

WOODMEN HEIGHTS METROPOLITAN DISTRICT NOS. 1, 2 and 3

JOINT 2012 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, 2012, the Districts make the following report:

1. Boundary changes made in 2012.

There were no boundary changes for the Districts in 2012.

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

A proposed agreement with the City is still pending concerning among other things, cost recovery arrangements and Sand Creek Detention Pond No. 2.

3. Rules and Regulations.

None.

4. A summary of any litigation involving the Districts.

The Districts are involved in litigation concerning easement relocation relative to Sorpresa Lane. Portions of Sorpresa Lane follow a thirty-foot historic right-of-way and easement (the "Easement") which benefits property owned by land owners both within the Districts' boundaries as well as by other property owners located outside of the Districts. The road system contemplated by and approved with the Concept Plan for Woodmen Heights contemplates the partial relocation of Sorpresa Lane and the establishment of roads within Woodmen Heights that would replace, substitute for and improve upon the road system and the limited and unimproved access provided by the current Easement. Developers within the Districts made efforts to obtain agreement from those benefited by the Easement to a reasonable relocation of the Easement, but were not able to obtain the agreement of some of the property owners outside the Districts to the relocation of the Easement. Since the Easement could be relocated with Court approval, the Districts brought action in the District Court for El Paso County seeking declaratory judgment for approval to relocate the Easement to allow alignment of Sorpresa Lane and the streets connecting thereto to be consistent with the Concept Plan for Woodmen Heights and the development plans of properties within the Districts. As of December 31, 2012, the litigation matter is still ongoing.

5. Public Improvement Construction Status.

A small amount of public infrastructure construction continues to occur within the boundaries of the Districts.

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

Ponds?

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

District No. 1's certified assessed valuation for 2012: \$ 130
District No. 2's certified assessed valuation for 2012: \$15,458,380
District No. 3's certified assessed valuation for 2012: \$ 1,279,010

8. Budgets for reporting year.

Copies of the 2012 budgets for Districts Nos. 1, 2 and 3 are attached.

9. Audited Financial Statements for previous year.

A Copy of the 2011 Audit Report for the Districts is attached. The 2012 Audit is still in process.

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

When District No. 1 issued its Series 2005 Bonds, \$2,000,000 was required to be deposited into a Supplemental Reserve Fund at the time of closing. A private party volunteered to have a letter of credit (LOC) put in place as of the closing to satisfy 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 to either confirm that the LOC was renewed before its expiration, or to call it prior to expiration thereof. In 2007 the trustee failed to draw on the LOC prior to its expiration in the absence of its renewal. In 2009 the bond owner exercised its unilateral rights under the Trust Indenture to remove and replace the trustee. In 2010 the District, bond holder and former trustee reached a settlement whereby former trustee deposited \$2,000,000 with the current trustee for the bonds.

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 2012 the Districts were in compliance with its repayment obligations on the Series 2005 Bonds.

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

Not applicable in 2012.

Woodmen Heights Metro District Nos. 1, 2 and 3

2012 Annual Report Attachments

1. 2012 Budget District No. 1
2. 2012 Budget District No. 2
3. 2012 Budget District No. 3
4. 2011 Audit Report