

**GENERAL DISCLOSURE AND COMMON QUESTIONS REGARDING
KINSTON METROPOLITAN DISTRICT NO. 10**

1. What does the District do?

Kinston Metropolitan District No. 10 (the “District”) was organized, together with Kinston Metropolitan District Nos. 1, 2, 3, 4, 5, 6, 7, 8 and 9 on December 5, 2019, pursuant to a Consolidated Service Plan, approved by Resolution No. #R-92-2019 of the City Council for the City of Loveland, Colorado, on September 3, 2019 (the “Service Plan”) for purposes of constructing, operating and maintaining certain public improvements within the boundaries of the District. The District is a governmental entity governed by an elected board of directors made up of property owners and property taxpayers within the District’s boundaries.

The District’s boundaries are set forth in **Exhibit 1** attached hereto. It is conceivable that additional boundary adjustments may be made within the District. Any such boundary adjustment is subject to prior approval by the owners of the property to be annexed and must be considered at a public hearing of the District’s board of directors.

Pursuant to the Service Plan, the District is authorized to construct, operate, and maintain a sanitary sewer system, storm drainage, potable water system, non-potable irrigation system, street system and traffic safety, and parks and recreation improvements for the benefit of the property owners of the District. The District may dedicate certain public improvements to the City of Loveland (the “City”). The operations and maintenance of public improvements dedicated to the City shall rest with the City. Public improvements not dedicated to the City shall be owned, operated, and maintained by the District. The District has authority to impose property taxes and other fees, rates, tolls, penalties, or charges to fund the construction and operations and maintenance for all improvements identified in the Service Plan. At some point in the future, the District may impose fees and/or rates; 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.

Certain services may be provided within the District by one or more property owner associations organized as Colorado non-profit organizations comprised of all property owners in the District. Currently, no property owners association has been established within the boundaries of the District. If a property owners association is established, property owners will be subject to fees and assessments payable to the association which will be separate from and in addition to any fees or assessments payable to the District.

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

The District has authority to impose property taxes for the construction, operation, and maintenance of the improvements identified in the Service Plan. The District may issue bonds to provide for the costs of capital improvements within its boundaries. In order to meet the debt service requirements for bonds and to pay operations and maintenance costs associated with the provision of services, the District will impose a mill levy under the Service Plan. The mill levy authorized for the District under the Service Plan may not exceed 62 mills less the mill levy imposed by Centerra Metropolitan District No. 2 (“CMD 2 Mill Levy”) and by Centerra Metropolitan District No. 4 (“CMD 4 Mill Levy”), if any, and the maximum mill levy the District may impose for the payment of principal of and interest on Debt and to defray operations and maintenance expenses combined shall not exceed 77 mills less the CMD 2 Mill Levy and CMD 4 Mill Levy, if any, which mill levy caps may be adjusted upward or downward over time as permitted in the Service Plan. At such time as the property located

within the District is no longer subject to the CMD 2 Mill Levy and the CMD 4 Mill Levy, if any, the maximum mill levy the District may impose for the payment of debt obligations and related expenses shall not exceed 62 mills, the maximum mill levy the District may impose for the payment of operations and maintenance obligations and related expenses may not exceed 25 mills, and the combined mill levy for the payment of debt obligations and operations and maintenance expenses may not exceed a total of 77 mills, which may be adjusted upward or downward over time as permitted in the Service Plan.

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.

3. What are the advantages of metropolitan districts providing public improvements in lieu of cities or counties?

Many areas in Colorado utilize special districts to finance public improvements. As cities and counties often do not provide water and wastewater systems, roads, or recreation facilities in new communities, special districts have been organized to build these facilities. Special districts, and the financial powers they utilize, may also permit earlier construction of recreation facilities and other amenities for the benefit of the community when compared with developments not within special districts. Where special districts are utilized, the costs of improvements within the community are generally spread over 20 to 30 years and are paid from mill levies. Special districts are governed by property owners within the community who are better able to address issues of concern to the community than could a larger city or county.

4. How can I be assured that the District will not issue too many bonds and create unreasonably high mill levies?

All bonds issued by the District will be governed by the controls adopted by the Colorado legislature governing the process by which bonds are issued by special districts. In addition, the organization and operation of the District are governed by the terms of the Service Plan, which limits the mill levy that may be assessed by the District for the payment of debt obligations and related expenses to 62 mills less the CMD 2 Mill Levy and the CMD 4 Mill Levy, if any, and the total mill levy that may be assessed by the District for the payment of debt obligations and related expenses and operations and maintenance obligations and related expenses to 77 mills; provided, however, at such time as the property located within the District is no longer subject to the CMD 2 Mill Levy and the CMD 4 Mill Levy, if any, the Service Plan limits the mill levy that may be assessed by the District for the payment of debt obligations and related expenses to 62 mills, the mill levy that may be assessed by the District for payment of operations and maintenance obligations and related expenses to 25 mills, and the total mill levy that may be assessed by the District for debt obligations and operations and maintenance combined to 77 mills, subject to adjustments 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 77 mills less the CMD 2 Mill Levy and CMD 4 Mill Levy, if any, absent any change in the manner of the assessment of property for taxation purposes, the ratio for determining assessed valuation, or other similar matters.

