



Clint C. Waldron
Shareholder

303-858-1800
cwaldron@wbapc.com

September 1, 2023

VIA E-MAIL

Mr. Michael Hyman
MHyman@crgov.com

Re: **Lanterns Metropolitan District No. 3
Letter Pursuant to Section 11.02.110 of the Town of Castle Rock Municipal
Code**

Dear Mr. Hyman:

White Bear Ankele Tanaka & Waldron serves as general counsel to Lanterns Metropolitan District No. 3 (the “**District**”). The District intends to issue its Limited Tax General Obligation Bonds, Series 2023A-1, Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2023A-2, and Subordinate Limited Tax General Obligation Bonds, Series 2023B (the “**Proposed Financing**”).

Section 11.02.110 of the Town of Castle Rock Municipal Code (the “**Code**”) provides:

“A District shall not issue any indebtedness or refinance any outstanding indebtedness without first submitting the proposed financing to the Town for review and comment. The submission shall include the dollar amount of the issue, the interest rate and other financing costs, the type of revenues pledged to repayment, including the amount of the mill levy pledged, and a description of the credit enhancements, together with any preliminary official statement or other prospectus for the debt issue. The submission shall be accompanied by a certification of the Board that the proposed issuance or refinance of indebtedness is authorized by and in compliance with the service plan for the District. The Town Council shall review such proposed financing at a regular meeting within thirty (30) days of receipt of the required submittal and forward any comments to the Board within ten (10) days of such meeting. *The approval or authorization of the Town Council for the proposed financing is not required under this Section, unless required under the express terms of the service plan or intergovernmental agreement.* The Town Council at the request of the Board or of its own initiative may waive the review, in its discretion. Upon request, an officer of the Town shall certify to the Board or its underwriter when compliance with this Section has been met. The failure of a District to substantially comply with this Section

shall empower the Town Council to impose the sanctions authorized in Section 11.02.230 of this Chapter.” (emphasis added).

We have reviewed the Second Amended and Restated Service Plan for Lanterns Metropolitan District No. 1; First Amended and Restated Service Plan for Lanterns Metropolitan District No. 2; First Amended and Restated Service Plan for Lanterns Metropolitan District No. 3; Service Plan for Lanterns Metropolitan District No. 4; and Service Plan for Lanterns Metropolitan District No. 5 approved by the Town of Castle Rock (the “**Town**”) on August 21, 2018 (the “**Service Plan**”), and the Intergovernmental Agreement between the Town and Lanterns Metropolitan District No. 1, Lanterns Metropolitan District No. 2, Lanterns Metropolitan District No. 3, Lanterns Metropolitan District No. 4, and Lanterns Metropolitan District No. 5, entered into on February 25, 2019 (the “**Town IGA**”). Neither the Service Plan nor the Town IGA expressly require the District to comply with Section 11.02.110 of the Code.

Although the District is not required to submit the Proposed Financing to the Town for review and comment., we are providing the following documents to the Town: (1) term sheet for the Bonds; (2) Draft Preliminary Limited Offering Memorandum for the Bonds; and (3) District’s Certificate Concerning District Financing. In the event the Town determines that Section 11.02.110 applies to the District, we request the Town Council hear this matter at its meeting on October 3, 2023.

Please let us know if you have any questions.

Sincerely,

WHITE BEAR ANKELE TANAKA & WALDRON



Clint C. Waldron
Shareholder

Enclosures

LANTERNS METROPOLITAN DISTRICT NO. 3¹
LIMITED TAX GENERAL OBLIGATION BONDS, SERIES 2023A-1

TERM SHEET – AS OF AUGUST 14, 2023

FOR DISTRICT USE ONLY
PROSPECTIVE INVESTORS SHOULD REVIEW THE BOND DOCUMENTS

Delivery Date: October 2023

Sources:

Par Amount: \$6,000,000 (estimated)
Total Sources: **\$6,000,000 (estimated)**

Uses:

Project Fund: \$3,910,000 (estimated)
Capitalized Interest: \$1,170,000 (estimated)
Surplus Deposit: \$600,000 (estimated)
Costs of Issuance and Rounding: \$320,000 (estimated)
Total Uses: **\$6,000,000 (estimated)**

Structure:

Final Maturity: December 1, 2053 (estimated)

Average Coupon: 6.50% (actual rate determined at pricing)

Payment Dates: Semi-annual interest payments on June 1 and December 1 with principal payments annually on December 1.

Tax Status: Tax-exempt, Non-AMT, Non-Bank Qualified

Optional Redemption: Estimated 12/1/2028 at \$103 premium declining (actual redemption provisions determined at pricing)

Credit Rating: Non-Rated

Senior Pledged Revenue: Pledged Revenues consist of a senior lien on (1) revenues generated by the Required Mill Levy (same as District 1 & 2 63.6 mills as adjusted) and (2) specific ownership tax generated by the Required Mill Levy. Revenues shared on a parity basis with the Series 2023A-2 bonds. The debt service mill levy shall not be imposed, and therefore trigger the 35 years for the mill levy imposition term, until the first year there is residential assessed value in the District.

¹ The issuer may change to "Lanterns Authority" or an Authority issuer to be formed

Termination Date:	Per the Service Plan, the Debt Service Mill Levy imposition term is 35 years after the imposition of such levy. The Bonds will terminate upon the expiration of the Imposition Term.
Surplus Fund:	The District shall be required to levy the Required Mill Levy until the Surplus Fund is full. To the extent this amount of revenue is not needed for current year debt service, it will be deposited to the Surplus Fund. The Surplus Fund will have a maximum size of 20% of par and shall be drawn in the event that Pledged Revenue is insufficient to cover current debt service.
Other Additional Debt:	Allowed if total debt to assessed value is below 50% or with majority bondholder consent. Refundings that result in a lower net effective rate are also permitted.
Subordinate Debt:	Subordinate bonds may be issued provided that they pay debt service annually only after all payment on senior bonds.
Events of Default:	It is not an event of default if the District fails to pay interest and principal on December 1, but has levied the required mill levy. Only failure to levy the required mill levy is a payment event of default.
Condition to Pricing:	Toll must close on the land in the District prior to bond pricing
Trustee:	UMB Bank, n.a.
Title 32 qual.:	Issued to financial institutions or institutional investors
Title 11 exemption:	\$500,000 denominations

LANTERNS METROPOLITAN DISTRICT NO. 3
CONVERTIBLE CAPITAL APPRECIATION LIMITED TAX GENERAL OBLIGATION BONDS, SERIES 2023A-2

TERM SHEET – AS OF AUGUST 14, 2023

FOR DISTRICT USE ONLY
PROSPECTIVE INVESTORS SHOULD REVIEW THE BOND DOCUMENTS

Delivery Date:	Same as A-1
Sources:	
Par Amount:	<u>\$7,567,918 (estimated) – Accretes to \$10,745,000</u>
Total Sources:	\$7,567,918 (estimated)
Uses:	
Project Fund:	\$6,560,560 (estimated)
Surplus Deposit:	\$756,000 (estimated)
Costs of Issuance and Rounding:	<u>\$251,358 (estimated)</u>
Total Uses:	\$7,567,918 (estimated)
Structure:	
Final Maturity:	December 1, 2053 (estimated)
Average Coupon:	7.00% (actual rate determined at pricing)
Payment Dates:	No payments due until the bond “converts” to a current interest bond on December 1, 2028. Following the conversion date, semi-annual interest payments on June 1 and December 1 with principal payments annually on December 1.
Tax Status:	Tax-exempt, Non-AMT, Non-Bank Qualified
Optional Redemption:	Same as A-1
Credit Rating:	Non-Rated
Senior Pledged Revenue:	Same as A-1
Termination Date:	Per the Service Plan, the Debt Service Mill Levy imposition term is 35 years after the imposition of such levy. The Bonds will terminate upon the expiration of the Imposition Term.
Surplus Fund:	The District shall be required to levy the Required Mill Levy until the Surplus Fund is full. To the extent this amount of revenue is not needed for current year debt service, it will be deposited to the Surplus Fund. The Surplus Fund will have a maximum size of 20% of par and shall be drawn in the event

that Pledged Revenue is insufficient to cover current debt service.

Other Additional Debt:	Allowed if total debt to assessed value is below 50% or with majority bondholder consent.
Subordinate Debt:	Subordinate bonds may be issued provided that they pay debt service annually only after all payment on senior bonds.
Events of Default:	It is not an event of default if the District fails to pay interest and principal on December 1, but has levied the required mill levy. Only failure to levy the required mill levy is a payment event of default.
Condition to Pricing:	Toll must close on the land in the District prior to bond pricing
Trustee:	UMB Bank, n.a.
Title 32 qual.:	Issued to financial institutions or institutional investors
Title 11 exemption:	\$500,000 denominations

LANTERNS MD NO.3
SUBORDINATE LIMITED TAX GENERAL OBLIGATION BONDS, SERIES 2023B⁽²⁾

TERM SHEET – AS OF SEPTEMBER 1, 2023

FOR DISTRICT USE ONLY
PROSPECTIVE INVESTORS SHOULD REVIEW THE BOND DOCUMENTS

Delivery Date:	Same as 2023As
Sources:	
Par Amount:	\$3,093,000 (estimated)
Total Sources:	\$3,093,000 (estimated)
Uses:	
Project Fund:	\$3,000,210 (estimated)
Costs of Issuance:	\$92,790 (estimated)
Total Uses:	\$3,093,000 (estimated)
Structure:	
Final Maturity:	December 15, 2053 (estimated)
Interest Rate:	9.500% (estimated rate; actual rate determined at pricing)
Payment Dates:	Principal and interest payments annually on December 15
Tax Status:	Tax-exempt, Non-AMT, Bank Qualified
Optional Redemption:	Estimated 12/1/2028 at \$103 premium declining to par (actual redemption provisions determined at pricing)
Credit Rating:	Non-Rated
Subordinate Pledged Revenue:	The bonds are structured as cash flow bonds that pay each year on December 15th. Any Senior Pledged Revenue available to the subordinate bonds will be used to pay current interest, accrued interest, and then principal. Interest not paid when due will accrue and compound annually at the rate on the bonds. Any amount unpaid at the maturity date will remain outstanding and continue to accrue and compound.
	The bonds will discharge at the same time as the Senior Bonds – but on December 15 th of the same 35 th year after the Imposition Term ends.
Additional Subordinate Debt:	Senior debt allowed without subordinate bondholder consent only for refunding the senior debt and subject to the condition

that the refunding bond debt service is lower in every year than the refunded bond debt service and that the maximum amount of reserve and surplus funds for such refunding bonds be limited to 10% of par each, or 20% of par if only a surplus fund is required. Additional subordinate debt allowed with 100% subordinate bondholder consent.

Junior Subordinate Debt:

Junior subordinate bonds may be issued provided that they pay debt service annually only after all payment on senior bonds and subordinate bonds.

Events of Default:

It is not an event of default if the District fails to pay interest and principal but has levied the required mill levy. Only failure to levy the required mill levy is a payment event of default.

Trustee:

UMB Bank, n.a.

Title 32 qual.:

Issued to financial institutions or institutional investors

Title 11 exemption:

\$500,000 denominations

**NEW ISSUE
BOOK-ENTRY ONLY**

In the opinion of Kutak Rock LLP, Denver, Colorado, Bond Counsel, interest on the Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that to the extent that interest on the Bonds is excludable from gross income for federal income tax purposes, interest on the Bonds is also excludable from gross income for State of Colorado income tax purposes and from the calculation of State of Colorado alternative minimum taxable income. See "TAX MATTERS" herein.

\$ _____
LIMITED TAX
GENERAL OBLIGATION BONDS
SERIES 2023A-1

LANTERNS METROPOLITAN DISTRICT NO. 3
(IN THE TOWN OF CASTLE ROCK)
DOUGLAS COUNTY, COLORADO
VALUE AT ISSUANCE: \$ _____
VALUE AT CURRENT INTEREST CONVERSION DATE:
\$ _____
LIMITED TAX GENERAL OBLIGATION CONVERTIBLE
CAPITAL APPRECIATION BONDS
SERIES 2023A-2

\$ _____
SUBORDINATE LIMITED TAX
GENERAL OBLIGATION BONDS
SERIES 2023B(2)

Dated: Date of Delivery

Due: December 1, 20__ (Series 2023A-1 Senior Bonds)
December 1, 20__ (Series 2023A-2 Senior Bonds)
December 15, 20__ (Series 2023B(2) Subordinate Bonds)

Lanterns Metropolitan District No. 3 (In the Town of Castle Rock) Douglas County, Colorado (the "District") is issuing its (i) Limited Tax General Obligation Bonds, Series 2023A-1 (the "Series 2023A-1 Senior Bonds") and (ii) Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2023A-2 (the "Series 2023A-2 Senior Bonds" and, together with the Series 2023A-1 Senior Bonds, the "Series 2023 Senior Bonds"), pursuant to an Indenture of Trust (Senior) to be dated the date of issuance of the Bonds (the "Senior Indenture") between the District and UMB Bank, n.a., Denver, Colorado, as trustee (the "Trustee") and (iii) Subordinate Limited Tax General Obligation Bonds, Series 2023B(2) (the "Series 2023B(2) Subordinate Bonds" and, together with the Series 2023 Senior Bonds, the "Bonds") pursuant to an Indenture of Trust (Subordinate) to be dated the date of issuance of the Bonds (the "Subordinate Indenture" and, together with the Senior Indenture, the "Indentures"), between the District and the Trustee. The Trustee will also act as Registrar and Paying Agent for the Bonds. The Bonds will be issued in book-entry-only form and purchasers of the Bonds will not receive certificates evidencing their ownership interests in the Bonds. Capitalized terms used on the cover page of this Limited Offering Memorandum are defined in the Introduction herein or in APPENDIX A – SELECTED DEFINITIONS hereto.

The Series 2023 Senior Bonds are limited tax general obligations of the District secured by and payable solely from and to the extent of the Senior Pledged Revenue consisting of moneys derived by the District from the following sources: (i) the Senior Required Mill Levy, net of fees of the County Treasurer and any tax refunds or abatements authorized by or on behalf of the County; (ii) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Senior Required Mill Levy; and (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application hereunder as Senior Pledged Revenue. The Series 2023 Senior Bonds are also secured by a Surplus Fund, which is to be partially funded from Series 2023 Senior Bond proceeds in the amount of \$ _____ (being the "Initial Surplus Fund Deposit") and is to be funded from Senior Pledged Revenue, if any, available after payment of the Series 2023 Senior Bonds, up to the Maximum Surplus Amount of \$ _____. In addition, if drawn upon such that the amount therein is less than the Minimum Surplus Amount of \$ _____, the Surplus Fund is to be replenished to the Minimum Surplus Amount from Senior Pledged Revenue, if any, available after payment of the Series 2023 Senior Bonds. A portion of the interest to accrue on the Series 2023A-1 Senior Bonds will be paid from proceeds of the Series 2023A-1 Senior Bonds in the amount of \$ _____. The Senior Indenture provides that, notwithstanding any other provision in the Senior Indenture, after application on December 1, 20__ of all available Senior Pledged Revenue to the payment of the Series 2023 Senior Bonds, the Series 2023 Senior Bonds and the lien of the Senior Indenture securing payment thereof shall be deemed fully satisfied on the Senior Termination Date of December 2, 20__.

The Series 2023B(2) Subordinate Bonds are "cash flow" limited tax general obligations of the District secured by and payable solely from and to the extent of the Subordinate Pledged Revenue consisting of moneys derived by the District from the following sources: (i) the Subordinate Required Mill Levy, net of fees of the County Treasurer and any tax refunds or abatements authorized by or on behalf of the County; (ii) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Subordinate Required Mill Levy; (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application hereunder as Subordinate Pledged Revenue; and (iv) all Senior Pledged Revenue available as described in "THE SERIES 2023 SENIOR BONDS - Certain Indenture Provisions – Flow of Funds." The Series 2023B(2) Subordinate Bonds are structured as "cash flow" bonds, meaning that the Subordinate Indenture contains no scheduled payments of principal on the Series 2023B(2) Subordinate Bonds prior to the final stated maturity date. Instead, principal on the Series 2023B(2) Subordinate Bonds is payable annually on each December 15 from, and to the extent of, Subordinate Pledged Revenue, if any, on deposit in the Subordinate Bond Fund, in accordance with the terms of the Subordinate Indenture pursuant to a mandatory redemption more particularly described herein. Accrued unpaid interest on the Series 2023B(2) Subordinate Bonds will compound annually on each interest payment date for the Series 2023B(2) Subordinate Bonds until sufficient Series 2023B(2) Subordinate Pledged Revenue is available for payment, or until discharged, as described below. According to the Financial Forecast attached hereto as Appendix C, it is anticipated that there will be Subordinate Pledged Revenue available to pay only a portion of accrued interest on the Series 2023B(2) Subordinate Bonds on each December 15 in 20__ through 20__ and it is not anticipated that there will be any Subordinate Pledged Revenue to pay principal on the Series 2023B(2) Subordinate Bonds until December 15, 20__. These dates represent a forecast and there is no guaranty that any payments will be made on or after such date or, further, that the Series 2023B(2) Subordinate Bonds will be paid prior to their discharge date of December 16], 20__, as more particularly described below.

