD is further authorized to issue up to \$70,000,000 for capital improvements within the Solterra community that is funded by any combination of General Obligation Debt and Revenue Debt funded by Capital Fees.

FRMD has never issued either type of Revenue Debt. At this stage in the development there is not enough new construction remaining to impose enough Capital Fees to support any level or type of debt. Unless there is a significant and expected revenue source, it is very unlikely that FRMD will ever issue Revenue Debt based on funding from A) regional service providers, B) reimbursements to FRMD from property owners, and, C) grants and other revenues provided to FRMD by governmental agencies.

7. What is the FRMD "TABOR Authorization"?

In 1992 the voters within the State amended the Colorado Constitution to include a Taxpayers' Bill of Rights, commonly referred to as "TABOR." TABOR limits the amount of revenue FRMD (or any other governmental agency) can collect, and revenue FRMD can spend, in a given year. When FRMD was organized, the voters approved a Ballot question that exempts FRMD from TABOR's revenue collection and revenue

spending limits; however, the voters could not, and did not, exempt FRMD from TABOR's requirement that FRMD obtain prior voter approval before imposing a property tax or issuing debt. At the time it was organized, FRMD also obtained voter approval to impose up to 50 mills in property tax, and to issue General Obligation Debt and Revenue Debt in an amount not to exceed a total of \$91,000,000. As General Obligation Debt is issued by FRMD, up to the \$70 million authorized, it must be allocated between the various voter authorized uses (i.e., streets, water, sewer, parks and recreation, mosquito control, etc.).

8. What is General Obligation Debt Vs. Revenue Debt?

The short answer is that General Obligation Debt is funded by property taxes. Revenue Debt is funded by revenue that is generated from any other source but property taxes. In FRMD's case, FRMD's General Obligation Debt (Bonds) is paid by property taxes that are imposed by FRMD Nos. 2 and 3. General Obligation Debt is permitted under the Service Plan for purposes of financing on-site improvements or FRMD's proportionate share of Regional Improvements that are not paid or reimbursed by funding from A) regional service providers, B) reimbursements to FRMD from property owners, or, C) grants and other revenues provided to FRMD by governmental agencies.

A map showing current district and regional improvements may be accessed by using the following link:

https://www.solterra-connect.com/uploads/2/3/8/0/23806366/map_of_fossil_ridge_improvements.pdf