

TIMBER LAKES WATER SPECIAL SERVICE DISTRICT

Dear Lot Owners,

The 2008 Water System Improvement Project is now done. The final financing phase will be completed in about 30 days. The following table summarizes the results:

DESCRIPTION	COST ESTIMATE		ACTUAL COST
	Initial – 10/2007	Updated 6/2008	
Engineering & Telemetry	1,114,620	413,000	517,823
Pipeline construction	8,800,900	4,930,000	4,415,200
Water Tanks	1,732,500	1,730,000	1,354,252
Contingency	-	250,000	-
Springs Development	294,569	Done by TLWSSD	-
TLWSSD installed Pressure Reducing Valves saving approximately \$550,000			-
TOTAL PROJECT COSTS:	11,942,589	7,573,000	6,287,275
Financing Costs	300,000	300,000	291,900
Construction Loan Interest due	593,313	574,000	555,000
Reserve Fund	1,427,225	940,000	611,850
TOTAL ASSESSMENT:	14,272,217	9,387,000	7,746,025
DESCRIPTION	Cost Estimate		Actual Cost
	Initial – 10/2007	Updated 6/2008	
PER LOT COST			
If pre-paid up front	8,297	5,587	4,718 ¹
Monthly Cost (financed for 20 yrs) ³	64.04	44.02	43.95 ²

- 1) - Includes \$4,222 for the Assessment Bond (pre-paid by some owners) and \$496 for the Water Revenue Bond.
- 2) - Includes costs for both the Assessment and Water Revenue Bonds. For those owners who pre-paid the Assessment Bond and don't desire to pre-pay the Water Revenue Bond the monthly cost is estimated at \$2.95. The only contingencies left are the final interest rate on the second bond and the potential of it selling at a discount of no more than 2%. The \$2.95 assumes the bond will close at an interest rate of 4.2% and no discount, which is the current proposal by Zions Bank, who has verbally agreed to purchase the Water Revenue Bond.
- 3) - The Water Reserve Bond interest rate starts at 4 +% for the first 10 years, but may be adjusted during the last 10 year period.

In summary, each lot owner has the option to prepay the second water revenue bond for \$496.00 (if payment is received no later than February 24, 2011 at 5:00 pm), or make monthly installments throughout the bond period as outlined in the table and footnotes. We know that many of you will have questions as we did, some of which are discussed below. A hearing will be held at the Wasatch County offices on February 16, 2011, at 3:00 pm.

We had previously indicated in our communications last fall that the total cost, including financing, could come in as high as \$45.00, but expected it to come in lower. Because we had not closed the financing by December 31, 2011 we began billing at \$41.00 per month in January. This will not change until after the second bond closes.

The Assessment Bond was sold on January 31 at a discount of \$105,000 and instead of the 5.5% interest rate earlier projected by the Bank, the Bond actually closed at a yield rate of 8.329%. We had used 5.5% in most of our calculations until late fall of 2010, when we were advised by Zions that interest rates could reach 7% by December, but may fall back to more "normal" rates before the bond closed in January. That decrease didn't happen.

The actual total cost to pay off US Bank Bond Anticipation Notes and costs of closing was approximately \$5,875,000, an increase of approximately \$690,000 over the figures provided the District in the fall of 2010. The \$690,000 difference in costs is a shock. Approximately \$375,000 of the difference is an underestimate of

construction costs made in September, which was not completely reconciled until the payments had cleared the bank and funds were applied to pay down the debt to US Bank in early December. It was simply too late then to make an adjustment in the Assessment ordinance, which delay would have put the remaining Bond Anticipation Notes in default. The remaining difference includes increased costs of financing and increased reserves required by the bondholders, which alone would have required the extra bond.

In order to handle your personal questions orderly and effectively, please direct your questions to our representatives who will be assigned to a temporary hotline at **435-654-0301**. The hotline is located temporarily in the offices of Duane W Moss, PC, the District's attorney. You can also visit our website at www.timberwaterssd.com. Our administrative staff is in the middle of our annual financial audit and are fully booked with their normal work load. The hotline was set up specifically at their request for help. Please help us honor that request.

Through the hotline, we will try to answer your questions and facilitate your payment or prepayment concerns immediately to the best of our ability and will make every effort to return phone calls within 24 hours if your call is routed to voicemail. The hotline staff has direct and ready access to those who have knowledge of the details to get answers back to you promptly if your questions go beyond their ability to answer. They will also have direct access to the administrative staff in order to set up prepayment scheduling and handle payment questions regarding the 2011 bonds.

Though these financial results are disappointing, we are confident that we will realize the benefits of our updated water system. Thank you for your valued support and continued input.

TLWSSD Board of Directors