The Service Plan prohibits the District from imposing a debt service mill levy for more than thirty five (35) years after the year of the initial imposition of such debt service mill levy, unless certain requirements are met. See "THE DISTRICT – Service Plan Limitations." Consequently, it is likely that the District will be unable to impose the Senior Required Mill Levy or the Subordinate Required Mill Levy after 20__. Additionally, even if those certain requirements are met, the Indentures do not require the District to impose the Senior Required Mill Levy or the Subordinate Required Mill Levy in any year after 20__. Furthermore, under the Senior Indenture, all Series 2023 Senior Bonds and the lien of the Senior Indenture securing payment thereof are deemed discharged on December [2], 20__, regardless of the amount of principal and interest remaining unpaid with respect to the Series 2023 Senior Bonds prior to the discharge date. Additionally, under the Subordinate Indenture, all Series 2023B(2) Subordinate Bonds and the lien of the Subordinate Indenture securing payment thereof are deemed discharged on December [16], 20__, regardless of the amount of principal and interest remaining unpaid with respect to the Series 2023B(2) Subordinate Bonds prior to the discharge date.

The Series 2023A-1 Bonds are being issued in denominations of \$500,000 or any integral multiple of \$1,000 in excess thereof as fully registered bonds. Interest on the Series 2023A-1 Senior Bonds is payable semiannually on June 1 and December 1 each year, commencing December 1, 2023, at the rate set forth below from and to the extent of Senior Pledged Revenue, subject to the limitations of the Senior Indenture as described herein. The Series 2023A-2 Senior Bonds are being issued as fully registered obligations and initially only in a denomination of at least \$500,000 of the Accreted Value of a Series 2023A-2 Senior Bond. The Series 2023A-2 Senior Bonds are being issued as convertible capital appreciation bonds. The Series 2023A-2 Senior Bonds shall pay no current interest and shall accrete in value in accordance with the Accretion Table appended as Appendix G hereto, accreting in value annually on each December 1, commencing December 1, 2023, from their date of delivery until the Current Interest Conversion Date (as defined herein). On and after the Current Interest Conversion Date and until maturity or prior redemption, the Series 2023A-2 Senior Bonds shall bear interest at the rate shown below, calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of Senior Pledged Revenue available therefor annually on each December 1, commencing on December 1, 2028 and subject to the provisions of the Senior Indenture relating to the Senior Termination Date, continuing for so long as the Series 2023A-2 Senior Bonds are outstanding. The Series 2023B(2) Subordinate Bonds are being issued in denominations of \$500,000 or any integral multiple of \$1,000 in excess thereof as fully registered bonds. Interest on the Series 2023B(2) Subordinate Bonds is payable annually on December 15 each year, commencing December 15, 2023, at the rate set forth below, from and to the extent of Subordinate Pledged Revenue, subject to the limitations of the Subordinate Indenture described herein.

\$ _____ % Series 2023A-1 Senior Term Bond due December 1, 20__ Price _____ % CUSIP No. _____
\$ _____ % Series 2023A-2 Senior Term Bond due December 1, 20__ Price _____ % CUSIP No. _____
\$ _____ % Series 2023B(2) Subordinate Term Bond due December 15, 20__ Price _____ % CUSIP No. _____

The Series 2023 Senior Bonds are subject to optional and mandatory sinking fund redemption and the Series 2023B(2) Subordinate Bonds are subject to optional and mandatory redemption prior to maturity, at the prices and upon the terms set forth in this Limited Offering Memorandum.

Proceeds from the sale of the Series 2023 Senior Bonds will be used for the purposes of (a) paying Project Costs, (b) funding capitalized interest for the Series 2023A-1 Bonds, (c) funding the Initial Surplus Fund Deposit to the Surplus Fund, and (d) paying costs and expenses incidental to the issuance of the Bonds. Proceeds from the sale of the Series 2023B(2) Subordinate Bonds will be used for the purpose of paying or reimbursing Project Costs. See "USE OF PROCEEDS AND DEBT SERVICE REQUIREMENTS – Application of Bond Proceeds."

REPAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS IS HIGHLY SPECULATIVE IN NATURE AND INVOLVES A HIGH DEGREE OF INVESTMENT RISK. AS SUBORDINATE "CASH FLOW" BONDS, REPAYMENT OF THE SERIES 2023B(2) SUBORDINATE BONDS IS SUBJECT TO A HIGHER DEGREE OF INVESTMENT RISK THAN REPAYMENT OF THE SERIES 2023 SENIOR BONDS. REPAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS IS DEPENDENT UPON DEVELOPMENT OCCURRING WITHIN THE DISTRICT AND UPON FUTURE INCREASES IN THE ASSESSED VALUATION OF THE PROPERTY WITHIN THE DISTRICT, NEITHER OF WHICH MAY OCCUR. EACH PROSPECTIVE INVESTOR IS ADVISED TO READ "RISK FACTORS" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE BONDS.

THE BONDS ARE BEING OFFERED AND SOLD ONLY TO "FINANCIAL INSTITUTIONS OR INSTITUTIONAL INVESTORS" AS SUCH TERMS ARE DEFINED IN SECTION 32-1-103(6.5), COLORADO REVISED STATUTES, AS AMENDED.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Limited Offering Memorandum to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued by the District and accepted by the Underwriter subject to the approval of legality of the Bonds by Kutak Rock LLP, Denver, Colorado, as Bond Counsel, and the satisfaction of certain other conditions. Butler Snow LLP, Denver, Colorado has assisted in the preparation of this Limited Offering Memorandum in its capacity as Disclosure Counsel to the District. Certain legal matters will be passed upon by White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado, as General Counsel to the District. Gilmore & Bell, P.C., Salt Lake City, Utah, has acted as counsel to the Underwriter. North Slope Capital Advisors, Denver, Colorado, has served as Municipal Advisor to the District in connection with the issuance of the Bonds. The Bonds are expected to be available for delivery through the facilities of DTC on or about _____, 2023.

D.A. Davidson Logo

This Limited Offering Memorandum is dated _____, 2023

This Preliminary Limited Offering Memorandum and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Limited Offering Memorandum is delivered in final form. Under no circumstances shall this Preliminary Limited Offering Memorandum constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

* Preliminary, subject to change.
o A registered trademark of The American Bankers Association. CUSIP numbers are provided by CUSIP Global Services managed by Standard & Poor's Capital IQ on behalf of The American Bankers Association. CUSIP numbers are provided for convenience of reference only. None of the District, the Trustee or the Underwriter assumes any responsibility for the accuracy of such numbers.

USE OF INFORMATION IN THIS LIMITED OFFERING MEMORANDUM

This Limited Offering Memorandum, which includes the cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Limited Offering Memorandum in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the District or the Underwriter.

The information set forth in this Limited Offering Memorandum has been obtained from the District, the Developer and from other sources believed to be reliable but is not guaranteed as to accuracy or completeness. In accordance with its responsibilities under federal securities laws, the Underwriter has reviewed the information in this Limited Offering Memorandum but does not guarantee its accuracy or completeness. This Limited Offering Memorandum contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The information, estimates and expressions of opinion contained in this Limited Offering Memorandum are subject to change without notice, and neither the delivery of this Limited Offering Memorandum nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the District, or in the information, estimates or opinions set forth herein, since the date of this Limited Offering Memorandum.

This Limited Offering Memorandum has been prepared only in connection with the original offering of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

The Bonds have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. In making an investment decision, investors must rely on their own examination of the District, the Bonds and the terms of the offering, including the merits and risks involved. The Bonds have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

THE PRICES AT WHICH THE BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE BONDS, THE UNDERWRITER MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

FORWARD-LOOKING STATEMENTS

This Limited Offering Memorandum, including, but not limited to, the Market Study and the Forecasted Surplus Cash Balances and Cash Receipts and Disbursements, attached hereto as Appendices B and C, respectively, contain statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Limited Offering Memorandum, the words “estimate,” “forecast,” “anticipate,” “intend,” “expect,” “plan,” “projected” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forward-looking statement will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between forward-looking statements and actual results, and those differences may be material. For a discussion of certain of such risks and possible variations in results, see “RISK FACTORS.”

**LANTERNS METROPOLITAN DISTRICT NO. 3
(IN THE TOWN OF CASTLE ROCK)
DOUGLAS COUNTY, COLORADO**

Board of Directors

Scott Carlson, President
Kent Carlson, Secretary
Ryan Carlson, Treasurer
Nathaniel Both, Assistant Secretary
Reginald Carveth, Assistant Secretary

General Counsel to the District

White Bear Ankele Tanaka & Waldron Professional Corporation
Centennial, Colorado

Trustee, Registrar and Paying Agent

UMB Bank, n.a.
Denver, Colorado

Underwriter

D.A. Davidson & Co.
Denver, Colorado

Bond Counsel

Kutak Rock LLP
Denver, Colorado

Special Counsel to the District

Butler Snow, LLP
Denver, Colorado

Underwriter's Counsel

Gilmore & Bell, P.C.
Salt Lake City, Utah

District Accountant

CliftonLarsonAllen, LLP
Greenwood Village, Colorado

Municipal Advisor

North Slope Capital Advisors
Denver, Colorado

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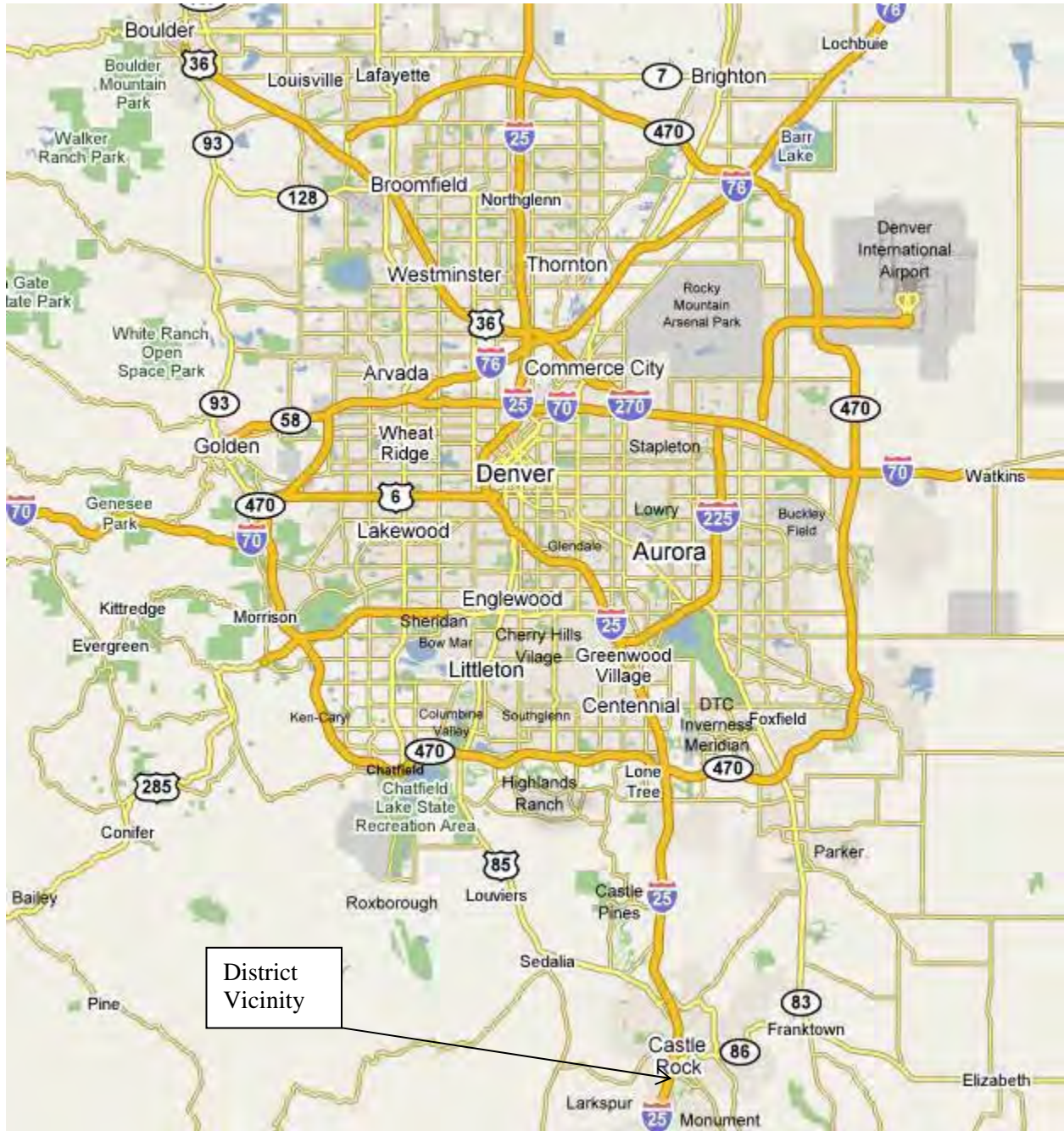
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DENVER METROPOLITAN AREA VICINITY MAP

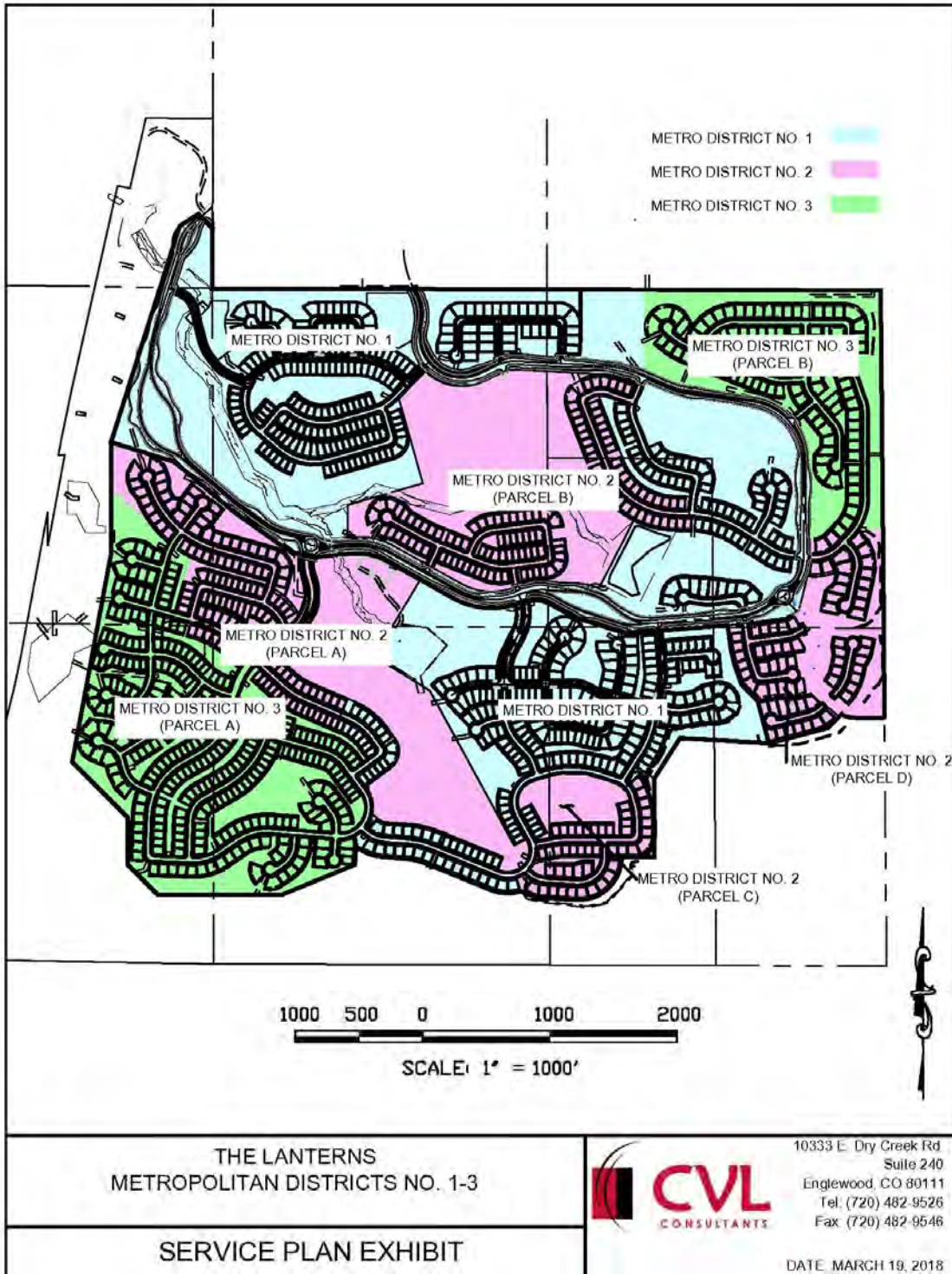


AERIAL PHOTO OF THE DISTRICT

DRONE VIDEO ACCESS

Click the link below to watch the video:

MAP OF DISTRICTS NO. 1-3



LIMITED OFFERING MEMORANDUM

**LANTERNS METROPOLITAN DISTRICT NO. 3
(IN THE TOWN OF CASTLE ROCK)
DOUGLAS COUNTY, COLORADO**

\$ _____*
**LIMITED TAX GENERAL
OBLIGATION BONDS
SERIES 2023A-1**

VALUE AT ISSUANCE: \$ _____*
VALUE AT CURRENT INTEREST
CONVERSION DATE: \$ _____*
**LIMITED TAX GENERAL OBLIGATION
CONVERTIBLE CAPITAL APPRECIATION
BONDS
SERIES 2023A-2**

\$ _____*
**SUBORDINATE LIMITED
TAX GENERAL
OBLIGATION BONDS
SERIES 2023B⁽²⁾**

INTRODUCTION

General

This Limited Offering Memorandum is furnished by Lanterns Metropolitan District No. 3 (in the Town of Castle Rock) Douglas County, Colorado (the “District”) to provide certain information concerning its (i) Limited Tax General Obligation Bonds, Series 2023A-1 (the “Series 2023A-1 Senior Bonds”), (ii) Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2023A-2 (the “Series 2023A-2 Senior Bonds” and, together with the Series 2023A-1 Senior Bonds, the “Series 2023 Senior Bonds”), and (iii) Subordinate Limited Tax General Obligation Bonds, Series 2023B⁽²⁾ (the “Series 2023B⁽²⁾ Subordinate Bonds” and, together with the Series 2023 Senior Bonds, the “Bonds”). The offering of the Bonds is made only by way of this Limited Offering Memorandum, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. This Limited Offering Memorandum speaks only as of its date, and the information contained herein is subject to change.

