

Fossil Ridge Metropolitan Districts 1, 2 & 3 (“District”, Districts or “Solterra”)

2023 Business Plan Update

This update is provided through December 31, 2023, and includes information presented at the January 8, 2024, Board meeting.

The two lawsuits initiated by Brookfield remain active and the status is provided below. The status of these suits will continue to change as we move into 2024 and updates will be available on the Solterra-Connect Website.

In the first suit, Brookfield is asking the Court to order the Districts to immediately issue \$31.8 million in bonds to repay allegedly reimbursable developer costs. Additionally, Brookfield is asking for reimbursement of certain maintenance costs that are purportedly District 1’s responsibility. The Districts filed several counterclaims against Brookfield asking for, among other things: (1) an order that Brookfield is not entitled to repayment for tens of millions of dollars of non-reimbursable costs; (2) an order that the governing documents give Districts 2 and 3 the discretion to determine whether and when to issue bonds for any remaining amount owed; and (3) damages for Brookfield’s contractual bad faith in shifting certain financial and maintenance obligations on the Districts when those obligations should have been on the developer. Brookfield replied, denying all claims. The Court will now hold a status conference to determine the litigation schedule moving forward.

In the second suit, Brookfield filed an action asking the Jefferson County District Court to order the Districts, in conjunction with the Green Mountain Water & Sanitation District, to provide sanitary sewer service to Brookfield’s unfinished development in Filings 18, 20, and 21. As a result of a court hearing in October, Brookfield’s request was denied. In November, Brookfield appealed the Court’s decision to the Colorado Court of Appeals. A briefing schedule has not been set yet. The appeal will take several months.

2023 Final Plan Update

The 2023 Business/Community Plan follows the founding documents, i.e., the Second Amended and Restated Service Plan, and is focused on continuing the well-being and fairness of all residents – making Solterra a highly desirable community within the Denver area, while staying within prudent financial limits. The goals for 2023, as approved by the Boards, are included as well as the status acknowledged in bold.

1. Governance (Board specific activities)
 - a. Semiannual reporting to residents on the Status of the Community.
Status: Reported at each public Board meeting.
 - b. Board meetings for 2023 include 7 prescheduled meetings.
Status: There were 8 public Board meetings in 2023.
 - c. Conduct a community outreach program to encourage resident participation and solicit input.
Status: Ongoing throughout the year.

- d. Hold mandated elections in 2023.
Status: There were no required elections in 2023.
- e. Respond to resident comments and questions raised at the board meeting.
Status: Complete.
- f. Oversee activities of all FRMD's Committees.
Status: Complete.

2. Acceptance Procedures for New Filings

One of the Board's key challenges and responsibilities is acquisition of filings from the developer, resulting in additional expense for the District. Of the 21 filings that make up Solterra, only Filings 1-12 have been accepted. The Reimbursement and Acquisition Agreement provides a step-by-step approval process for Board acceptance of the filings from the developer. The goal is to continue to work with Brookfield to obtain acceptance.

Status: No new filings were submitted from January 1 through December 31, 2023.

3. Tributary and Water Feature

The Solterra tributary moves surface water through the community. It is the primary drainage conduit for the storm water flowing from homes west of Indiana street. It consists of 9 water quality detention ponds, a circulating water feature and a large retention pond. The District's position is this asset has not been accepted and the District is working with the developer to require the following improvements prior to final acceptance:

- a. Liner for the water feature.
- b. Repair erosion damage in the main channel.
- c. Determine whether the water feature can be put back in operation and whether the B2 Retention Pond can be retained in its current configuration.
- d. Manage the algae & cattails in the water feature, tributary and B2 detention pond.
- e. Have in place an approved augmentation plan.

Although resolution is at the forefront of the board's goals, the timing for resolving these objectives is out-of-the-hands of the District, as action needs to be made by the developer.

Status: Updates are periodically posted to the Solterra-Connect website. The Board is working on determining whether the water feature can be put back in operation and whether the B2 Retention Pond can be retained in its current configuration.

4. Committees

Each committee follows their own unique mission statement.

