

Upon recording return to:

Severance Shores Metropolitan District Nos. 1-4
c/o Spencer Fane LLP
1700 Lincoln Street, Ste. 2000
Denver, Colorado 80203

**SECOND AMENDED GENERAL DISCLOSURE AND COMMON QUESTIONS
REGARDING THE SEVERANCE SHORES METROPOLITAN DISTRICT NOS. 1-4
WELD 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.

The Severance Shores Metropolitan District Nos. 1-4 (collectively, the "District") was organized pursuant to Orders of the Weld County District Court following an election in November 2015 at which time a majority of the eligible electors are anticipated to vote in favor of the formation of the District, elect members to the initial board of directors and vote 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. Map of the District is attached hereto as Exhibit "A." The District is governed by an elected board of directors made up of property owners from each district. The District is an independent unit of local government, separate and distinct from the Town of Severance (the "Town"), within which the District is located. Pursuant to the Service Plan for Severance Shores Metropolitan District Nos. 1-4 (the "Service Plan") approved on August 31, 2015 by the Town Board of Trustees (the "Town"), as Amended by the First Amendment to the Service Plan approved by the Town on November 5, 2019 (as may be further amended from time to time, collectively, the "Service Plan") the District has the ability to construct and finance major public improvements as well as additional amenities, including, but not limited to park and recreation, landscaping, water, drainage, wastewater and road improvements within its boundaries. 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 Town, as well as prior to dedication and acceptance to the Town, any applicable Water and Sanitation District or a property owners association. If the District is permitted by the Town 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 Districts Impose Any 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. Any proposed service fees shall pay for the District costs of providing District services and any District owned public facilities, services and improvements and their administration. The Districts are authorized pursuant to Section 32-1-1001(1)(j)(I) of the Colorado Revised Statutes ("C.R.S."), to fix and impose fees, rates, tolls, charges and penalties for services, programs or facilities provided by the Districts which, until paid, shall constitute a perpetual lien on and against the property served.

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.

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 property owners 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. Instead of a property owners association, the Districts are authorized and will be responsible for the maintenance and operation of some, but not all of the common areas and other landscaping within a community which are owned, operated and maintained by the Districts. It is currently anticipated that the District will take the place of any property owners' association duties and responsibilities.

Please note that it is the homeowner's responsibility to review and see the Community Covenants and Guidelines and understand them. By signing the District disclosure you are also agreeing to follow the community covenants and guidelines.

3. How much property tax will the Districts 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 Town 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 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 higher than the Maximum Debt Mill Levy permitted by the Service Plan (as amended) for property within the District. Such mill levies may be "Gallagherized" or adjusted from a Maximum Debt Mill Levy as it could have existed on January 1, 2015 provided that if, on or after January 1, 2015, 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, 2015, are neither diminished nor enhanced as a result of such changes. By way of example, as of January 1, 2018, the Residential Assessment Ratio was reduced from 7.96% in 2015. When "Gallagherized", the mill levy may increase to a 55.278 mill levy applied to the 7.20% Residential Assessment Ratio assessed in 2018 to equal the same amount of taxes collected under 7.96% Residential Assessment Ratio (which would be equivalent to 50 mills assessed in 2015). A separate Mill Levy for Operations may be assessed to pay for the operating and administration costs of the Districts. As such, and in a similar fashion, an operations mill levy of 10 mills assessed in 2015, when "Gallagherized", the mill levy may increase to 11.055 (which would be equivalent to 10 mills assessed in 2015).

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.

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 Districts do not 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, as amended, includes a debt limit and a Maximum Debt Mill Levy. The Debt Mill that is currently being assessed by the District is the equivalent of what 50 mills would have been in 2015, 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 2015 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. An example of how that is Debt Mill Levy is calculated is described below.

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. 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 Weld County, the, 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 Districts?

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 Manager, Fromm & Company, LLC, 9227 E. Lincoln Ave, #200, Lone Tree, CO 80124, 303-912-8401; District's general counsel, Spencer Fane, LLP, 1700 Lincoln Street, Suite 2000, Denver, CO 80203, 303-839-3800, the Colorado Department of Local Affairs, (303) 864-7720; or by attending District meetings, which occur normally when posted. Meetings are held at a location either within the District, or if there is no convenient site or meeting location, within the boundaries of the Town of Severance or the offices of District Counsel. The District is also required to keep minutes and other records that are open for inspection by any citizen, hold elections for the boards of directors, adopt annual budgets, and submit to financial audits.