While a single Limited Offering Memorandum is being used in connection with the offer and sale of the Series 2023 Senior Bonds and the Series 2023B⁽²⁾ Subordinate Bonds, such series of Bonds are secured by two separate Indentures – the Senior Indenture and the Subordinate Indenture, respectively – and two separate sets of revenue available to the District– the Senior Pledged Revenue and the Subordinate Pledged Revenue, respectively – all as more particularly described herein. The use of a single Limited Offering Memorandum does not imply that the Owners of the Series 2023 Senior Bonds and the Series 2023B⁽²⁾ Subordinate Bonds are secured by the same revenue sources, funds or covenants. Owners of the Series 2023 Senior Bonds and the Series 2023B⁽²⁾ Subordinate Bonds are afforded different rights under the Senior Indenture and the Subordinate Indenture, respectively. Potential purchasers of the Bonds are cautioned to review carefully the provisions herein describing the Senior Indenture and the Subordinate Indenture as applicable to the Bonds to be purchased.

The information set forth in this Limited Offering Memorandum has been obtained from the District, the Developer (defined hereafter) and from other sources believed to be reliable but is not guaranteed as to accuracy or completeness. This Limited Offering Memorandum, including the appendices hereto, contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized. See “FORWARD-LOOKING STATEMENTS” and “RISK FACTORS.”

* Preliminary, subject to change.

Capitalized terms not defined within the body of this Limited Offering Memorandum have the respective meanings set forth in APPENDIX A hereto, unless the context clearly indicates a contrary meaning.

The following introductory material is only a brief description of and is qualified by, the more complete information contained throughout this Limited Offering Memorandum. A full review should be made of the entire Limited Offering Memorandum and the documents summarized or described herein.

The District

The District was organized as a special district pursuant to a service plan approved by the Town of Castle Rock, Colorado (the “Town”), on September 16, 2014. The District’s service plan was amended and restated by a Second Amended and Restated Service Plan for Lanterns Metropolitan District No. 1 and First Amended and Restated Service Plan for Lanterns Metropolitan District No. 2 and First Amended and Restated Service Plan for Lanterns Metropolitan District No. 3 and Service Plan for Lanterns Metropolitan District No. 4 and Service Plan for Lanterns Metropolitan District No. 5 approved by the Town on August 21, 2018, with Exhibit A corrected and acknowledged by the Town on June 11, 2019 effective *nunc pro tunc* to August 21, 2018 (the “Service Plan”). In addition to amending and restating the District’s prior service plan, the Service Plan further amends and restates the service plan for Lanterns Metropolitan District No. 1 (“District No. 1”), the service plan for Lanterns Metropolitan District No. 2 (“District No. 2”), and provides for the organization of, and applies to Lanterns Metropolitan District No. 4 (“District No. 4”) and Lanterns Metropolitan District No. 5 (“District No. 5”). The District, District No. 1, District No. 2, District No. 4 and District No. 5 are referred to in the Limited Offering Memorandum, collectively, as the “Districts.” The District, District No. 1 and District No. 2 are collectively referred to herein as “Districts No. 1-3” and District No. 4 and District No. 5 are referred to herein as the “Operating Districts.” The Districts were formed to provide all or a portion of the Public Improvements (as defined below) (within and without the Districts’ boundaries as further determined by the board of an individual district to be in the best interest of an individual district and in accordance with the Service Plan), for the benefit of the residents and taxpayers of the Districts and the public at large.

The creation of the District was approved by the eligible electors of the District voting at the election held on November 4, 2014 (the “2014 Election”). The order and decree creating the District was entered by the Douglas County District Court on November 25, 2014 and recorded on December 2, 2014.

The Districts encompass approximately 604 acres of property (the “Service Area”) generally located south of Crystal Valley Parkway and east of Interstate 25 in the Town of Castle Rock, in Douglas County (the “County”), State of Colorado (the “State”). See “AERIAL PHOTO OF THE DISTRICT” and “DENVER METROPOLITAN AREA VICINITY MAP” at the beginning of this Limited Offering Memorandum. The District contains approximately 140.667 acres, District No. 1 contains approximately 271 acres and District 2 contains approximately 192 acres. See “MAP OF DISTRICTS NO. 1-3” at the beginning of this Limited Offering Memorandum.

It is expected that Districts No. 1-3 will finance the construction and acquisition of all or a part of the Public Improvements within their respective boundaries. The Operating Districts were organized to provide operations and maintenance services to the property within the Service Area and are not authorized to issue debt without an amendment to the Service Plan.

The 2023 preliminary assessed valuation (for collection of taxes in 2024) of property within the District is \$3,995,340*. *Only the property located within the boundaries of the District will generate*

* Preliminary figure as of August __, 2023. The final assessed value will not be certified until approximately December 10, 2023. The 2023/2024 mill levy will not be certified until approximately December 15, 2023.

property taxes pledged to the payment of the Bonds. See “FINANCIAL INFORMATION – Ad Valorem Property Tax Data” and “THE DISTRICT.”

The Development

The following section contains a summary of the information set forth herein under “THE DEVELOPMENT.” Additional information regarding the Development is set forth therein. *Future development within the District depends upon market activity, governmental regulations, general local, regional and national economic conditions, and other significant factors over which the District and the Developer may have no control.* See “RISK FACTORS.”

The property within the District (the “Development”) is a portion of an approximately 848 acre master planned residential community known as Montaine (“Montaine”) generally located south of Crystal Valley Parkway and east of Interstate 25 in the Town of Castle Rock, in Douglas County (the “County”), State of Colorado (the “State”). According to the Developer, upon full build out, Montaine is expected to include approximately 1,200 residential units consisting of approximately 664 single family homes in the active adult community for residents 55 years old and older and approximately 536 single family homes in the single family community.

The Development, the third phase of the Montaine development, is planned to consist of approximately 378 single family detached residences, in two distinct communities (1) approximately 279 single family homes in an active adult community for residents 55 years old and over; and (2) approximately 99 homes in a single family residential community. Construction within the Development is expected to take place in eight (8) phases. Phase I of the Development is expected to include the construction of 4 active adult single family detached residences (“Phase I”). Phase II of the Development is expected to include the construction of 51 single family detached residences (“Phase II”). Phase III of the Development is expected to include the construction of 4 active adult single family detached residences (“Phase III”). Phase IV of the Development is expected to include the construction of 48 single family detached residences (“Phase IV”). Phase V of the Development is expected to include the construction of 26 active adult single family detached residences (“Phase V”). Phase VI of the Development is expected to include the construction of 63 active adult single family detached residences (“Phase VI”). Phase VII of the Development is expected to include the construction of 49 active adult single family detached residences (“Phase VII”). Phase VIII of the Development is expected to include the construction of 133 active adult single family detached residences (“Phase VIII”). Both the active adult community and the single family residential community will have amenities including a separate recreation center for each community featuring a lounge, a pool, fitness, spa, indoor and outdoor entertaining areas, game room, multipurpose rooms, catering kitchen, coffee bar, yoga lawn and fire pits. The Development will also feature open space and preserved nature areas, soft and hard trail system, playgrounds, tot lots, sledding hills, tennis/pickleball courts, bocce ball courts and an event lawn. See also “AERIAL PHOTO OF THE DISTRICT” and “MAP OF DISTRICTS NO. 1-3.” Vertical construction within the Development is expected to begin in the fall of 2023 and all homes and amenities are expected to be fully constructed by fall of 2031. See also “RISK FACTORS – Development Not Assured” and “THE DEVELOPMENT.” See also APPENDIX B – “MARKET STUDY” and APPENDIX C – “DISTRICT’S FORECASTED STATEMENT OF SOURCES AND USES OF CASH.”

The Lanterns, Filing No. 6 Final Plat, a plat for approximately 4 single-family detached lots in the active adult community (“Filing No. 6”), The Lanterns, Filing No. 7 Final Plat, a plat for approximately 89 single family lots within the active adult community and 4 single family detached lots within the single family community (“Filing No. 7”) and The Lanterns, Filing No. 8 Final Plat, a plat for approximately 99 single-family detached lots in the single family community (“Filing No. 8) have been approved by the Town. The Lanterns, Filing No. 10 Final Plat, a plat for approximately 182 single family lots within the

active adult community (“Filing No. 10”) has been submitted to the Town for approval. See “THE DEVELOPMENT – Zoning and Platting” below. Subject to the approval of necessary plats and issuance of building permits, the Development is fully entitled for its intended uses in accordance with the zoning documentation applicable to the Development as more particularly described in “– Zoning and Platting” below. See “THE DEVELOPMENT – Zoning and Platting” below.

According to the Developer, home construction is expected to begin in fall 2023 and full build-out is anticipated to be completed in fall of 2031. The Developer expects to commence construction within the Development in eight (8) phases. According to the Developer, construction of the Public Improvements to serve the Development commenced in July 2022, is approximately forty (40) percent complete and all Public Improvement construction is expected to be completed in the fourth quarter of 2024. The Developer estimates the total costs of Public Improvements within the District or benefitting the District to be approximately \$17,100,000. As of September 1, 2023, the Developer has spent approximately \$12,000,000 on Public Improvements. See the Market Study attached in APPENDIX B and also the Financial Forecast attached in APPENDIX C hereto.

Toll Southwest LLC (the “Developer”) is the developer of property and the Developer is expected to be the only homebuilder within the Development. All developable property within the Development is owned by the Developer. See “THE DEVELOPMENT – Land Acquisition; Encumbrances on Property; Restrictive Covenants.” The Developer is under no obligation to continue to develop property within the Development and the Developer is not under any obligation to construct homes within the Development. See “RISK FACTORS – Development Not Assured.”

Purpose of the Bonds; Public Improvements

Proceeds from the sale of the Bonds will be used for the purposes of funding and reimbursing a portion of the costs of acquiring, constructing and installing certain public improvements and funding other costs in connection with the issuance of the Bonds. See “USE OF PROCEEDS AND DEBT SERVICE REQUIREMENTS – Application of Bond Proceeds.”

The improvements permitted to be financed by the District pursuant to the Service Plan and the 2018 Election (as defined below) generally include a water system, sanitary sewer system, storm sewer system, on and off-site road improvements and trails (collectively, the “Public Improvements”). According to the Developer, construction of the Public Improvements to serve the Development commenced in July 2022, is approximately forty (40) percent complete and all Public Improvement construction is expected to be completed in the fourth quarter of 2024. The Developer estimates the total costs of Public Improvements within the District or benefitting the District to be approximately \$17,100,000. As of September 1, 2023, the Developer has spent approximately \$12,000,000 on Public Improvements. See the Market Study attached in APPENDIX B and also the Financial Forecast attached in APPENDIX C hereto. Pursuant to the Acquisition and Disbursement Agreement by and between the District and the Developer, the District has agreed to acquire certain of the completed Public Improvements from the Developer upon the satisfaction of certain conditions contained therein. See “THE DISTRICT – Material Contracts - [Infrastructure Acquisition and Project Fund Disbursement Agreement.” A portion of the proceeds of the Bonds will be used to pay the purchase price for such Public Improvements.

Additional infrastructure necessary for the Development (which, in addition to Public Improvements, includes, among other things, dry utilities, lot improvements and other improvements which are not permitted to be financed by the District pursuant to the Service Plan) is expected to be complete by the third quarter for an estimated remaining cost of \$10,600,000. The Developer has funded and expects to continue to fund the remaining costs of such infrastructure with cash or internal lines of credit. As of September 1, 2023, the Developer has spent approximately \$6,400,000 on other infrastructure within the District.

Authority for Issuance

The Bonds are issued in full conformity with the constitution and laws of the State of Colorado, including Part 2 of Article 57 of Title 11, Colorado Revised Statutes, as amended (“C.R.S.”) (the “Supplemental Public Securities Act”) and Article 1 of Title 32, C.R.S. (the “Special District Act”), pursuant to the 2018 Election, and pursuant to an authorizing resolution adopted by the District’s Board of Directors (the “Board”) prior to the issuance of the Bonds (the “Bond Resolution”); an Indenture of Trust (Senior) related to the Series 2023 Senior Bonds to be dated as of date of issuance of the Bonds (the “Senior Indenture”) by and between the District and UMB Bank, n.a., as trustee (the “Trustee”) and an Indenture of Trust (Subordinate) related to the Series 2023B₍₂₎ Subordinate Bonds to be dated as of date of issuance of the Bonds (the “Subordinate Indenture”) by and between the District the Trustee.

At an election conducted on November 6, 2018 (the “2018 Election”), the District’s qualified electors voting at such election approved indebtedness of \$870,000,000 to finance the costs of designing, acquiring, constructing, relocating, installing, completing and otherwise providing capital improvements, including the Public Improvements to be financed with proceeds of the Bonds. However, the Service Plan limits the total issuance of general obligation debt for Districts No. 1-3 to an aggregate amount of \$87,000,000, subject to certain conditions. See “THE DISTRICT – Service Plan Limitations.” In 2019, District No. 1 issued \$22,120,000 of general obligation bonds and in 2021, District No. 2 issued \$25,482,000 of general obligation debt leaving \$39,398,000 in remaining general obligation debt authorization under the Service Plan. The aggregate principal amount of the Bonds together with the principal amount of the District No. 1 bonds and the District No. 2 bonds will not exceed the foregoing Service Plan limitation. The District intends to apply the original principal amount of the Bonds against the debt authorization obtained pursuant to the 2018 Election and the Service Plan, as described in “DEBT STRUCTURE – General Obligation Debt - Outstanding and Authorized but Unissued Debt.”

Security and Sources of Payment for the Series 2023 Senior Bonds

The Series 2023 Senior Bonds are limited tax general obligations of the District secured by and payable solely from and to the extent of the Senior Pledged Revenue consisting of moneys derived by the District from the following sources: (i) the Senior Required Mill Levy, net of fees of the County Treasurer and any tax refunds or abatements authorized by or on behalf of the County; (ii) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Senior Required Mill Levy; and (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application hereunder as Senior Pledged Revenue.

Senior Required Mill Levy. Senior Required Mill Levy is defined in the Senior Indenture to mean:

(a) Subject to paragraph (b) below, “Senior Required Mill Levy” means an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year, commencing in the First Debt Service Mill Levy Imposition Year, in that number of mills which will generate ad valorem tax revenue in an amount sufficient to fully fund the Senior Bond Fund for the relevant Senior Bond Year and pay the Series 2023 Senior Bonds as they come due, but not in excess of 63.600 mills and, if the amount in the Surplus Fund is less than the Maximum Surplus Amount, not less than 63.600 mills; *provided, however*, that if, on or after January 1, 2018, changes are made in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement, such maximum and minimum mill levy shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the maximum and minimum mill levies, as adjusted for changes occurring after January 1, 2018, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in residential rate as defined in Section 39-1-104.2, C.R.S., shall be deemed to be a change in the method of calculating assessed valuation. The Board has determined that,

as a result of the provisions of the Service Plan pertaining to mill levy adjustments as described above, the maximum levy of 63.600 mills is, as of the date of the Senior Indenture, 64.044 mills, and is subject to further adjustment after the date thereof.

(b) Notwithstanding anything in the Senior Indenture to the contrary, in no event may the Senior Required Mill Levy be established at a mill levy which would constitute a material departure from the requirements of the Service Plan, or cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District’s electoral authorization, and if the Senior Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District’s electoral authorization or create a material departure from the Service Plan, the Senior Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded and no material departure from the Service Plan occurs. See “THE SERIES 2023 SENIOR BONDS – Security for the Series 2023 Senior Bonds,” “FINANCIAL INFORMATION” and APPENDIX C – “REPORT OF DISTRICT’S FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS.”

The Service Plan prohibits the District from imposing a debt service mill levy for more than thirty five (35) years after the year of the initial imposition of such debt service mill levy (the “Maximum Debt Mill Levy Imposition Term”) unless: (i) a majority of the Board imposing the mill levy are residents of such District, and (ii) such Board has voted in favor of a refunding of a part or all of the Debt and such refunding will result in a net present value savings as set forth in Section 11-56-101, C.R.S. See “THE DISTRICT – Service Plan Limitations.” The District has not yet imposed a debt service mill levy, but the Senior Indenture requires the District to impose the Senior Required Mill Levy in the First Debt Service Mill Levy Imposition Year. The Senior Indenture defines “First Debt Service Mill Levy Imposition Year” as the first year after the date of the Senior Indenture in which the certified assessed valuation is [\$500,000] or more, being the first tax levy year in which the District shall impose and certify the Senior Required Mill Levy. Accordingly, unless the foregoing requirements of the Service Plan are met, the District may not impose a debt service mill levy in any year more than thirty five (35) years after the First Debt Service Mill Levy Imposition Year. See “RISK FACTORS – Maximum Debt Mill Levy Imposition Term; Termination Dates for the Bonds.” However, even if the foregoing requirements of the Service Plan are met, the Senior Indenture does not require the District to impose the Senior Required Mill Levy in any year after 205_.