A. Financial Committee

Mission: The Financial Committee is established for the purpose of reviewing various financial matters concerning the District, including budgets, audits and financing matters and to further make recommendations to the Boards regarding such matters. The focus for 2023 will be:

- a. Finalize 2023 Budget and Plan.
Status: Both the 2023 Business Plan and Budgets(s) were approved by the Boards and posted to Solterra Connect website.
- b. Spread 2023 final budget by quarters.
Status: Complete.
- c. Quarterly, "actual to budget reporting" within 30 days of the end of the quarter.
Status: Complete for all Quarters. Pre-audit results indicate that all budgets are coming in as projected.
- d. Oversee 12/31/2022 independent audit.
Status: Complete with "clear opinions" issued for all 3 Districts.
- e. With the assistance of CRS track bond compliance requirements.
Status: Complete for 2022 during 2023; CRS is doing the work.
- f. Review current financial guidelines regarding budget management, purchase authority, payment authority and update as needed.
Status: In process.
- g. Develop list of Enterprise Risk Management (ERM) attributes, document and review with CRS and the auditors.
Status: Deferred.
- h. Project out the capital and repair needs for the next 5 years using the 2019 Reserve Study and working with the Retreat & Pool Committee, the District Engineer, and the Community Manager.
Status: Deferred until the Reserve study is updated in 2024.
- i. Develop 3-5-year strategic projection of revenue and expenses (moved from the 2022 Business Plan).
Status: Deferred until there is resolution of the lawsuits.
- j. Evaluate how to move more of the analytical work to CRS.
Status: Ongoing.
- k. Monitor and analyze the Special Revenue Fund balances relating to Private Access Area Policy.
Status: Complete and reported to the community.

B. Pool and Retreat Committee

Mission: The Retreat/Pool Committee is established for the purpose of working on strategies to provide facilities for residents of Solterra. This includes providing sustainable solutions that meet the needs of today's residents while planning for future growth, ensuring fair and equitable use of the facilities to all members of the Solterra community, and to ensure that the Retreat and pool are available for the enjoyment of the homeowners, with safety, security, health, and comfort of the community being the primary objective. The focus for 2023 will be:

- a. Enhance resident use and enjoyment of the facilities, working with CRS on the operation of the retreat (policies, hours, rentals, etc.).
Status: Ongoing.
- b. Ensure proper timely pool facility maintenance as needed, working with CRS and Perfect Pools.

Status: Complete.

- c. Replace/repair retreat interior furniture (community assets) as needed and within 2023 budget.

Status: Complete.

- d. Replace pool/patio furniture (and community assets) as needed and within 2023 budget.

Status: Complete.

- e. Ensure proper timely maintenance of the interior and exterior of the retreat & pool as needed, working with CRS.

Status: Ongoing.

C. Social Committee

Mission: The Social Committee was established for the purpose of assessing the need for appropriate community and social events, associated funding, and to provide recommendations to the Boards regarding community and social events.

Such opportunities help homeowners get to know each other, so that they can feel as part of the community. The work put in by the social liaisons to generate a more active, involved, and friendly community creates a greater sense of unity and understanding among the homeowners. The focus for 2023 includes:

- a. Easter

Status: Complete.

- b. Cinco de Mayo

Status: Complete.

- c. Food Truck Gathering – Date TBD

Status: Scheduled monthly at the Retreat House.

- d. 4th of July

Status: Complete.

- e. Rocktoberfest

Status: Complete.

- f. Holiday Party (Santa & Mrs. Claus) –

Status: Complete.

D. Landscape Committee

Mission: The Landscaping Committee was established for the purpose of reviewing all common areas within the Districts, and to further make recommendations regarding the care and maintenance of the common areas within the Districts. The focus for 2023 will be the accepted filings of 1-12:

- a. Spring: Replace evergreens identified in 2022 and Spring 2023.

Status: Complete.

- b. Summer: Identify deciduous trees for replacement or remediation in the fall. Identify rock beds to be remediated in the spring of 2023.

Status: Complete.

- c. Fall: Replace or remediate deciduous trees identified in the summer. Identify evergreen trees for replacement in the spring of 2023.

Status: Complete.

Landscape represents a major expense to the community. The Landscape Committee's primary focus is on the upkeep of the trees/plant life and necessary replacements in 2023. Replacement and repair of many rock and plant beds are being addressed with a recognition of Solterra' unique microclimate. **For more detailed updates, see the Landscape Report presented at the Regular Board meetings.**