



Bathgate Capital
PARTNERS

Board of Directors
Woodmen Hills Metropolitan District
P.O. Box 63479
Falcon, CO 80831

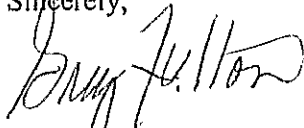
RE: Paint Brush Hills Lawsuit

Dear Board Members,

We understand the Woodmen Hills Metro District has taken legal action to compel Paintbrush to comply with your operating agreement. The Wastewater Enterprise has issued debt held by clients of Bathgate Capital Partners, and the treatment plant is vital to the repayment of that debt. It is in the best interest of the district and the bondholders to maintain a position of strength until a deal can be reached that is in the best interest of all the parties. We will not support an early settlement that does not achieve all the goals stated in the complaint, including a resolution to the current non-compliance, and a solution to the State of Colorado's requirement for upgraded treatment.

We need to be kept informed of the status of the case, including any negotiations that affect the collateral. We should be given notice if the district intends to settle the case. In the event this case is settled, we want to be informed of the terms of settlement prior to an agreement of final settlement. Bond document disclosure for refunding the district debt will reference the lawsuit, as well as the cease and desist order. A provision will be added to the bond documents requiring the bondholder's consent to any final agreement with Paintbrush Hills. Our goal is to insure that Woodmen Hills has adequate sewer facilities which are legally compliant so that all the homes in the community, including the hundreds of homes and businesses yet to be built, will be provided competitive pricing and excellent services.

Sincerely,



Greg Fulton

cc Pete Susemihl of Susemihl McDermott
Don Bieber of Peck Shaffer