Specific Ownership Tax. “Specific Ownership Tax” is defined in the Senior Indenture to mean the specific ownership taxes tax which is collected by the county and remitted to the District pursuant to Section 42-3-107, C.R.S., or any successor statute. as a result of imposition by the District of the Senior Required Mill Levy in accordance with the provisions of the Senior Indenture. See “THE SERIES 2023 SENIOR BONDS – Security for the Series 2023 Senior Bonds - Specific Ownership Tax.”

The Series 2023 Senior Bonds are also secured by amounts, if any, on deposit in the Surplus Fund, which will be initially funded with proceeds of the Series 2023 Senior Bonds in the amount of \$[_____]* (the “Initial Surplus Fund Deposit”) and, thereafter, is to be funded from Senior Pledged Revenue, if any, available after payment of the Series 2023 Senior Bonds, up to the Maximum Surplus Amount of \$_____. In addition, if drawn upon such that the amount therein is less than the Minimum Surplus Amount of \$_____, the Surplus Fund is to be replenished to the Minimum Surplus Amount from Senior Pledged Revenue, if any, available after payment of the Series 2023 Senior Bonds. See “THE SERIES 2023 SENIOR BONDS – Certain Senior Indenture Provisions – Revenue Fund; Flow of Funds.”

A portion of the interest to accrue on the Series 2023A-1 Senior Bonds will be paid from a portion of the proceeds of the Series 2023 Senior Bonds in the amount of \$_____.*

* Preliminary, subject to change.

The Senior Indenture provides that notwithstanding any other provision in the Senior Indenture, after application on December 1, 20__ of all available Senior Pledged Revenue to the payment of the Series 2023 Senior Bonds, the Series 2023 Senior Bonds and the lien of the Senior Indenture securing payment thereof shall be deemed fully satisfied on the Termination Date of December 2, 20__ (the “Senior Termination Date”), the Series 2023 Senior Bonds and the lien of the Senior Indenture securing payment thereof are to be deemed discharged. Upon such discharge, the Owners will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the Series 2023 Senior Bonds remaining unpaid.

THE SERIES 2023 SENIOR BONDS ARE SOLELY THE OBLIGATIONS OF THE DISTRICT. UNDER NO CIRCUMSTANCES SHALL ANY OF THE SERIES 2023 SENIOR BONDS BE CONSIDERED OR HELD TO BE AN INDEBTEDNESS, OBLIGATION OR LIABILITY OF THE TOWN, THE COUNTY, THE STATE OF COLORADO OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE DISTRICT.

Security and Sources of Payment for the Series 2023B₍₂₎ Subordinate Bonds

The Series 2023B₍₂₎ Subordinate Bonds are “cash flow” limited tax general obligations of the District secured by and payable solely from and to the extent of the Subordinate Pledged Revenue consisting of moneys derived by the District from the following sources: (i) the Subordinate Required Mill Levy, net of fees of the County Treasurer and any tax refunds or abatements authorized by or on behalf of the County; (ii) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Subordinate Required Mill Levy; (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application hereunder as Subordinate Pledged Revenue; and (iv) all Senior Pledged Revenue available as described in “THE SERIES 2023 SENIOR BONDS – Certain Senior Indenture Provisions - Revenue Fund; Flow of Funds.”

Subordinate Required Mill Levy. Subordinate Required Mill Levy is defined in the Subordinate Indenture to mean:

(a) Subject to paragraph (b) below, “Subordinate Required Mill Levy” means an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year, commencing in the First Debt Service Mill Levy Imposition Year, in the amount of 63.600 mills *minus* the number of mills equal to the Senior Bond Mill Levy for the same levy year; *provided, however*, that if, on or after January 1, 2018, changes are made in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement, such maximum mill levy shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by such maximum mill levy, as adjusted for changes occurring after January 1, 2018, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in residential rate as defined in Section 39-1-104.2, C.R.S., shall be deemed to be a change in the method of calculating assessed valuation. The Board has determined that, as a result of the provisions of the Service Plan pertaining to mill levy adjustments as described above, the maximum levy of 63.600 mills is, as of the date of the Subordinate Indenture, 64.044 mills, and is subject to further adjustment after the date thereof.

(b) Notwithstanding anything in the Subordinate Indenture to the contrary, in no event may the Subordinate Required Mill Levy be established at a mill levy which would constitute a material departure from the requirements of the Service Plan, or cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District’s electoral authorization, and if the Subordinate Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District’s electoral authorization or create a material departure from the Service Plan, the Subordinate Required Mill Levy shall be reduced

to the point that such maximum tax increase is not exceeded and no material departure from the Service Plan occurs. See “THE SERIES 2023B₍₂₎ SUBORDINATE BONDS – Security for the Series 2023B₍₂₎ Subordinate Bonds,” “FINANCIAL INFORMATION” and APPENDIX C – “REPORT OF DISTRICT’S FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS.”

The Service Plan prohibits the District from imposing a debt service mill levy for more than thirty five (35) years after the year of the initial imposition of such debt service mill levy (the “Maximum Debt Mill Levy Imposition Term”) unless: (i) a majority of the Board imposing the mill levy are residents of such District, and (ii) such Board has voted in favor of a refunding of a part or all of the Debt and such refunding will result in a net present value savings as set forth in Section 11-56-101, C.R.S. See “THE DISTRICT – Service Plan Limitations.” The District has not yet imposed a debt service mill levy, but the Subordinate Indenture requires the District to impose the Subordinate Required Mill Levy in the First Debt Service Mill Levy Imposition Year. The Subordinate Indenture defines “First Debt Service Mill Levy Imposition Year” as the first year after the date of the Senior Indenture in which the certified assessed valuation is [\$500,000] or more, being the first tax levy year in which the District shall impose and certify the Subordinate Required Mill Levy. Accordingly, unless the foregoing requirements of the Service Plan are met, the District may not impose a debt service mill levy in any year more than thirty five (35) years after the First Debt Service Mill Levy Imposition Year. See “RISK FACTORS – Maximum Debt Mill Levy Imposition Term; Termination Dates for the Bonds.” However, even if the foregoing requirements of the Service Plan are met, the Subordinate Indenture does not require the District to impose the Subordinate Required Mill Levy in any year after 205_.

Specific Ownership Tax. “Specific Ownership Tax” is defined in the Subordinate Indenture to mean the specific ownership taxes tax which is collected by the county and remitted to the District pursuant to Section 42-3-107, C.R.S., or any successor statute. See “THE SERIES 2023 SENIOR BONDS – Security for the Series 2023 Senior Bonds - Specific Ownership Tax.”

Priority of Lien; “Cash Flow” Nature of the Series 2023B₍₂₎ Subordinate Bonds

The Series 2023 Senior Bonds constitute Senior Bonds and the Series 2023B₍₂₎ Subordinate Bonds constitute Subordinate Bonds under the Indentures. Accordingly, to the extent any revenues are pledged under the Indentures to both the Series 2023 Senior Bonds and the Series 2023B₍₂₎ Subordinate Bonds, the lien thereon of the Series 2023B₍₂₎ Subordinate Bonds is junior and subordinate in all respects to the lien of the Series 2023 Senior Bonds and any other Senior Bonds issued in the future.

The Series 2023B₍₂₎ Subordinate Bonds are structured as “cash flow” bonds, meaning that there are no scheduled payments of principal thereof prior to the final maturity date. Rather, principal on the Series 2023B₍₂₎ Subordinate Bonds is payable annually on each December 15 from, and to the extent of, Subordinate Pledged Revenue on deposit, if any, in the Subordinate Bond Fund on November 15 of each year, commencing on November 15, 2024, in accordance with the terms of the Subordinate Indenture, pursuant to a special mandatory redemption more particularly described herein under the section captioned “THE SERIES 2023B₍₂₎ SUBORDINATE BONDS – Certain Subordinate Indenture Provisions - Subordinate Bond Fund; Mandatory Redemption.” Interest on the Series 2023B₍₂₎ Subordinate Bonds is payable on each December 15, from, and to the extent of, Subordinate Pledged Revenue if any, available therefor and accrued unpaid interest will compound annually on each interest payment date for the Series 2023B₍₂₎ Subordinate Bonds, until sufficient Subordinate Pledged Revenue is available for payment, or until the Series 2023B₍₂₎ Subordinate Bonds are discharged on the Subordinate Termination Date, as described above. See “RISK FACTORS – “Cash Flow” Nature of the Series 2023B₍₂₎ Subordinate Bonds” herein. *According to the Financial Forecast attached hereto as Appendix C, under the “base case” scenario (defined herein) it is anticipated that there will be Subordinate Pledged Revenue available to pay only a portion of accrued interest on the Series 2023B₍₂₎ Subordinate Bonds on each December 15 in 20__ through*

20__ and it is not anticipated that there will be any Subordinate Pledged Revenue to pay principal on the Series 2023B₍₂₎ Subordinate Bonds until 20__. These dates represent a forecast and there is no guarantee that any payments will be made on or after such date or, further, that the Series 2023B₍₂₎ Subordinate Bonds will be paid prior to their discharge date of December [16], 20__, as more particularly described below.

The Subordinate Indenture provides that notwithstanding any other provision in the Subordinate Indenture, after application on December 15, 20__ of all available Subordinate Pledged Revenue to the payment of the Series 2023B₍₂₎ Subordinate Bonds, the Series 2023B₍₂₎ Subordinate Bonds and the lien of the Subordinate Indenture securing payment thereof shall be deemed fully satisfied on the Termination Date of December 16, 20__, (the “Subordinate Termination Date”). Upon such discharge, the Owners will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the Series 2023B₍₂₎ Subordinate Bonds remaining unpaid.

Additional Obligations

The District may issue additional Senior Bonds (secured by the Senior Pledged Revenue on a parity with the lien thereon of the Series 2023 Senior Bonds) and Subordinate Bonds subject to the satisfaction of certain conditions described in “THE SERIES 2023 SENIOR BONDS – Certain Senior Indenture Provisions - Additional Bonds” and “THE SERIES 2023B₍₂₎ SUBORDINATE BONDS – Certain Subordinate Indenture Provisions - Additional Bonds.” The District’s issuance of Additional Bonds is also subject to the limitations of the District’s Service Plan and electoral authorization.

Issuance of additional bonds could potentially dilute the security for the Bonds.

Nothing in the Indentures affects or restricts the right of the District to issue or incur obligations which are not Additional Obligations under the Indentures.

Interest Rates; Payment Provisions

The Series 2023A-1 Senior Bonds will bear interest at the rate per annum set forth on the front cover hereof (computed on the basis of a 360-day year of twelve 30-day months). Interest on the Series 2023A-1 Senior Bonds is payable to the extent of Senior Pledged Revenue semiannually on June 1 and December 1 each year, commencing December 1, 2023.

The Series 2023A-2 Senior Bonds are being issued initially as convertible capital appreciation bonds and will accrete in value in accordance with the Accretion Table appended hereto as Appendix G, accreting annually on December 1 of each year, commencing December 1, 2023, from the date of their issuance to December 1, 2028 (the “Current Interest Conversion Date”), at which time the Series 2023A-2 Senior Bonds convert to current interest bonds. On and after such Current Interest Conversion Date and until maturity or prior redemption, the Series 2023A-2 Senior Bonds shall bear interest at the rate per annum set forth on the cover page hereof, calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of Pledged Revenue available therefor annually, on each December 1, commencing December 1, 2029.

Interest on the Series 2023B₍₂₎ Subordinate Bonds is payable annually on December 15 each year, commencing December 15, 2023.

The record date, with respect to each interest payment date, means, with respect to the Series 2023 Senior Bonds, the 15th day of the calendar month next preceding each Senior Bond Interest Payment Date, and with respect to the Series 2023B₍₂₎ Subordinate Bonds, the last day of the calendar month next preceding the Subordinate Bond Interest Payment Date. Payments for the principal of and interest on the Bonds will be made as described in APPENDIX F – “BOOK-ENTRY-ONLY SYSTEM.”

Book-Entry-Only Registration

The Bonds will be issued in fully registered form and will be registered initially in the name of “Cede & Co.” as nominee for The Depository Trust Company, New York, New York (“DTC”), a securities depository. Beneficial ownership interests in the Bonds may be acquired in principal denominations of \$500,000 or any integral multiple of \$1,000 in excess thereof through brokers and dealers who are, or who act through, participants in the DTC system (the “Participants”). Such beneficial ownership interests will be recorded on the records of the Participants. Persons for which Participants acquire interests in the Bonds (the “Beneficial Owners”) will not receive certificates evidencing their interests in the Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of principal and interest on the Bonds, as well as notices and other communications made by or on behalf of the District pursuant to the Indentures, will be made to DTC or its nominee only. Disbursement of such payments, notices and other communications by DTC to Participants, and by Participants to the Beneficial Owners, is the responsibility of DTC and the Participants pursuant to rules and procedures established by such entities. See APPENDIX F – “BOOK-ENTRY-ONLY SYSTEM” for a discussion of the operating procedures of the DTC system with respect to payments, registration, transfers, notices and other matters.

Except as otherwise provided herein, the term “Owner” refers to the registered owner of any Bond, as shown by the registration books maintained by the Trustee. As used herein, “Consent Party” means the Owner of a Bond or, if such Bond is held in the name of Cede & Co., the Participant (as determined by a list provided by DTC) with respect to such Bond or if designated in writing by a Participant, the Beneficial Owner of such Bond.

Prior Redemption

The Series 2023 Senior Bonds are subject to optional and mandatory sinking fund redemption as described in “THE SERIES 2023 SENIOR BONDS – Redemption.” The Series 2023B⁽²⁾ Subordinate Bonds are subject to optional and mandatory redemption as described in “THE SERIES 2023B⁽²⁾ SUBORDINATE BONDS – Redemption.”

Tax Status

In the opinion of Kutak Rock LLP, Denver, Colorado, Bond Counsel, interest on the Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that to the extent that interest on the Bonds is excludable from gross income for federal income tax purposes, interest on the Bonds is excludable from gross income for State of Colorado income tax purposes and from the calculation of State of Colorado alternative minimum taxable income. See “TAX MATTERS” herein.

Market Study

The District retained Zonda Advisory, Centennial, Colorado (“Zonda”) to prepare a Market Analysis, dated _____ 2023 (the “Market Study”). The Market Study contains an assessment of the feasibility of the planned development, including product mix, product pricing and projected annual absorption. The Market Study attached hereto as APPENDIX B should be read in its entirety by prospective purchasers of the Bonds. See also “RISK FACTORS – Risks Inherent in Projections.”

Financial Forecast

The District has also retained the accounting firm of CliftonLarsonAllen LLP, Greenwood Village, Colorado (“CLA”) to prepare a report titled “Forecasted Statement of Sources and Uses of Cash” dated _____, 2023 (the “Financial Forecast”), a copy of which is attached hereto as APPENDIX C, for the purpose of providing information regarding the District’s ability to make debt service payments on the Bonds. The Financial Forecast utilized information contained in the Market Study and certain assumptions more particularly set forth therein. In particular, the Financial Forecast sets forth:

(a) in pages 3 through 10, a projection of the payment of debt service on the Bonds, based on the absorption schedule and market values presented in the Market Study, and assuming a biennial inflation rate for completed residential units of 6% (i.e., a 3% annual inflation rate) (referred to herein as the “base case”);

(b) in pages A1 through A6, an alternative hypothetical projection (referred to herein as the “Alternative A – 4% Projection”) based on the absorption schedule and market values presented in the Market Study, and assuming a biennial inflation rate for completed residential units of 4% (i.e., a 2% annual inflation rate) (see Note 14 of the Financial Forecast);

(c) in pages B1 through B6, an alternative hypothetical projection (referred to herein as the “Alternative B – 2% Projection”) based on an assumed biennial inflation rate for completed residential units of 2% (i.e., a 1% annual inflation rate), (see Note 15 of the Financial Forecast); and

(d) in pages C1 through C6, an alternative hypothetical projection (referred to herein as the “Alternative C – 2% Slowdown Projection”) based on an assumed biennial inflation rate for completed residential units of 2% (i.e., a 1% annual inflation rate) and a slowdown in the build out schedule to 65% of the that shown in the base case, (see Note 16 of the Financial Forecast).

The Financial Forecast projects the following with respect to payment of debt service on the Bonds under the base case scenario and under the three alternative scenarios:

(a) The Financial Forecast projects, under the base case scenario, that there will be Pledged Revenue available to pay only a portion of accrued interest on the Bonds on each December 1 in 2022 through 2036 and that there will be no Pledged Revenue available to pay principal of the Bonds until 2037, although the Bonds are projected to pay in full on their stated maturity date of December 1, 2050.

(b) Under the Alternative A – 4% Projection, the Financial Forecast projects that there will be Pledged Revenue available to pay only a portion of accrued interest on the Bonds on each December 1 in 2022 through 2037 and that there will be no Pledged Revenue available to pay principal of the Bonds until 2038, although the Bonds are projected to pay in full on December 1, 2054, prior to discharge on the Discharge Date.

(c) Under the Alternative B – 2% Projection, the Financial Forecast projects that there will be Pledged Revenue available to pay only a portion of accrued interest on the Bonds on each December 1 in 2022 through 2039 and that there will be no Pledged Revenue available to pay principal of the Bonds until 2040, and the Bonds will not be paid in full prior to the Discharge Date.

(d) Under the Alternative C – 2% Slowdown Projection, the Financial Forecast projects that there will be Pledged Revenue available to pay only a portion of accrued interest on the Bonds on each December 1 in 2022 through 2041 and that there will be no Pledged Revenue available to pay principal of the Bonds until 2042, and the Bonds will not be paid in full prior to the Discharge Date.

See “RISK FACTORS – Risks Inherent in Projections” herein and Appendix C attached hereto.

