

January 30, 2004

Morningside Lot Owners:

From: Mssrs. Ken DePaul and Paul D. Fuller

Subject: Morningside Water & Sewer Lines.

To set the stage, both authors of this letter serve on the board of Directors for the Metropolitan Water and Sanitation District (the District) with Mr. DePaul acting as the treasurer. Mr. Fuller and his wife are the original owners of lot #144 in Morningside.

When we were elected to the board in May of 2002, along with Mr. Jon Spiegel, we felt that our combination with the two hold over members, Mssrs. Greg Herman and Bill Maynard, would produce a pro active board. The District's bankruptcy in the 70's imposed certain rules and regulations that have been hard to over come: The most restrictive being that the District itself could not extend any existing sewer and water lines during the bankruptcy period.. The District has determined to continue this restriction, and only own and operate new sewer and water lines paid for and installed by "others", and then deeded to the District. The board, in the last 18 months has looked into, and been a party to, various methods by which lot owners are planning sewer and water lines. Some line extensions will be covered by the old, tried and true method of forming a Public Improvement District, or the direct payment of construction by the developer(s).

During these discussions and reviews of options, our lawyer, Mr. Tom Sharp, introduced us to the "Enterprise". Colorado Revised Statute (C.R.S.) 37-45.1-101, et seq. (the "Water Activity Enterprise Statute") allows Special Districts like ours to organize an Enterprise to perform certain services for the District. If we could have an Enterprise we could manage the design and construction of sewer and water lines, providing we could obtain the funding. Mr. Sharp cautioned us that we should get a court ruling confirming the powers and authority of the Enterprise.

We are happy to report that Mr. Sharp's presentations to the court resulted in a ruling favorable to the District. Our Enterprise can operate in accordance with the entire statute governing Enterprises operated by Special Districts.

The statute directs that the board of Directors of the Enterprise has to be the same as the District board. From that board we elected Mr. Jon Spiegel, President, and Mr. Ken DePaul, Treasurer. The Enterprise Board believes that Morningside would be a good candidate for sewer and water line development, for five very good reasons:

- (1) The roads were built to county standards.
- (2) An adequate electric line runs along north boundary that already has feeder lines to some Morningside lots.
- (3) A sewer trunk line runs along the north boundary.
- (4) There is a potable water source in Black Horse II, approximately 1,300 ft. from south boundary.

- (5) There is a considerable interest by a large number of lot owners, some of whom control a significant number of lots.

Our present plans are to proceed in the following manner. The data presented is abstracted and does not cover all of the work to be accomplished.

Criteria Document:

This will be prepared by the Enterprise Board, and will be used to assemble existing data and drawings, and also provide a detailed scope of work for the detailed engineering proposals.

Design Proposals:

To be received from a minimum of two qualified engineering firms, but preferably three or more. Proposal must answer all criteria requirements, and additional items designers may want to include. Selection of the design engineer will be by the Enterprise Board, and will be by using a weighted, multi-part selection method. Enterprise Board will estimate the General and Administration (G. & A.) costs that will be incurred by the Enterprise Board and support staff, and combine with the cost of the selected design engineer, to be noted as the total design cost.

Total Design Cost Funding:

As soon as this total design cost is developed, the Enterprise Treasurer will request funding from the group initiating the project. This may be in the form of a grant from the funds in the Morningside account held in escrow by SPOA. As soon as these funds are received, the Enterprise Board President will execute a contract with a principal of the selected design firm.

Design Package:

Package will contain complete set of drawings and specifications to support the issuance, by the Enterprise, of request for firm price bids as noted below.

The package shall be the direct result of the criteria document, and comments from 30, 60 and 90% design reviews. The design engineer will also provide a detailed engineer's estimate (construction costs) and schedule, which should also quote a separate item for the engineer's estimate to provide complete site inspection of a construction contractor. This estimate will be the most timely and the most detailed ever provided for Morningside, to which we will have to add to it G. & A. costs, and costs to be expended by the Enterprise to manage the project. This combination will be noted as the total estimated construction cost. Also, we must keep in mind that these construction costs are based on an engineer's estimate, and not from firm price bids.

Survey of the Lot Owners:

If and when we get to this point, we really need the attention and cooperation of every lot owner. We will need the “go ahead” from the majority of lot owners so we can proceed. The cost per lot will be pro-rated by the acreage of each lot. The assessment will be the total estimated construction cost divided by the total acreage of the 183 lots times the acreage of an individual lot. These assessments may be revised, if and when we proceed to the firm price construction bid stage.

The assessments for the lots will have to be paid to the Enterprise up-front, before we can proceed to the construction phase. You will be surveyed to see if you will be willing to pay up front for your cost, would put your lot up as collateral to borrow the money, etc. There will be interest bearing certificates available for purchase by those who have additional funds and want to see the work progress.

Alternatives:

If we don't get enough lot owners to sign up to proceed with the entire project, we will plot the positive answers on the site plan and see if we can put together some sub-projects, which will, of course, increase the per lot costs. The percent increase for the sewer lines will most likely be less than the water line increase, because a smaller number of lots will have to pay the total cost of the supply line from Black Horse II. On the contrary, anyone who ties into the water service at a later date will still pay the line extension assessment plus interest to cover the cost of the certificates originally purchased to complete the project. These funds will be reimbursed to the original "payers" as new users tie in.

Actual Construction of Sewer and Water Line:

As soon as we know the construction scope; if we have a total project, or sub-projects, we will advertise for fixed price bids and make final assessments, compile funds, and award construction contract(s). This will be a trying time, and the Enterprise Board and staff will need the utmost support from all involved lot owners.

Written comments will be accepted by the authors via MCMW & S Enterprise, c/o Ken DePaul, 31125 Fallen Falcon Trail., Oak Creek, Colo, 80467, or at E-Mail Address fallenwolf1@mindspring.com; or Fax #(970) 736-0593.

cc:

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