The mill levy limits will remain in place unless and until the Service Plan is amended to permit a change in this limit for the District. This limit, as well as others existing under Colorado law and various voter approvals, are believed to be adequate to control the tax levies within the District. As noted above,

however, many of the limits of the Service Plan and existing voter limits may be amended from time to time.

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 purchase residential property. Therefore, in the initial stages of the development, it is in 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.

5. Who bears the risk that the community may not fully develop?

Bondholders will be providing funding to the District for the District's construction of public improvements authorized by the Service Plan. These initial bonds for the District will be supported, in part, by the developer of the project. Property taxes paid by property owners on residential property will help pay the costs of all bonds issued by the District. This results in the risk of development being shared in part by bondholders and the developer. The property owners also share risk relative to the bonds which are currently limited as noted above in paragraph 4. As previously stated, it is within the District's discretion to impose other fees to help pay for public improvements.

6. What will my tax bill look like?

In determining the tax liability due to for residential property, the County Assessor's Office first determines the actual value of the residential property based upon market approach to appraisal. Up to five years of market activity are analyzed. The actual value of the residential property is then multiplied by the assessment rate, which is set every odd numbered year by the state legislature, to determine the assessed valuation of the residential property. The current assessment rate on residential property is 7.15%. The mill levy is then multiplied by the assessed valuation of the residential property, resulting in the assessment for the residential property. For example, residential property with an actual value of \$450,000 would have an assessed value of \$32,175 ($\$450,000 \times 7.15\%$). One mill (0.001) applied to that valuation for assessment produces \$32.18 of taxes ($\$32,175 \times 0.001$).

It is anticipated that the tax bill for your property will show mill levies for the City of Loveland, Larimer County, Larimer County Pest Control, Northern Colorado Water Conservancy District, Thompson R2-J School District, Thompson Valley Health Services District, Centerra Metropolitan District No. 2 and various other service providers, including Kinston Metropolitan District No. 10. According to information available from the Larimer County Assessor, the total overlapping mill levy imposed upon the property within the boundaries of the District, but without any District mill levy, is currently 125.769 mills for tax year 2019 for collection in the year 2020. Therefore, without the District, the annual tax bill levied on a residential property with an actual value of \$450,000 would be approximately \$4,047.25 (32.18×125.769).

Until the District repays its proportionate share of indebtedness owed by Centerra Metropolitan District No. 2 ("CMD 2"), the maximum mill levy the District is currently permitted to levy is 29.400 mills (77 mills less 47.600 mills imposed by CMD 2), and the portion of the annual tax bill levied by the District on a residential property with an actual value of \$450,000 would be approximately \$946.09 (32.18×29.400). Your tax bill for your property will also include mill levies from other taxing entities that overlap with the District's boundaries, making the total annual tax bill levied on the residential property approximately \$4,993 ($\$946 + \$4,047$).

Exhibit 2 attached hereto sets forth the approximate mill levies that are currently levied against the property within the District and outlines the annual tax bills levied both with and without the District. Colorado taxing entities certify their mill levies on an annual basis, so the most accurate manner of ascertaining the specific taxing entities and current mill levies imposed on any property is by contacting the Larimer County Assessor's office directly.

7. Where can I get additional information regarding the District?

This document is not intended to address all issues associated with special districts generally or with Kinston Metropolitan District No. 10 specifically. The Service Plan for the District contains a full description of the District's purpose and functions. Prospective purchasers of property within the District are encouraged to read this document to be fully informed. A copy of the District's Service Plan is available in the Loveland City Clerk's Office. For additional information about the District, prospective purchasers may also contact the District's attorney's office of Icenogle Seaver Pogue, P.C., at 4725 South Monaco Street, Suite 360, Denver, CO 80237, (303) 292-9100. The District's meetings are open to the public, at which time you can raise questions regarding any matter related to the activities of the District.

Dated this 9th day of July 2020.

By: _____

President, Board of Directors
Kinston Metropolitan District No. 10

Purchaser's Signature Acknowledging Receipt: _____