Professionals Involved in the Offering

Kutak Rock LLP, Denver, Colorado, has acted as Bond Counsel. Butler Snow LLP, Denver, Colorado, has assisted the District in preparation of this Limited Offering Memorandum in its capacity as Special Counsel to the District. Gilmore & Bell, P.C., Salt Lake City, Utah, has acted as counsel to the Underwriter. White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado, represents the District as general counsel. UMB Bank, n.a., Denver, Colorado, will act as the trustee, paying agent and registrar for the Bonds. D.A. Davidson & Co., Denver, Colorado will act as the underwriter for the Bonds (the “Underwriter”). See “MISCELLANEOUS – Underwriting” herein. CliftonLarsonAllen LLP is the District’s accountant. North Slope Capital Advisors has served as Municipal Advisor to the District in connection with the issuance of the Bonds.

Continuing Disclosure Obligation

The Underwriter has determined that the Bonds are exempt from the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (the “Rule”). The District and the Developer have, however, agreed to provide certain financial information and other operating data with respect to the District and notices of material events after the Bonds are issued, all for dissemination to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access system (EMMA). A form of the Continuing Disclosure Agreement setting forth such obligations is attached as APPENDIX D to this Limited Offering Memorandum.

The District has not previously entered into any continuing disclosure undertakings pursuant to the Rule.

Financial Statements

Due to the District’s limited financial activity to date, no audited financial information is available for inclusion herein. In accordance with Title 29, Article 1, Part 6, C.R.S., an annual audit is required to be made of the District’s financial statements at the end of the fiscal year unless an exemption from audit has been granted by the State Auditor’s Office. Because the District returned to active status in 2023 after being inactive for several years, no audited or unaudited financial statements are available. Pursuant to the Indentures and the Continuing Disclosure Agreement, the District has covenanted to cause such annual audit to be performed notwithstanding any state law audit exemptions that may be available.

Offering and Delivery Information

The offering of the Bonds is being made to a limited number of knowledgeable and experienced investors who are not purchasing with a view to distributing the Bonds. Each purchaser must be a “financial institution or institutional investor” as defined in § 32-1-103(6.5), C.R.S. The Bonds are offered when, as, and if issued by the District and accepted by the Underwriter, subject to the approving legal opinions of Bond Counsel, the forms of which are set forth in APPENDIX E. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about _____, 2023, against payment therefor.

Additional Information

ALL OF THE SUMMARIES OF THE STATUTES, RESOLUTIONS, INDENTURES, OPINIONS, CONTRACTS AND AGREEMENTS DESCRIBED IN THIS LIMITED OFFERING MEMORANDUM ARE SUBJECT TO THE ACTUAL PROVISIONS OF SUCH DOCUMENTS. The summaries do not purport to be complete statements of such provisions and reference is made to such

documents, copies of which are either publicly available or available upon request and the payment of a reasonable copying, mailing and handling charge from:

The District:

Lanterns Metropolitan District No. 3
c/o White Bear Ankele Tanaka & Waldron
2154 East Commons Avenue, Suite 2000
Centennial, Colorado 80122
Telephone: (303) 858-1800

The Underwriter:

D.A. Davidson & Co.
1550 Market Street
Suite 300
Denver, Colorado 80202
Telephone: (303) 764-6000

RISK FACTORS

Each prospective purchaser of the Bonds should consider carefully, along with other matters referred to herein, the following risks of investment. The ability of the District to meet the debt service requirements of the Bonds is subject to various risks and uncertainties which are discussed throughout this Limited Offering Memorandum. Certain of such investment considerations are set forth below. This section of this Limited Offering Memorandum does not purport to summarize all of the risks. Investors should read this Limited Offering Memorandum in its entirety.

Each prospective purchaser is responsible for assessing the merits and risks of an investment in the Bonds and must be able to bear the economic risk of such investment in the Bonds.

A purchase of the Bonds may be made only by a “financial institution or institutional investor” as defined in Section 32-1-103(6.5), C.R.S.

Lack of Operating History

The District has a limited operating history. In 2023, the District is expected to certify a general fund mill levy of 11.000 mills (as adjusted from January 1, 2018) (for collection in 2024) for purposes of paying its administrative and operations expenses. To the extent the revenues derived from the District’s general fund mill levy is not sufficient to pay the District’s operations and maintenance expenses, the District expects to pay such expenses from advances made by the Developer. See “THE DISTRICT – Material Contracts” and “FINANCIAL INFORMATION.”

No Credit Rating; Risk of Investment

The Bonds do not have a credit rating from any source and are not suitable investments for all investors. Each prospective purchaser is responsible for assessing the merits and risks of an investment in the Bonds and must be able to bear the economic risk of such investment in the Bonds. By purchasing the Bonds, each purchaser represents that it is a “financial institution or institutional investor” within the meaning of Section 32-1-103(6.5), C.R.S., with sufficient knowledge and experience in financial and business matters, including the purchase and ownership of non-rated tax-exempt obligations, to be able to evaluate the merits and risks of an investment in the Bonds.

Limited Pledged Revenue Sources; No Mortgage; No Conversion to Unlimited Tax Obligations

The Bonds are secured solely from and to the extent of the Senior Pledged Revenue and the Subordinate Pledged Revenue, as applicable, all as more particularly described herein. The primary source of District revenue pledged for debt service on the Bonds is expected to be revenue generated from ad valorem taxes assessed against all taxable property of the District. The ad valorem property taxes required to be imposed by the District for payment of the Series 2023 Senior Bonds and the Series 2023B₍₂₎

Subordinate Bonds are different and are subject to different limitations, as more particularly described herein.

Pursuant to the Senior Indenture, the District is to impose ad valorem property taxes in the amount of the Senior Required Mill Levy. Holders of the Series 2023 Senior Bonds may not require the District to raise the mill levy above the maximum mill levy of 63.600 mills (subject to adjustment for changes occurring in the method of calculating assessed valuation on or after January 1, 2018). Such maximum mill levy is not subject to release upon the District achieving any particular level of assessed valuation. See “THE SERIES 2023 SENIOR BONDS – Security for the Series 2023 Senior Bonds –Senior Required Mill Levy.”

Pursuant to the Subordinate Indenture, the District is to impose ad valorem property taxes in the amount of the Subordinate Required Mill Levy. Holders of the Series 2023B₍₂₎ Subordinate Bonds may not require the District to raise the mill levy above the maximum mill levy of 63.600 mills (subject to adjustment for changes occurring in the method of calculating assessed valuation on or after January 1, 2018). Such maximum mill levy is not subject to release upon the District achieving any particular level of assessed valuation. See “THE SERIES 2023B₍₂₎ SUBORDINATE BONDS – Security for the Series 2023B₍₂₎ Subordinate Bonds - Subordinate Required Mill Levy.”

The District’s ability to retire the indebtedness created by the issuance of the Bonds is dependent, in part, upon development of an adequate tax base from which the District can collect sufficient property tax revenue from the imposition of the Senior Required Mill Levy and Subordinate Required Mill Levy. See “– Risk of Reductions in Assessed Value; Market Value of Land” and “– Development Not Assured” below. The Financial Forecast sets forth the anticipated payment of debt service on the Bonds, based on assumptions concerning growth in the District and the mill levies imposed for payment of debt service on the Bonds. See “– Risks Inherent in Projections” below and APPENDIX C hereto.

In the event that the revenue derived from the Senior Required Mill Levy and the Subordinate Required Mill Levy and the other components of the Senior Pledged Revenue and the Subordinate Pledged Revenue (as applicable to the Series 2023 Senior Bonds and the Series 2023B₍₂₎ Subordinate Bonds, respectively) is insufficient to pay the scheduled principal of and/or interest on the Series 2023 Senior Bonds and the Series 2023B₍₂₎ Subordinate Bonds, as applicable, when due (in the case of the Series 2023B₍₂₎ Subordinate Bonds, meaning the principal amount thereof due at maturity and interest accrued thereon as of each December 15), the unpaid principal will continue to bear interest, and the unpaid interest will compound as described herein until the total repayment obligation of the District for the Bonds equals the amount permitted by law, subject to the prior discharge of the Bonds as more particularly described in “– Discharge of the Bonds in 20__” below. During this period of accrual, so long as the District is enforcing collection of the Senior Pledged Revenue and the Subordinate Pledged Revenue, the District will not be in default on the payment of such principal and interest under the applicable Indenture, and the Owners will have no recourse against the District to require such payments (other than to require the District to continue to assess the Senior Required Mill Levy and the Subordinate Required Mill Levy and collect the revenue derived from such levy and the other components of the Senior Pledged Revenue and the Subordinate Pledged Revenue, to the extent permitted under the Service Plan and other applicable law). See “THE SERIES 2023 SENIOR BONDS – Certain Senior Indenture Provisions - Events of Default” and “- Remedies on Occurrence of Event of Default” and see “THE SERIES 2023B₍₂₎ SUBORDINATE BONDS – Certain Subordinate Indenture Provisions - Events of Default” and “- Remedies on Occurrence of Event of Default.”

In addition to the limitations discussed above and in other sections of this Limited Offering Memorandum, the District will not be liable to the Owners for unpaid principal and interest beyond the

amount permitted by law and, upon payment of such permitted amount, all Bonds will be deemed defeased. See “DEBT STRUCTURE – General Obligation Debt.”

Payment of the principal of and interest on the Bonds is not secured by any deed of trust, mortgage or other lien on or security interest in any property within the District or assets of the District (other than the Senior Pledged Revenue and the Subordinate Pledge Revenue, as applicable) or the Developer.

Maximum Debt Mill Levy Imposition Term; Termination Dates for the Bonds

The Service Plan prohibits the District from imposing a debt service mill levy for more than thirty five (35) years after the year of the initial imposition of such debt service mill levy (as previously defined, the “Maximum Debt Mill Levy Imposition Term”) unless: (i) a majority of the Board imposing the mill levy are residents of such District, and (ii) such Board has voted in favor of a refunding of a part or all of the Debt and such refunding will result in a net present value savings as set forth in Section 11-56-101, C.R.S. See “THE DISTRICT – Service Plan Limitations.” These limitations of the Service Plan may be modified or amended with the approval of the Town and as otherwise provided in the Special District Act. The effect of this provision is that, neither the Senior Indenture nor the Subordinate Indenture require the imposition of the Senior Required Mill Levy or the Subordinate Required Mill Levy, respectively, beyond the Maximum Debt Mill Levy Imposition Term. As such, if the Bonds are not paid in full prior to the expiration of the Maximum Debt Mill Levy Imposition Term, unless the Service Plan is amended to remove or modify this limitation, there may not be any revenues available to pay the Bonds. The Indentures require the District to impose the Senior Required Mill Levy and the Subordinate Required Mill Levy (which are both debt service mill levies) in the First Debt Service Mill Levy Imposition Year. The Indentures define “First Debt Service Mill Levy Imposition Year” as the first year after the date of the Indentures in which the certified assessed valuation is [\$500,000] or more, being the first tax levy year in which the District shall impose and certify the Senior Required Mill Levy or the Subordinate Required Mill Levy. Accordingly, unless the foregoing requirements of the Service Plan are met, the District may not impose a debt service mill levy in any year more than thirty five (35) years after the First Debt Service Mill Levy Imposition Year. Accordingly, unless the foregoing requirements of the Service Plan are met, the District may not impose a debt service mill levy in any year more than thirty five (35) years after the First Debt Service Mill Levy Imposition Year. **However, even if the foregoing requirements of the Service Plan are met, neither the Senior Indenture nor the Subordinate Indenture requires the District to impose the Senior Required Mill Levy or the Subordinate Required Mill Levy, as applicable in any year after 20__.**

The Senior Indenture provides that ***after application on December 1, 20__ of all available Senior Pledged Revenue to the payment of the Series 2023 Senior Bonds, the Series 2023 Senior Bonds and the lien of the Senior Indenture securing payment thereof shall be deemed fully satisfied on the Senior Termination Date of December 2, 20__***; provided however, that the foregoing shall not relieve the District of the obligation to impose the Senior Required Mill Levy each year prior to such date (but not beyond the Maximum Debt Mill Levy Imposition Term to the extent limited by the Service Plan) and apply the Senior Pledged Revenue in the manner required in the Senior Indenture.

The Subordinate Indenture provides that ***after application on December 15, 20__ of all available Subordinate Pledged Revenue to the payment of the Series 2023B₍₂₎ Subordinate Bonds, the Series 2023B₍₂₎ Subordinate Bonds and the lien of the Subordinate Indenture securing payment thereof shall be deemed fully satisfied on the Termination Date of December 16, 20__***; provided however, that the foregoing shall not relieve the District of the obligation to impose the Subordinate Required Mill Levy each year prior to such date (but not beyond the Maximum Debt Mill Levy Imposition Term to the extent limited by the Service Plan) and apply the Subordinate Pledged Revenue in the manner required in the Subordinate Indenture.

Discharge of the Bonds in 20__

The Senior Indenture provides that notwithstanding any other provision in the Senior Indenture, in the event that any amount of principal of or interest on the Series 2023 Senior Bonds remains unpaid after application on December 1, 20__ of all available Senior Pledged Revenue to the payment of the Series 2023 Senior Bonds, the Series 2023 Senior Bonds and the lien of the Senior Indenture securing payment thereof shall be deemed fully satisfied on the Senior Termination Date of December 2, 20__, and on such date the Series 2023 Senior Bonds shall be discharged and the Senior Indenture shall terminate, and the estate and rights hereby granted shall cease, terminate, and be void, and thereupon the Trustee shall cancel the Series 2023 Senior Bonds and discharge the lien of the Senior Indenture, and execute and deliver to the District such instruments in writing as shall be required to evidence the same. Upon such discharge, the Owners will have no recourse to the District or any property of the District for the payment of any amount of Accreted Value, principal of, premium, if any, or interest on the Series 2023 Senior Bonds remaining unpaid.

The Subordinate Indenture provides that notwithstanding any other provision in the Subordinate Indenture, after application on December 15, 20__ of all available Subordinate Pledged Revenue to the payment of the Series 2023B₍₂₎ Subordinate Bonds, the Series 2023B₍₂₎ Subordinate Bonds and the lien of the Subordinate Indenture securing payment thereof shall be deemed fully satisfied on the Subordinate Termination Date of December 16, 20__, and on such date the Series 2023B₍₂₎ Subordinate Bonds shall be discharged and the Subordinate Indenture shall terminate, and the estate and rights hereby granted shall cease, terminate, and be void, and thereupon the Trustee shall cancel the Series 2023B₍₂₎ Subordinate Bonds and discharge the lien of the Subordinate Indenture, and execute and deliver to the District such instruments in writing as shall be required to evidence the same. Upon such discharge, the Owners will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the Series 2023B₍₂₎ Subordinate Bonds remaining unpaid.

Development Not Assured

General. The repayment of the Bonds is dependent upon an increase in the assessed valuation of property in the District to provide a tax base from which ad valorem property tax revenues resulting from the imposition by the District of the Required Mill Levy to be collected. Such increase in assessed valuation is dependent upon development within the District which, in turn, is subject to completion of public infrastructure necessary for the Development, market demand, market conditions and a variety of other factors beyond the control of the District and the Developer.

The Development is planned as a residential community comprised of approximately 140.667 acres, planned to consist of approximately 378 single family detached residences, in two distinct communities (1) approximately 279 single family homes in an active adult community for residents 55 years old and over; and (2) and approximately 99 homes in a single family residential community. The construction, marketing and the sales of the homes within the District is expected to be completed by the Developer. See “THE DEVELOPMENT.” See also “AERIAL PHOTO OF THE DISTRICT” at the front of this Limited Offering Memorandum. Subject to the approval of the necessary plats and issuance of building permits, the Development is fully entitled for its intended uses in accordance with the zoning documentation applicable to the Development. See “THE DEVELOPMENT – Zoning and Platting.”

All developable property within the Development is owned by the Developer. See “THE DEVELOPMENT – Land Acquisition; Encumbrances on Property; Restrictive Covenants.” The Developer anticipates that it will construct homes on all of the lots within the Development. The Developer is under no obligation to continue to develop property within the Development and the Developer is not under any obligation to construct homes within the Development.

Complete build-out of the Development is anticipated in the year 2031. However, the Developer is not obligated to construct homes in the Development in any particular timeframe, or at all. The Market Study attached hereto as APPENDIX B provides an analysis of the assumed build-out schedule and product mix (including price levels) of the Development. Based upon the build-out schedule and product mix (including price levels) set forth in the Market Study, and certain other assumption specified therein, the Financial Forecast included in APPENDIX C hereto provides certain forecasts of revenue of the District. See APPENDIX B – “MARKET STUDY” and APPENDIX C – “DISTRICT’S FORECASTED STATEMENT OF SOURCES AND USES OF CASH.”

While the foregoing and more detailed descriptions of the planned build-out of the Development provided elsewhere in this Limited Offering Memorandum reflect the reasonable beliefs of the Developer as to the anticipated build-out of the Development, no assurance can be given that build-out will occur as planned, within the presently anticipated timeframe and resulting in presently anticipated product values. All development projections, including, without limitation, the ultimate number of homes to be constructed in the Development, are dependent upon market activity, general economic conditions, governmental regulations, and other factors over which the District and the Developer have no control. See “– Risks Inherent in Projections” below, “THE DEVELOPMENT” and APPENDICES B and C.

