

WOODMEN HEIGHTS METROPOLITAN DISTRICT NOS. 1, 2 and 3

JOINT 2008 ANNUAL REPORT

TO

CITY OF COLORADO SPRINGS, COLORADO

Pursuant Section VII. B. of the Amended and Restated Consolidated Service Plan for Woodmen Heights Metropolitan District Nos. 1, 2 and 3, the Districts are required to provide an annual report to the City of Colorado Springs with regard to the following matters:

1. Boundary changes made or proposed to the District's boundary as of December 31 of the prior year.
2. Intergovernmental agreements with other governmental entities, either entered into or proposed as of December 31 of the prior year.
3. Copies of the Districts' rules and regulations, if any, as of December 31 of the prior year.
4. A summary of any litigation which involves the District's Public Improvements as of December 31 of the prior year.
5. Status of the Districts' construction of the Public Improvements as of December 31 of the prior year.
6. A list of all facilities and improvements constructed by the Districts that have been dedicated to and accepted by the City as of December 31 of the prior year.
7. The assessed valuation of the Districts for the current year.
8. Current year budget including a description of the Public Improvements to be constructed in such year.
9. Audit of the Districts financial statements, for the year ending December 31 of the previous year, prepared in accordance with generally accepted accounting principles or audit exemption, if applicable.
10. Notice of any uncured events of noncompliance by the Districts under any Debt instrument which continue beyond a 90-day period.
11. Any inability of the Districts to pay their obligations as they come due, in accordance with the terms of such obligations, which continue beyond a 90-day period.
12. Copies of any Certifications of an External Financial Advisor provided as required by the Privately Placed Debt Limitation provision.

For the year ending December 31, 2008, the Districts make the following report:

1. Boundary changes made in 2008.

District No. 3 received an inclusion petition from Woodmen Valley Chapel for approximately 49 acres. The City approved Service Plan and an approved amended future potential inclusion map both contemplated inclusion of additional property into the Districts after formation. After District No. 3 held a public hearing on the requested boundary inclusion, the inclusion was approved and processed through the court.

2. Intergovernmental Agreements with other governmental bodies entered into or proposed.

A proposed agreement with the City, as contemplated in the Service Plan, is being negotiated with the City concerning among other things, cost recovery arrangements and Sand Creek Detention Pond No. 2.

3. Rules and Regulations.

The Districts have not prepared any rules and regulations.

4. A summary of any litigation involving the Districts.

There is no litigation involving the Districts.

5. Public Improvement Construction Status.

Public infrastructure construction continues to occur within the boundaries of the Districts.

6. Public Improvement Dedication to City on for reporting year.

Due to the slow development activity there were no public improvements dedicated to the City in 2008.

7. Summary of current assessed valuations for the Financing Districts.

District No. 1's certified assessed valuation for 2008: \$120

District No. 2's certified assessed valuation for 2008: \$10,906,740

District No. 3's certified assessed valuation for 2008: \$2,019,580

8. Budgets for reporting year.

Copies of the 2008 budgets for Districts Nos. 1, 2 and 3 are attached.

9. Audited Financial Statements for previous year.

A copy of the 2007 Audit Report for District No. 1 is attached. Applications for exemption from audit for Districts Nos. 2 and 3 for the year ending December 31, 2007 were filed, and are attached hereto.

10. Notice of any uncured events of noncompliance by the Districts under any Debt instrument which continue beyond a 90-day period.

None. However, District No. 1 was required to cause a letter of credit to be in place at the time of closing of its Series 2005 Bonds. The LOC was provided by a private party, and the District was in compliance with the conditions of bond issuance. The District was not required to cause any LOC to be in place past the closing of the bonds. Rather, the trustee bank was required either ensure the LOC was renewed or drawn on prior to expiration thereof. In 2007 the trustee failed to renew or draw on the LOC prior to its expiration. The District has been working with the trustee to reach a solution to the trustee's breach. The uncured event of noncompliance is by the trustee, not the District.

11. Any inability of the Districts to pay their obligations as they come due, in accordance with the terms of such obligations, which continue beyond a 90-day period.

In 2008 the Districts were in compliance with obligations.

12. Copies of any Certifications of an External Financial Advisor provided as required by the Privately Placed Debt Limitation provision.

Not applicable in 2008.

Woodmen Heights Metro District Nos. 1, 2 and 3

2008 Annual Report Attachments

1. 2008 Budget District No. 1
2. 2008 Budget District No. 2
3. 2008 Budget District No. 3
4. 2007 Audit Report District No. 1
5. 2007 Applications for Exemption from Audit District Nos. 2 and 3