SEVERANCE SHORES METROPOLITAN
DISTRICT NOS. 1-4

EXHIBIT A

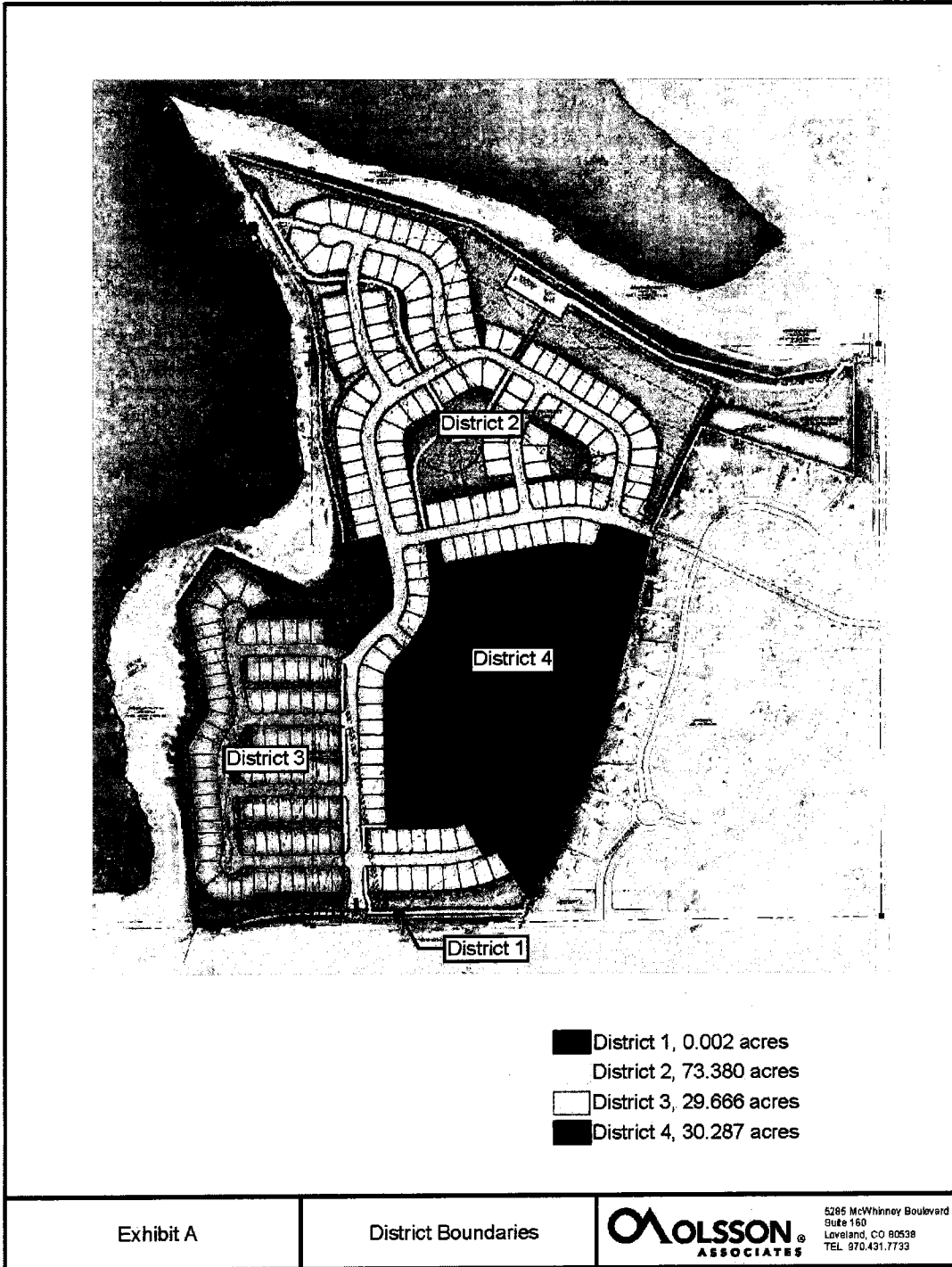


EXHIBIT B
GENERAL FORMULA FOR ASSESSMENT OF RESIDENTIAL PROPERTY

The assessment for a home is determined as follows:

The County Assessor's Office determines the Actual Value of the property based upon sales prices of comparable property in the area.

To determine the Assessed Valuation, the Actual Value of the home is multiplied by the Assessment Ratio, which is set every odd numbered year by the state legislature. As of January 1, 2017, the Residential Assessment Ratio was 7.96%. This rate decreased to 7.20% January 1, 2018. As of January 1, 2017, the Residential Assessment Ratio was 7.96%. This rate is decreased to 7.20% as of January 1, 2018. In that event, the 50 mill levy at the 7.96% assessment rate, when "Gallagherized", may increase up to a 55.278 mill levy applied to the 7.20% Residential Assessment Ratio assessed in 2018 to equal the same amount of taxes collected under 7.96% Residential Assessment Ratio (which would be equivalent to 50 mills assessed in 2017). The current Assessment Ratio can be obtained from the County Assessor's Office.

The applicable Mill Levy is multiplied by the Assessed Valuation of the home, resulting in the assessment for the home. The mill levy is determined by calculating the District's funding needs for operation and debt service.

Sample Calculation of District Property Taxes (assuming 55.278 mills):

\$300,000 Actual Value x 7.20% assessment rate = \$21,600 assessed value

Property tax: \$21,600 assessed / divide by 1,000 (mill levy applies to every \$1,000 in value) x 55.278 mills = \$1,194 in annual property tax, or \$99.50 per month on a 12-month basis.