Public Infrastructure. The improvements permitted to be financed by the District pursuant to the Service Plan and the 2018 Election (as defined below) generally include a water system, sanitary sewer system, storm sewer system, on and off-site road improvements and trails (collectively, the “Public Improvements”). According to the Developer, construction of the Public Improvements to serve the Development commenced in July 2022, is approximately forty (40) percent complete and all Public Improvement construction is expected to be completed in the fourth quarter of 2024. The Developer estimates the total costs of Public Improvements within the District or benefitting the District to be approximately \$17,100,000. As of September 1, 2023, the Developer has spent approximately \$12,000,000 on Public Improvements. See the Market Study attached in APPENDIX B and also the Financial Forecast attached in APPENDIX C hereto. Pursuant to the Acquisition and Disbursement Agreement by and between the District and the Developer, the District has agreed to acquire certain of the completed Public Improvements from the Developer upon the satisfaction of certain conditions contained therein. See “THE DISTRICT – Material Contracts - [Infrastructure Acquisition and Project Fund Disbursement Agreement.” A portion of the proceeds of the Bonds will be used to pay the purchase price for such Public Improvements.

Additional infrastructure necessary for the Development (which, in addition to Public Improvements, includes, among other things, dry utilities, lot improvements and other improvements which are not permitted to be financed by the District pursuant to the Service Plan) is expected to be complete by the third qua for an estimated remaining cost of \$10,600,000. The Developer has funded and expects to continue to fund the remaining costs of such infrastructure with cash or internal lines of credit. As of September 1, 2023, the Developer has spent approximately \$6,400,000 on other infrastructure within the District.

No financial data is provided herein with respect to the Developer. No assurance can be given that the Developer will have the internal cash resources or be able to obtain third party financing to finance remaining public infrastructure or that any additional District bonds will be issued for such purpose. See “– Financial Condition of the Developer” below. Due to these and other factors, public infrastructure may not be completed, which would adversely affect the assessed valuation of taxable property in the District and reduce the ad valorem taxes and other taxes and fees available to pay debt service on the Bonds. The Market Study set forth in APPENDIX B hereto and the Financial Forecast set forth in APPENDIX C both assume that the remaining public infrastructure necessary to serve the Development will be constructed; however, such construction is not guaranteed to occur.

Water and Sewer Availability. The Development expects to receive water services and sanitary sewer service from the Town. The Developer believes that it will be able to obtain water and sewer taps in a timely manner to meet the demands of the Development as presently planned. See “THE DEVELOPMENT – Water and Sewer.”

Other Factors. Many unpredictable factors could influence the actual rate of development and construction within the District, including prevailing interest rates, availability of development funding, market and economic conditions generally, supply of residential housing, retail and commercial office space in the area, construction costs, labor conditions and unemployment rates, access to building supplies, availability of water and water taps, availability and costs of fuel and transportation costs, among other things. There can be no assurance that Pledged Revenue from all sources will be sufficient to fully repay the Bonds. See “– Enforceability of Bondholders’ Remedies Upon Default” below.

Risk of Reductions in Assessed Value; Market Value of Land

The assessed value of property in the District for ad valorem property tax purposes is determined according to a procedure described under “FINANCIAL INFORMATION – Ad Valorem Property Taxes.” The Owners of the Bonds are dependent upon growth in the assessed value of property within the District to create a tax base from which ad valorem tax revenues are collected for the payment of debt service on the Bonds. Assessed valuation may be affected by a number of factors beyond the control of the District.

Under certain circumstances, Colorado statutes permit the owners of vacant residential property to apply to the County Assessor for discounted valuation of such property for ad valorem property tax purposes. Property owners are also entitled to challenge the valuations of their property each year, and no assurance can be given that owners of property in the District will not seek to do so. The values of finished lots and homes may be reduced if market prices decline due to economic factors. In certain circumstances, certain types of multi-family projects can qualify for an exemption from property taxation, although no projects of that type are currently planned within the District. Should the actions of property owners result in lower assessed valuations of property in the District or in an exemption from property taxation, there can be no assurance that property tax revenue from the Senior Required Mill Levy or the Subordinate Required Mill Levy, together with other Senior Pledged Revenue or Subordinate Pledged Revenue, as applicable, would be sufficient to pay debt service on the Bonds. In either case, the security for the Bonds would be diminished, increasing the risk of non-payment. See “– Foreclosures” below.

In addition, the projected assessed value of property in the District set forth in the Financial Forecast is based on certain assumptions as to the manner in which various properties will be assessed by the County Assessor. While these assumptions are based on information provided by the County Assessor, no assurance is given that any particular methodology presently used by the County Assessor to determine the actual value of property is determined could adversely affect the assessed value of property in the District and the property taxes that may be generated thereby. See “– **Risks Inherent in Projections**” below and APPENDIX C hereto.

District Operation and Maintenance Expenses; Reliance on Developer

Pursuant to the Service Plan, the District is authorized, but not obligated, to own, operate and maintain Public Improvements not otherwise dedicated to the Town or another public entity. To the extent the revenues derived from the imposition of the District’s operation and maintenance mill levy (which is expected to be imposed for in 2023 for collection in 2024 in the amount of **11.000 mills** (as adjusted from January 1, 2018)) are not sufficient to pay the District’s operations and maintenance expenses, the Developer may advance funds to the District for payment of such expenses pursuant to the Funding and Reimbursement Agreement (as defined herein) on terms mutually agreed to by the Developer and the District. There can be no assurance that the Developer will have adequate financial resources with which

to make such advances and no independent investigation has been made of such financial resources. Furthermore, there can be no assurance that the District will generate sufficient revenue to pay for its operation and maintenance expenses or that the Developer will advance funds to make up any shortfall in payment of such operations and maintenance expenses.

The Service Plan provides that the District shall not impose its operations and maintenance mill levy in an amount which exceeds 74.600 mills (subject to adjustment for changes occurring in the method of calculating assessed valuation on or after January 1, 2018) when such operations and maintenance mill levy is combined with the District's debt service mill levy. Additionally, there are statutory and constitutional limits on the District's ability to make increases to the District's mill levy for payment of operations and maintenance expenses, including, without limitation, TABOR (as defined in "FINANCIAL INFORMATION – Constitutional Amendment Limiting Taxes and Spending"). At the 2018 Election, the District's qualified electors voting at such election authorized the District to increase taxes up to \$10,000,000 annually to pay the operations and maintenance expenses of the District without regard to the limitations of TABOR. However, under the Service Plan, a mill levy imposed to pay Debt may not exceed 63.600 mills (subject to adjustment for changes occurring in the method of calculating assessed valuation on or after January 1, 2018) (the "Maximum Debt Service Mill Levy") and the District may not impose an operations and maintenance mill levy which when combined with its debt service mill levy exceeds 74.600 mills (subject to adjustment for changes occurring in the method of calculating assessed valuation on or after January 1, 2018) (the "Maximum Aggregate Mill Levy"). Notwithstanding such voter authorization, as the composition of the District's Board changes as property is developed and homeowners are elected to the Board, the District's ability to increase its mill levy for payment of operations and maintenance expenses may be limited by Board action. In addition, increasing the District's operations and maintenance mill levy could affect the market absorption of the residential homes in the Development and consequently, the forecasted tax revenues set forth in the Financial Forecast. See APPENDIX B – "MARKET STUDY" and APPENDIX C – "REPORT OF DISTRICT'S FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS."

Financial Condition of the Developer

There has been no independent investigation of and no representation is made in this Limited Offering Memorandum regarding the financial soundness of the Developer or of its managerial capability to develop and market the property within the Development as planned. Moreover, the financial circumstances of the Developer can change from time to time. Continued development within the District is dependent upon the ability of the Developer to implement the development plan contemplated herein, as described above in "– Development Not Assured." Furthermore, the Developer is not under a binding obligation to develop property within the District as planned, nor is there any restriction on the right of the Developer to sell any or all property within the District which it owns or to withdraw completely from the Development. Prospective investors are urged to make such investigation as deemed necessary concerning the financial soundness of the Developer and its ability to implement the plan of Development as described herein. See "THE DEVELOPMENT – The Developer" herein.

Additional Debt of the District

The District has the authority to issue a total of \$870,000,000 in general obligation debt for capital purposes pursuant to the voter approval received at the 2018 Election. However, the Service Plan limits Districts No. 1-3's issuance of general obligation debt to an aggregate principal amount of \$87,000,000. In 2019, District No. 1 issued \$22,120,000 of general obligation bonds and in 2021, District No. 2 issued \$25,482,000 of general obligation debt leaving \$39,398,000 in remaining general obligation debt authorization under the Service Plan. See "THE DISTRICT – Service Plan Limitations" and "DEBT STRUCTURE – General Obligation Debt - Outstanding and Authorized but Unissued Debt."

Subject to voter approval and an amendment of the Service Plan to allow issuance of debt in excess of the current limit of \$87,000,000, the District may issue additional general obligation debt in excess of the amounts authorized at the 2018 Election and the Service Plan. If the District issues any additional general obligation debt on a parity basis with the Bonds while the Bonds are Outstanding, such additional debt would have a parity claim to the ad valorem tax revenues from which the Bonds are payable. The issuance of such general obligation debt could therefore adversely affect or dilute the security for the Bonds. The issuance of Additional Obligations, however, is restricted by the terms of the Indentures. See “THE SERIES 2023 SENIOR BONDS – Certain Senior Indenture Provisions - Additional Bonds” and “THE SERIES 2023B₍₂₎ SUBORDINATE BONDS – Certain Subordinate Indenture Provisions - Additional Bonds.”

Risks Inherent in Projections

The Market Study contains certain projections by Zonda Advisory, Centennial, Colorado, regarding the pace of home sales, absorption and lot and home values in the Development through 2027, which are based on certain assumptions more particularly set forth therein. The Market Study provides an assessment of absorption and market values based on current market conditions, which conditions are comprised solely of those specifically identified in the Market Study. The Market Study does not address or evaluate other factors which could impact whether the Development proceeds as contemplated therein, including the availability of funding, entitlements and other matters described in “– Development Not Assured” and any changes in the residential assessment ratio, described in “– Risk of Reductions in Assessed Value; Market Value of Land” above.

The Financial Forecast (in APPENDIX C hereto) sets forth on pages 3 through 10, a projection of the payment of debt service on the Bonds, based on the absorption schedule, market values, and a 6% biennial reassessment rate (3% annually) as set forth in the Market Study, as reflected in the Financial Forecast. If the absorption schedule or market values or the rate of reassessment shown in the Market Study are not realized, then the Bonds may not be repaid. In addition, accompanying the Financial Forecast are presentations of cash flow projections based on certain hypothetical assumptions, as follows (a) displayed in pages A1 through A6, an alternative hypothetical projection based on the absorption schedule and market values presented in the Market Study, and assuming a biennial inflation rate for completed residential units of 4% (i.e., a 2% annual inflation rate) (see Note 14 of the Financial Forecast); (b) displayed in pages B1 through B6, an alternative hypothetical projection based on the absorption schedule and market values presented in the Market Study, and assuming a biennial inflation rate for completed residential units of 2% (i.e., a 1% annual inflation rate) (see Note 15 of the Financial Forecast); (c) displayed in pages C1 through C6, an alternative hypothetical projection based on an assumed biennial inflation rate for completed residential units of 2% (i.e., a 1% annual inflation rate), and an assumed absorption rate for the residential units that is 65% of the absorption rate reflected in the Market Study (see Note 16 of the Financial Forecast).

Actual rates of development will be affected by many factors. While the Developer has stated that it believes that the absorption schedule and market values presented in the Market Study and Financial Forecast are reasonable, no assurance can be given that the actual rate of development and market values will be as presented in the Market Study and Financial Forecast. The Developer has further stated that, except as specifically described herein (see, for example, “– Development Not Assured”), it has no knowledge of existing circumstances that would not allow it to execute its present business plan as described herein. Notwithstanding any of the foregoing, the Developer does not assure or guarantee that the number of homes anticipated to be sold each year as set forth in the Market Study or in the Financial Forecast will occur in the years identified. No assurance can be given that the actual rate of development and market values will be as presented in the “base case” scenario set forth in the Financial Forecast. The information presented in APPENDICES B and C is inherently subject to variations between the assumptions and actual

results and those variations could be material. See “– Risk of Reductions in Assessed Value; Market Value of Land,” “– Development Not Assured” and “FORWARD-LOOKING STATEMENTS.”

Due to the enactment of SB 293, and possibly Initiative 27 at the statewide November 2021 election, the District’s forecasted debt service mill levy of 64.044 mills, initially imposed for debt service as assumed by the Financial Forecast will be adjusted upwards to offset any loss of District revenues attributable to the reduction in the Residential Assessment Rate provided for in SB 293 or any other property tax rate reductions.

The Market Study and Financial Forecast attached as APPENDICES B and C hereto are an integral part of this Limited Offering Memorandum. Investors are encouraged to read the entire Limited Offering Memorandum, including the Market Study and Financial Forecast, to obtain information essential to making an informed investment decision.

The information presented in Appendices B and C inherently is subject to variations between the assumptions and actual results and those variations could be material. See “– Risk of Reductions in Assessed Value; Market Value of Land,” “– Development Not Assured” above and “FORWARD-LOOKING STATEMENTS.”

Foreclosures

Property owned by a lending institution as a result of foreclosure is typically resold in the market at a depressed price. In addition, a home foreclosure may have an immediate and/or long-term effect of depressing home prices in the surrounding area. This is likely to result in a decrease in the assessed values of the foreclosed property and surrounding properties. The number of foreclosed homes reentering the market at lower prices may result in a reduction of demand for new construction housing, including property within the Development. Increased foreclosure rates could also cause lenders to tighten their lending practices and decrease their approvals of home loans, making it more difficult for potential homebuyers to finance home acquisitions. Such changes in lending practices could have an impact on the rate of home sales within the Development. See also “ECONOMIC AND DEMOGRAPHIC INFORMATION – Foreclosure Activity.”

Concentration of Taxpayers

It is currently anticipated, and is a condition to pricing the Bonds, that the Developer will own all of the land within the District. Until the Developer begins to sell homes and the concentration of ownership within the District diversifies, the District is dependent on a limited number of taxpayers for timely payment of property taxes. There can be no assurance as to the rate at which residences will actually be constructed or homes will be sold to homeowners.

Property taxes on land are not personal obligations of the Developer, or any other property owner and no financial information regarding the Developer is provided in this Limited Offering Memorandum. No representation is made with respect to the ability of the Developer or any other property owner to pay property taxes levied within the District’s boundaries.

Directors’ Private Interests

Pursuant to state law, the District’s directors are required to disclose to the Colorado Secretary of State and the Board potential conflicts of interest or personal or private interests which are proposed or pending before the Board. According to disclosure statements filed by each director prior to taking any official action relating to the Bonds, two of the directors have existing personal or private interests relating to the issuance or delivery of the Bonds or the expenditure of the proceeds thereof because each director,

except for directors Scott Carlson, Kent Carlson and Ryan Carlson are employees of the parent company of the Developer.

By statute, a director must disqualify himself or herself from voting on any issue in which he or she has a conflict of interest unless he or she has disclosed such conflict of interest in a certificate filed with the Secretary of State and the Board at least 72 hours in advance of any meeting in which such conflict may arise, and if his or her participation is necessary to obtain a quorum or otherwise enable the body to act. However, compliance with such statute does not provide absolute certainty that contracts between the District and persons related to the District's directors will not be subject to defenses or challenge on the basis of alleged conflicts. It is expected that interested members of the Board will comply with the statute by making advance disclosure of their conflicts. See "THE DISTRICT – Governing Board."

Legal Constraints on District Operations

Various State laws and constitutional provisions govern the assessment and collection of ad valorem property taxes and the issuance of bonds; impose limitations on revenues and spending of the State and local governments, including the District; and limit rates, fees and charges imposed by such entities. State laws, constitutional provisions and federal laws and regulations apply to the obligations created by the issuance of the Bonds. There can be no assurance that there will not be changes in interpretation of, or additions to, the applicable laws and provisions which would have a material adverse effect, directly or indirectly, on the affairs of the District.

Risk of Internal Revenue Service Audit

The Internal Revenue Service (the "Service") has a program of auditing tax-exempt bonds which can include those issued by special purpose governmental units, such as the District, for the purpose of determining whether the Service agrees (a) with the determination of bond counsel that interest on the Bonds is tax-exempt for federal income tax purposes or (b) that the District is in or remains in compliance with Service regulations and rulings applicable to governmental bonds such as the Bonds. The commencement of an audit of the Bonds could adversely affect the market value and liquidity of the Bonds, regardless of the final outcome. An adverse determination by the Service with respect to the tax-exempt status of interest on the Bonds could be expected to adversely impact the secondary market, if any, for the Bonds, and, if a secondary market exists, would also be expected to adversely impact the price at which the Bonds can be sold. The Indentures do not provide for any adjustment to the interest rates borne by the Bonds in the event of a change in the tax-exempt status of the Bonds. Owners of the Bonds should note that, if the Service audits the Bonds, under current audit procedures the Service will treat the District as the taxpayer during the initial stage of the audit, and the owners of the Bonds will have limited rights to participate in such procedures. There can be no assurance that the District will have revenues available to contest an adverse determination by the Service. No transaction participant, including none of the District, the Underwriter, counsel to the Underwriter or Bond Counsel is obligated to pay or reimburse the Owner of any Bond for audit or litigation costs in connection with any legal action, by the Service or otherwise, relating to the Bonds.

There can be no assurance that an audit by the Service of the Bonds will not be commenced. However, the District has no reason to believe that any such audit will be commenced, or that if commenced, an audit would result in a conclusion of noncompliance with any applicable IRS regulation or ruling. No rulings have been or will be sought from the Service with respect to any federal tax matters relating to the issuance, purchase, ownership, receipt or accrual of interest upon, or disposition of, the Bonds, including without limitation whether the District is a political subdivision of the State of Colorado for purposes of the Tax Code and IRS regulations. See also "TAX MATTERS" herein.

