

Woodmen Hills Metropolitan District
Att: Larry Bishop

RE: Covenants

Larry:

The purpose of this memo is to answer the questions raised by Mr. Hightower in his memo delivered to the Board last night.

In late 2006 and into 2008, the Board became concerned over what would happen with covenant enforcement once the developer and/or builders were gone. Prior to this time the developer had been doing covenant enforcement. The concern was that if covenants were not enforced there could be a deterioration of the neighborhoods with trash, debris, junk cars, etc. This in turn would lower the property values, hinder sales, and discourage new builders. All of this would harm the financial ability of the District and its Enterprises in meeting debt obligations. Any lessening of new growth would reduce future fees coming to the District.

Pursuant to a new Colorado statute the District Board made the decision to engage in covenant enforcement but in a limited capacity by contracting to fund a non-profit corporation controlled by the residents. A small covenant fee was imposed on the residents of filings 1-9. Contracts were obtained from the declarants of the covenants.

In a challenge to this procedure, Judge Schwartz ruled that Melody Homes had nothing they could assign because by the very nature of the language in the covenants, their rights terminated shortly after the sale of the last lot. Note that this ruling is limited to filings 8 and a portion of 9 only. The other covenants contain different language. While we disagree with this ruling, the Court did rule that the covenants were enforceable and that any homeowner could assign their rights of enforcement to any entity. One other judge has so ruled, following the Schwartz ruling, upheld the covenants, and awarded attorney fees to the covenant enforcement organization.

Therefore we intend to pursue covenant violations and to fund this cost through the operation and maintenance budgets of the Enterprises. This will be a small cost compared to the Enterprise budgets and for the reasons set forth above, will be a sound business decision of the Enterprises.

Because Filing 11 is already paying HOA dues for covenant enforcement, there should be a prorata annual reimbursement to the HOA to compensate for this.

June 19, 2009

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The cost of covenant enforcement is a small portion of the District's legal costs. As residents realize that there will be covenant enforcement, the violations should decrease significantly. Attempts are always made to recover attorney fees and costs from any violators.

We have not made a final decision on the appeal but in light of the continued ability to enforce the covenants, it may not be necessary.

We do not perceive a conflict with this firm representing the District and also doing the covenant enforcement as the two entities interests are identical and not in conflict.

Sincerely,

SUSEMIHL, MCDERMOTT & COWAN, P.C.

Peter M. Susemihl