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether they would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

Enforcement of Tax Collection by County

The duty to pay property taxes does not constitute a personal obligation of the property owners within the Development. Rather, the obligation to pay property taxes is tied to the specific properties taxed, and if timely payment is not made, the obligation constitutes a lien against the specific properties for which taxes are unpaid. To enforce property tax liens, the County Treasurer is obligated to cause the sale of tax liens upon the property that is subject to the delinquent taxes, as provided by law, and the revenue derived from such sales, if any, is applied to the delinquent taxes. The County Treasurer has the power to foreclose on and cause the sale of the property that is subject to the delinquent tax, after the period allowed for the property owner to redeem such taxes, as provided by law. Such redemption period is currently three years, during which a property owner may pay all taxes due and prevent such foreclosure. Foreclosure can be a time-consuming and expensive process and does not necessarily result in recovery of all amounts due and unpaid.

In addition, the ability of the County Treasurer to enforce tax liens could be delayed by bankruptcy laws and other laws affecting creditor's rights generally. During the pendency of any bankruptcy of any property owner, the parcels owned by such property owner could be sold only if the bankruptcy court approves the sale. There is no assurance that property taxes would be paid during the pendency of any bankruptcy; nor is it possible to predict the timeliness of such payment.

Finally, the collection of property taxes is dependent upon the property subject to such taxes having sufficient fair market value to support the taxes which are imposed. No assurance can be given as to the future market values of property in the Development. See "RISK FACTORS – Risk of Reductions in Assessed Value; Market Value of Land" and "FINANCIAL INFORMATION – Ad Valorem Property Tax Data."

Enforceability of Bondholders' Remedies Upon Default

The remedies available to the Owners of the Bonds upon a default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional law, statutory law and judicial decisions, including specifically the federal Bankruptcy Code. The legal opinions to be delivered concurrently with delivery of the Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization and insolvency or other similar laws affecting the rights of creditors generally, now or hereafter in effect; to usual equity principles which may limit the specific enforcement under State law of certain remedies; to the exercise by the United States

of America of the powers delegated to it by the federal constitution; and to the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies, in the interest of serving an important public purpose.

Future Changes in Law

Various State laws, constitutional provisions and federal laws and regulations apply to the obligations created by the issuance of the Bonds and various agreements described herein. There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws and provisions which would have a material effect, directly or indirectly, on the affairs of the District or the Developer.

Subordinate Lien of Series 2023B₍₂₎ Subordinate Bonds

The Series 2023 Senior Bonds constitute Senior Bonds and the Series 2023B₍₂₎ Subordinate Bonds constitute Subordinate Bonds under the Indentures. Accordingly, to the extent any revenues are pledged under the Indentures to both the Series 2023 Senior Bonds and the Series 2023B₍₂₎ Subordinate Bonds, the lien thereon of the Series 2023B₍₂₎ Subordinate Bonds is junior and subordinate in all respects to the lien of the Series 2023 Senior Bonds and any other Senior Bonds issued in the future.

The District has pledged to impose a Subordinate Required Mill Levy for the payment of the Series 2023B₍₂₎ Subordinate Bonds in an amount equal to 63.600 mills (subject to adjustment as described in the Subordinate Indenture), less the Senior Bond Mill Levy, meaning that there will only be ad valorem property taxes generated and applied to payment of the Series 2023B₍₂₎ Subordinate Bonds in the event that the Senior Bond Mill Levy is less than 63.600 mills (subject to adjustment). See “THE SERIES 2023B₍₂₎ SUBORDINATE BONDS – Security for the Series 2023B₍₂₎ Subordinate Bonds.” See also “– Limited Pledged Revenue Sources; No Mortgage; No Conversion to Unlimited Tax Obligations” above and “– Additional Bonds” below.

As demonstrated in the Financial Forecast, it is not anticipated that there will be any Subordinate Pledged Revenue available to pay accrued interest or principal on the Series 2023B₍₂₎ Subordinate Bonds until 20___. See APPENDIX A hereto. This date represents only a forecast, and there is no guarantee that any payments will be made on or after such date.

“Cash Flow” Nature of the Series 2023B₍₂₎ Subordinate Bonds

The Series 2023B₍₂₎ Subordinate Bonds are structured as “cash flow” bonds, meaning that there are no scheduled payments of principal thereof prior to the final maturity date. Rather, principal on the Series 2023B₍₂₎ Subordinate Bonds is payable annually on each December 15 from, and to the extent of, Subordinate Pledged Revenue on deposit, if any, in the Subordinate Bond Fund on November 15 of each year, commencing on November 15, 2024, in accordance with the terms of the Subordinate Indenture, pursuant to a special mandatory redemption more particularly described herein under the section captioned “THE SERIES 2023B₍₂₎ SUBORDINATE BONDS – Certain Subordinate Indenture Provisions - Subordinate Bond Fund; Mandatory Redemption.”

Furthermore, accrued unpaid interest on the Series 2023B₍₂₎ Subordinate Bonds will compound annually on each December 15. According to the Financial Forecast attached hereto as APPENDIX A, no payments of interest are expected to be made on the Series 2023B₍₂₎ Subordinate Bonds until 20___ and no payments of principal are expected to be made on the Series 2023B₍₂₎ Subordinate Bonds until 20___. These dates represent only a forecast, and there is no guarantee that any payments will be made on or after such dates. See “APPENDIX A—DISTRICT’S FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS.” **Prospective purchasers are cautioned that the payment of debt**

service on the Series 2023B₍₂₎ Subordinate Bonds presented in the Forecast is only a projection, based upon the assumptions set forth therein, and failure to pay such amounts on the Series 2023B₍₂₎ Subordinate Bonds in accordance with such projection will not constitute an event of default under the Subordinate Indenture. See also “– Risks Inherent in Projections” above.

The Subordinate Indenture provides that notwithstanding any other provision in the Subordinate Indenture, after application on December 15, 20__ of all available Subordinate Pledged Revenue to the payment of the Series 2023B₍₂₎ Subordinate Bonds, the Series 2023B₍₂₎ Subordinate Bonds and the lien of the Subordinate Indenture securing payment thereof shall be deemed fully satisfied on the Termination Date of December 16, 20__, (the “Subordinate Termination Date”). Upon such discharge, the Owners will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the Series 2023B₍₂₎ Subordinate Bonds remaining unpaid.

No Assurance of Funding Level of the Surplus Fund

The Series 2023 Senior Bonds are payable, if necessary, from amounts on deposit in the Surplus Fund. The Surplus Fund will be funded from proceeds of the Series 2023 Senior Bonds in an initial amount of \$_____,* and thereafter the Surplus Fund is to be funded solely from and to the extent of any Senior Pledged Revenue remaining after required deposits are made to the Senior Bond Fund and any similar fund or account established to secure payment of the principal of, premium, if any, and interest on any additional Senior Bonds. Consequently, there can be no assurance as to the amount that will be on deposit in the Surplus Fund at any particular time. The Financial Forecast projects that the Surplus Fund will be funded in the amount of the Maximum Surplus Amount in 20__*. See “THE SERIES 2023 SENIOR BONDS – Security for the Series 2023 Senior Bonds” and “– Certain Senior Indenture Provisions.” See also “– Risks Inherent in Projections.”

No Acceleration; No Payment Default

The Indentures provide that acceleration of the Bonds is not an available remedy for an Event of Default.

In the Senior Indenture it is acknowledged that, due to the limited nature of the Senior Pledged Revenue, the District’s failure to pay principal and interest on the Series 2023 Senior Bonds when due does not constitute an Event of Default under the Senior Indenture. See “THE SERIES 2023 SENIOR BONDS – Certain Senior Indenture Provisions - Events of Default” and “- Remedies on Occurrence of Event of Default.”

In the Subordinate Indenture it is acknowledged that, due to the limited nature of the Subordinate Pledged Revenue, the District’s failure to pay principal and interest on the Series 2023₍₂₎ Subordinate Bonds when due does not constitute an Event of Default under the Subordinate Indenture. See “THE SERIES 2023B₍₂₎ SUBORDINATE BONDS – Certain Subordinate Indenture Provisions - Events of Default” and “- Remedies on Occurrence of Event of Default.”

Limited Offering; Restrictions on Purchase; Investor Suitability

The offering of the Bonds is being made to a limited number of knowledgeable and experienced investors who are not purchasing with a view to distributing the Bonds. Each purchaser must be a “financial institution or institutional investor” within the meaning of § 32-1-103(6.5), C.R.S. Moreover, the Series 2023A-1 Senior Bonds and Series 2023B₍₂₎ Subordinate Bonds are being issued in minimum initial

* Preliminary, subject to change.

denominations of \$500,000 and the Series 2023A-1 Senior Bonds are being issued initially only in a denomination of at least \$500,000 of the Accreted Value of a Series 2023A-1 Senior Bond.

The foregoing standards are only minimum requirements for prospective purchasers of the Bonds. The satisfaction of such standards does not necessarily mean that the Bonds are a suitable investment for a prospective investor. Accordingly, each prospective investor is urged to consult with its own legal, tax and financial advisors to determine whether an investment in the Bonds is appropriate in light of its individual legal, tax and financial situation.

No Assurance of Secondary Market

No assurance can be given concerning the future existence of a secondary market for the Bonds and prospective purchasers of the Bonds should therefore be prepared, if necessary, to hold the Bonds to maturity or prior redemption. Even if a secondary market exists, as with any marketable securities, there can be no assurance as to the price for which the Bonds may be sold. Such price may be lower than that paid by the initial purchaser of the Bonds, depending on the progress of the Development, existing real estate and financial market conditions. See also “– Restrictions on Transferability” below.

Restrictions on Transferability

By their acceptance of the Bonds, each Bondholder acknowledges that the Bonds may be sold, transferred or otherwise disposed of only in minimum denominations of \$500,000 and any integral multiple of \$1,000 in excess thereof, except as otherwise provided in the Indentures. See “THE SERIES 2023 SENIOR BONDS – Authorized Denominations of the Series 2023 Senior Bonds” and “THE SERIES 2023B₍₂₎ SUBORDINATE BONDS – Authorized Denominations of the Series 2023B₍₂₎ Subordinate Bonds.”

Risks Related to COVID-19 (Coronavirus)

In General. The spread of the coronavirus disease 2019 (“COVID-19”) has altered the behavior of individuals and businesses in a manner that in many respects has had significant negative effects on global, national, and local economies. State and local governments, including the State of Colorado (the “State”), have announced orders, recommendations and other measures intended to slow the spread of COVID-19, impacting both business and individuals. These COVID-19 measures are changing rapidly. A brief summary of the current status of certain of such measures in the State is set forth below. However, such status is subject to change at any time. Such governmental measures, and the reluctance of some people to engage in activities that might expose them to COVID-19, has resulted in many businesses experiencing a decline in revenue and in some cases has resulted in actual or potential bankruptcy. In addition, mandatory and voluntary business closures, as well as reduced demand in certain sectors, have resulted in increased unemployment, and reduced hours and/or salaries for certain workers. The full extent of the impact of COVID-19 on the economy is uncertain at this time and may be substantial and long-lasting.

Although vaccines have been developed to help combat the spread of COVID-19 and have begun to be administered, such vaccines are not 100% effective and it is not clear how long the benefits of such vaccines may last. Also, COVID-19 mutations have developed that may be more easily transmittable and more immune to current vaccines than previous strains. Furthermore, it is not known how many people may choose not to get vaccinated.

Lifting of the State’s Emergency Health Declaration Related to COVID-19. On July 8, 2021, Colorado Governor Polis lifted the State’s emergency health declaration related to COVID-19 and most of the Governor’s COVID-19 related executive orders.

Effects of COVID-19 Orders on Property Taxes. In response to the COVID-19 pandemic, Colorado Governor Polis previously issued Executive Orders, and the State legislature has passed legislation, permitting the suspension or waiver delinquent interest on property taxes for a period of time, and imposing certain limitations on evictions and foreclosures. It is unknown whether the State Governor, the State legislature, or any other governmental official or entity, will take any further actions authorizing similar actions or suspending payment of ad valorem property taxes or suspending or limiting foreclosure proceedings or evictions relating to real property. The Pledged Revenue pledged to the payment of the Bonds is derived primarily from ad valorem property taxes. To the extent any such governmental actions are taken, there is no guarantee that such action would not adversely affect the amount or timing of the District's property tax revenue. Significant delays in the receipt of property taxes or decreases in the amount of tax revenue received by the District would adversely affect the security for the Bonds, and the effect of such delays or decreases could be material. Further, it is possible that the economic impact of COVID-19 could cause, among other things: (a) the assessed value of property in the District to decrease, and (b) the development of undeveloped property in the District to slow from what is projected or to stop entirely. Either event could materially reduce the Pledged Revenue for the Bonds.

COVID-19 Uncertainty. It is unknown how extensive the spread of the COVID-19 will be in the State and elsewhere; what the governmental, public and private response thereto will be; or how long the current COVID-19 restrictions will remain in place or whether they will be replaced with similar or stricter restrictions. These things may change rapidly. The District cannot predict (i) the duration or extent of the COVID-19 pandemic; (ii) what effect the COVID-19 pandemic will continue to have on global, national, and local economies; or (iii) the impact the COVID-19 pandemic will have on the Pledged Revenue.

There can be no assurance that the spread of COVID-19 and the implementation of restrictions on a local, State and national level, and public and private reaction thereto, will not materially impact the local, State and national economies and, accordingly, there is no guarantee that such occurrences will not adversely affect the amount of the Pledged Revenue available for payment of the Bonds, or the timing of the receipt of the Pledged Revenue, and such adverse effects may be material.

It is impossible to predict and therefore this Limited Offering Memorandum (including the appendices hereto) cannot fully address the various types or the magnitude of the effects that COVID-19 may create globally, nationally, statewide and locally, including with respect to the Pledged Revenue. Prospective purchasers of the Bonds should note that this Limited Offering Memorandum (including the appendices hereto) provides information as of the dates stated herein and does not reflect updates on the matters described herein including, without limitation, the potential effects of COVID-19, and such updates could be adverse.

Environmental Matters

There can be no assurance that during or subsequent to the continued development of property within the District, hazardous materials, other adverse environmental conditions, endangered species, threatened habitats or adverse soil conditions will not be discovered on the property which could hinder or prohibit further development of property within the District. Should such a discovery occur, it is possible that the development and marketing of the Development could be materially adversely affected. See "THE DEVELOPMENT – Environmental Matters" herein.

THE SERIES 2023 SENIOR BONDS

Description

The Series 2023 Senior Bonds will be issued in the principal amount will be dated and will mature as indicated on the cover page of this Limited Offering Memorandum. For a complete statement of the

details and conditions of the Series 2023 Senior Bond issue, reference is made to the Senior Indenture, a copy of which is available from the Underwriter prior to the delivery of the Series 2023 Senior Bonds. See “INTRODUCTION – Additional Information.”

See APPENDIX A – “SELECTED DEFINITIONS” for definitions of the capitalized terms used above and otherwise throughout this Limited Offering Memorandum. See also “– Security for the Series 2023 Senior Bonds,” below.

Discharge on December [2], 20__

The Senior Indenture provides that notwithstanding any other provision in the Senior Indenture, in the event that any amount of principal of or interest on the Series 2023 Senior Bonds remains unpaid after application on December 1, 20__ of all available Senior Pledged Revenue to the payment of the Series 2023 Senior Bonds, the Series 2023 Senior Bonds and the lien of the Senior Indenture securing payment thereof shall be deemed fully satisfied on the Senior Termination Date of December 2, 20__, and on such date the Series 2023 Senior Bonds shall be discharged and the Senior Indenture shall terminate, and the estate and rights hereby granted shall cease, terminate, and be void, and thereupon the Trustee shall cancel the Series 2023 Senior Bonds and discharge the lien of the Senior Indenture, and execute and deliver to the District such instruments in writing as shall be required to evidence the same. Upon such discharge, the Owners will have no recourse to the District or any property of the District for the payment of any amount of Accreted Value, principal of, premium, if any, or interest on the Series 2023 Senior Bonds remaining unpaid.

Authorized Denominations of the Series 2023 Senior Bonds

The Series 2023 Senior Bonds are being issued in “Authorized Denominations,” defined in the Senior Indenture to mean with respect to the Series 2023A-1 Senior Bonds and the Series 2023A-2 Senior Bonds after the Current Interest Conversion Date, the amount of \$500,000 or any integral multiple of \$1,000 in excess thereof; provided that no individual Series 2023 Senior Bond may be in an amount which exceeds the principal amount coming due on any maturity date; and in the event a Series 2023 Senior Bond is partially redeemed and the unredeemed portion is less than \$500,000, such unredeemed portion of such Series 2023 Senior Bond may be issued in the largest possible denomination of less than \$500,000, in an integral multiple of \$1,000. With respect to the Series 2023A-2 Bonds prior to the Current Interest Conversion Date, “Authorized Denominations” means a denomination of at least \$500,000 of the Accreted Value of a Series 2023A-2 Senior Bond at the applicable date of purchase or transfer of such Series 2023A-2 Senior Bond, provided that: no individual Series 2023A-2 Senior Bond may be in an amount which exceeds the principal amount coming due on any maturity date; and in the event a Series 2023A-2 Senior Bond is partially redeemed and the unredeemed portion is less than \$500,000, such unredeemed portion of such Bond may be issued in the largest possible denomination of less than \$500,000, in an integral multiple of \$0.01.

Payment of Principal and Interest

The Series 2023A-1 Senior Bonds. The Series 2023A-1 Senior Bonds will bear interest at the rate set forth on the front cover hereof (computed on the basis of a 360-day year of twelve 30-day months) payable to the extent of Senior Pledged Revenue available therefor semiannually on each June 1 and December 1, commencing on December 1, 2023.

Subject to the Senior Termination Date, to the extent principal of any Series 2023A-1 Senior Bond is not paid when due, such principal shall remain Outstanding until paid. To the extent interest on any Series 2023A-1 Senior Bond is not paid when due, such interest shall compound semiannually on each Senior Interest Payment Date, at the rate then borne by the Series 2023A-1 Senior Bond; provided, however,

that notwithstanding anything in the Senior Indenture to the contrary, the District shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Series 2023A-1 Senior Bonds, including all payments of principal, premium if any, and interest, and all Series 2023A-1 Senior Bonds will be deemed defeased and no longer Outstanding upon the payment by the District of such amount. See also “RISK FACTORS – Maximum Debt Mill Levy Imposition Term; Termination Dates for the Bonds” and “– Security for the Series 2023 Senior Bonds - Covenant to Impose the Senior Required Mill Levy” for a discussion about the Maximum Debt Mill Levy Imposition Term.

The principal of and premium, if any, on the Series 2023A-1 Senior Bonds are payable in lawful money of the United States of America to the Owner of each Series 2023A-1 Senior Bond upon maturity or prior redemption and presentation at the principal office of the Trustee. The interest on any Series 2023A-1 Senior Bond is payable to the person in whose name such Series 2023A-1 Senior Bond is registered, at his address as it appears on the registration books maintained by or on behalf of the District by the Trustee, at the close of business on the Record Date, irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such Senior Interest Payment Date; provided that any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and shall be payable to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of any such unpaid interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the unpaid interest, and notice of the Special Record Date shall be given to the Owners of the Series 2023A-1 Bonds not less than 10 days prior to the Special Record Date by first-class mail to each such Owner as shown on the registration books kept by the Trustee on a date selected by the Trustee. Such notice shall state the date of the Special Record Date and the date fixed for the payment of such unpaid interest.

Payments for the principal of and interest on the Series 2023A-1 Senior Bonds will be made as described in APPENDIX F – “BOOK-ENTRY-ONLY SYSTEM.”

The Series 2023A-2 Senior Bonds. The Series 2023A-2 Senior Bonds are to be issued in the Original Principal Amount (and having Accreted Value at the Current Interest Conversion Date) and shall bear interest after the Conversion Date at the rate per annum, set forth on the cover page hereof.

Prior to the Current Interest Conversion Date, the Series 2023A-2 Senior Bonds shall pay no current interest, and shall accrete in value at the accretion rate stated above, compounding semi-annually on each June 1 and December 1, commencing December 1, 2023, from their date of delivery.

Computations of Accreted Value. If the date of computation of the Accreted Value of a Series 2023A-2 Senior Bond is any date other than a date specifically stated in the Accretion Table set forth in Appendix G hereto, the base Accreted Value of such Series 2023A-2 Senior Bond prior to the reduction therefrom of all redemptions thereof (the “Base Accreted Value”) shall be computed by a Certified Public Accountant selected by the District, by interpolating such Base Accreted Value, using the straight line method, by reference to the Base Accreted Value for the date listed on the Accretion Table which is immediately prior to and immediately subsequent to such date, and the number of calendar days elapsed since the date listed which is immediately prior to such date. The Trustee and the District shall be entitled to rely upon any such computation of such Certified Public Accountant.

If the date of computation of the Accreted Value of a Series 2023A-2 Senior Bond is a date of redemption under the Senior Indenture, the Accreted Value of the Series 2023A-2 Senior Bond to be redeemed shall be the Accreted Value of such Series 2023A-2 Senior Bond on the day immediately preceding the applicable redemption date, and the redemption price shall be deemed applied to such Series 2023A-2 Senior Bond prior to its daily accretion in value on such redemption date.

If the date of computation of the Accreted Value of a Series 2023A-2 Senior Bond is any June 1 or December 1, unless the applicable June 1 or December 1 is a date of redemption under the Senior Indenture the Accreted Amount of such Series 2023A-2 Senior Bond that compounds on such June 1 or December 1 shall be included in such Accreted Value. If the applicable June 1 or December 1 is a redemption date, the Accreted Value of the Series 2023A-2 Senior Bond to be redeemed shall be the Accreted Value of such Series 2023A-2 Senior Bond on the day immediately preceding such June 1 or December 1, and the redemption price of such Series 2023A-2 Senior Bond shall be deemed applied first, to the Accreted Amount of such Series 2023A-2 Senior Bond that would have compounded on such June 1 or December 1 had the Series 2023A-2 Senior Bond not been redeemed (or as much of such Accreted Amount as can be paid with the funds comprising such redemption price). Only that portion of the Accreted Amount of such Series 2023A-2 Senior Bond not paid upon such redemption, if any, shall compound on such June 1 or December 1.

References Prior to Series 2023A-2 Current Interest Conversion Date. Prior to the Current Interest Conversion Date, references in the Subordinate Indenture concerning Series 2023A-2 Senior Bonds with respect to: (i) “interest” on any Series 2023A-2 Senior Bond shall, unless the context clearly indicates otherwise, refer to the excess of the Accreted Value over the Original Principal Amount of such Series 2023A-2 Senior Bond, as of any relevant date; (ii) “principal” of any Series 2023A-2 Senior Bond shall refer to the Original Principal Amount of such Series 2023A-2 Senior Bond; and (iii) principal of and accrued interest on” any Series 2023A-2 Senior Bond, or words of similar import, shall be construed to mean the Accreted Value of the Series 2023A-2 Senior Bonds as of the relevant date, computed as provided in “- Computations of Accreted Value above.

References After Current Interest Conversion Date. Notwithstanding (iii) in the paragraph immediately preceding, after the Current Interest Conversion Date, for purposes of determining the application of moneys to the payment of principal and interest on the Series 2023A-2 Senior Bonds, “principal” of a Series 2023A-2 Senior Bond shall mean the Accreted Value of such Series 2023A-2 Senior Bond as of the Current Interest Conversion Date less any payments of such principal, and “interest” on a Series 2023A-2 Senior Bond shall mean the interest accrued (but unpaid) on such Outstanding principal after the Current Interest Conversion Date.

Conversion of Series 2023A-2 Senior Bonds to Current Interest Obligations. On the Current Interest Conversion Date, the Series 2023A-2 Senior Bonds shall, without any action necessitated on the part of the District, or any Owner, or any other person or entity, cease to be capital appreciation bonds and convert automatically to current interest bonds.

Principal. The Accreted Value of the Series 2023A-2 Senior Bonds as of the Current Interest Conversion Date shall, as of such date, constitute the aggregate principal of the Series 2023A-2 Senior Bonds then Outstanding. Regularly scheduled payments of the Outstanding principal of the Series 2023A-2 Senior Bonds shall be payable on each Principal Payment Date (as such term is defined in the Senior Indenture) solely from and to the extent of the Senior Pledged Revenue then available for such payment.

Interest. Commencing on the Current Interest Conversion Date, the Series 2023A-2 Senior Bonds shall no longer accrete in value. On and after the Current Interest Conversion Date and until maturity or prior redemption, the Outstanding principal of the Series 2023A-2 Senior Bonds shall bear interest at the applicable per annum rate set forth on the cover page hereof. Regularly scheduled payments of interest on the Series 2023A-2 Senior Bonds shall be payable solely from and to the extent of Senior Pledged Revenue available therefor on each June 1 and December 1 thereafter, commencing June 1, 2029.

On and After the Current Interest Conversion Date and subject to the Senior Termination Date, to the extent principal of any Series 2023A-1 Senior Bond is not paid when due, such principal shall remain

Outstanding until paid. To the extent interest on any Series 2023A-2 Senior Bond is not paid when due, such interest shall compound semiannually on each Senior Interest Payment Date, at the rate then borne by the Series 2023A-1 Senior Bond until paid; provided, however, that notwithstanding anything in the Senior Indenture to the contrary, the District shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Series 2023A-2 Senior Bonds, including all payments of principal, premium if any, and interest, and all Series 2023A-2 Senior Bonds will be deemed defeased and no longer Outstanding upon the payment by the District of such amount.

The principal of and premium, if any, on the Series 2023A-2 Senior Bonds are payable in lawful money of the United States of America to the Owner of each Series 2023A-2 Senior Bond upon maturity or prior redemption and presentation at the principal office of the Trustee. The interest on any Series 2023A-2 Senior Bond is payable to the person in whose name such Series 2023A-2 Senior Bond is registered, at his address as it appears on the registration books maintained by or on behalf of the District by the Trustee, at the close of business on the Record Date, irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such Senior Interest Payment Date; provided that any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and shall be payable to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of any such unpaid interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the unpaid interest, and notice of the Special Record Date shall be given to the Owners of the Series 2023A-2 Senior Bonds not less than 10 days prior to the Special Record Date by first-class mail to each such Owner as shown on the registration books kept by the Trustee on a date selected by the Trustee. Such notice shall state the date of the Special Record Date and the date fixed for the payment of such unpaid interest.

Payments for the principal of and interest on the Series 2023A-2 Senior Bonds will be made as described in APPENDIX F – “BOOK-ENTRY-ONLY SYSTEM.”

Redemption

Series 2023A-1 Senior Bonds Optional Redemption. The Series 2023A-1 Senior Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000 in any order of series and maturity, and in whole or partial maturities (and if in part from such series and in such order of maturities as the District shall determine and by lot within maturities), on December 1, 20___, and on any date thereafter, upon payment of a redemption price equal to the principal amount so redeemed plus accrued interest thereon to the date of redemption, together with a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

Date of Redemption

Redemption Premium

Series 2023A-2 Senior Bonds Optional Redemption.

Prior to Current Interest Conversion Date. Prior to the Current Interest Conversion Date, the Series 2023A-2 Senior Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$0.01, on _____, 20___ and on any date thereafter, upon payment of a redemption price equal to the Accreted Value so redeemed as of the date of redemption, plus a redemption premium equal to a percentage of the Accreted Value so redeemed, as follows:

Date of Redemption

Redemption Premium

On and After 2023A-2 Current Interest Conversion Date. On and after the Current Interest Conversion Date, the Series 2023A-2 Senior Bonds are subject to redemption, at the option of the District, as a whole or in integral multiples of \$1,000, [on any date, upon payment of a redemption price equal to the principal amount so redeemed plus accrued interest thereon to the date of redemption, without redemption premium] [on _____, 20__ and on any date thereafter, upon payment of a redemption price equal to the principal amount so redeemed plus accrued interest thereon to the date of redemption, together with a redemption premium equal to a percentage of the principal so redeemed, as follows:]

Date of Redemption

Redemption Premium

Mandatory Sinking Fund Redemption.

Series 2023A-1 Senior Bonds. The Series 2023A-1 Senior Bonds maturing on December 1, 20__ are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 20__, and on each December 1 thereafter prior to the maturity date of such Series 2023A-1 Senior Bonds, upon payment of the principal amount so redeemed plus accrued interest thereon to the date of redemption, without redemption premium, in the annual amounts set forth below:

Year of Redemption (December 1)

Redemption Amount

Series 2023A-2 Senior Bonds. The Series 2023A-2 Senior Bonds maturing on December 1, 20__ also are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 20__, and on each December 1 thereafter prior to the maturity date of such Series 2023A-2 Senior Bonds, upon payment of the principal amount so redeemed plus accrued interest thereon to the date of redemption, without redemption premium, in the annual amounts set forth below:

Year of Redemption (December 1)

Redemption Amount

Selection of Series 2023 Senior Bonds for Mandatory Sinking Fund Redemption. On or before 45 days prior to each sinking fund installment date as set forth above, the Trustee shall select for redemption, by lot in such manner as the Trustee may determine, from the Outstanding Bonds of the applicable series and maturity, a principal amount of such Bonds equal to the applicable sinking fund

installment. The amount of the applicable sinking fund installment for any particular date shall be reduced by the principal amount of any Bonds of the applicable series and maturity which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled and not theretofore applied as a credit against a sinking fund installment. Such reductions shall be applied in such year or years as may be determined by the District. In the event that there are not sufficient moneys in the Senior Bond Fund to pay the full amount due in accordance with the foregoing on any sinking fund installment date, the Trustee shall redeem as many Bonds as possible on such date in integral multiples of \$1,000, selecting the same by lot from both series of the Series 2023 Senior Bonds (2023A-1 Bonds and 2023A-2 Bonds) without preference, priority or pre-determined allocation as between the two series (2023A-1 Bonds and 2023A-2 Bonds), and any redemption amount for which funds are not available to redeem Bonds of a particular series shall be added to the redemption amount for the immediately succeeding sinking fund installment date for such series and maturity.

Calculation of Redemption Price of the Series 2023A-2 Senior Bonds Prior to Current Interest Conversion Date. For purposes of calculating the redemption price of any Series 2023A-2 Senior Bonds to be redeemed pursuant to the Senior Indenture prior to the Current Interest Conversion Date, the Series 2023A-2 Senior Bonds shall accrete in value each day at the applicable accretion rate to but not including the date of redemption. Accordingly, the Accreted Value of any Series 2023A-2 Senior Bond to be redeemed shall be the Accreted Value of such Series 2023A-2 Senior Bond on the day immediately preceding the applicable redemption date, and the daily accretion in value of such Series 2023A-2 Senior Bond shall not occur until after the reduction of the Accreted Value of the Series 2023A-2 Senior Bond so redeemed on such date.

Redemption Procedures and Notice. If less than all of the Series 2023 Senior Bonds within a maturity of a series are to be redeemed on any prior redemption date, the Series 2023 Senior Bonds to be redeemed shall be selected by lot prior to the date fixed for redemption, in such manner as the Trustee shall determine.

The Series 2023 Senior Bonds shall be redeemed only in integral multiples of \$1,000 (or, with respect to the redemption of Series 2023A-2 Senior Bonds prior to the Current Interest Conversion Date, in integral multiples of \$0.01). In the event a Series 2023 Senior Bond is of a denomination larger than \$1,000, a portion of such Series 2023 Senior Bond may be redeemed, but only in the principal amount of \$1,000 or any integral multiple thereof (or, with respect to the redemption of Series 2023A-2 Senior Bonds prior to the Current Interest Conversion Date, in integral multiples of \$0.01). Such Series 2023 Senior Bond shall be treated for the purpose of redemption as that number of Series 2023 Senior Bonds which results from dividing the principal amount of such Series 2023 Senior Bond by \$1,000 (or, with respect to the redemption of Series 2023A-2 Senior Bonds prior to the Current Interest Conversion Date, by \$0.01). In the event a portion of any Series 2023 Senior Bond is redeemed, the Trustee shall, without charge to the Owner of such Series 2023 Senior Bond, authenticate and deliver a replacement Series 2023 Senior Bond or Series 2023 Senior Bonds for the unredeemed portion thereof.

In the event any of the Series 2023 Senior Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the Series 2023 Senior Bonds or portions thereof to be redeemed will be given by the Trustee by mailing a copy of the redemption notice by first-class mail (postage prepaid) or by electronic means to DTC or its successors, not less than 30 days prior to the redemption date to the Owner of each Series 2023 Senior Bond to be redeemed in whole or in part at the address shown on the registration books maintained by or on behalf of the District by the Trustee. Failure to give such notice by mailing to any Owner or by electronic means to DTC or its successors, or any defect therein, shall not affect the validity of any proceeding for the redemption of other Series 2023 Senior Bonds as to which no such failure or defect exists. The redemption of the Series 2023 Senior Bonds may be contingent or subject to such conditions as may be specified in the notice, and if funds for the redemption are not irrevocably

deposited with the Trustee or otherwise placed in escrow and in trust prior to the giving of notice of redemption, the notice shall be specifically subject to the deposit of funds by the District. All Series 2023 Senior Bonds so called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

Security for the Series 2023 Senior Bonds

Senior Pledged Revenue. The Series 2023 Senior Bonds are limited tax general obligations of the District secured by and payable solely from and to the extent of the Senior Pledged Revenue consisting of moneys derived by the District from the following sources: (i) the Senior Required Mill Levy, net of fees of the County Treasurer and any tax refunds or abatements authorized by or on behalf of the County; (ii) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Senior Required Mill Levy; and (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application hereunder as Senior Pledged Revenue.

Senior Required Mill Levy. The definition of Senior Required Mill Levy is set forth below. The Series 2023 Senior Bonds are not secured by property lying within the District, but rather by, among other things, the District's obligation to annually determine, fix and certify a rate of levy, not to exceed the Senior Required Mill Levy, for ad valorem property taxes to the County Board of County Commissioners in an amount sufficient to pay, along with other legally available revenues, the principal of and interest on the Series 2023 Senior Bonds. The Senior Indenture provides that in the event any ad valorem taxes are not paid when due, the District shall diligently cooperate with the County Treasurer to enforce the lien of such unpaid taxes against the property for which the taxes are owed. See "- Covenant to Impose the Senior Required Mill Levy" below and "RISK FACTORS – Enforcement of Tax Collection by County."

Definition of Senior Required Mill Levy. Senior Required Mill Levy is defined in the Senior Indenture as:

(a) Subject to paragraph (b) below, "Senior Required Mill Levy" means an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year, commencing in the First Debt Service Mill Levy Imposition Year, in that number of mills which will generate ad valorem tax revenue in an amount sufficient to fully fund the Senior Bond Fund for the relevant Senior Bond Year and pay the Series 2023 Senior Bonds as they come due, but not in excess of 63.600 mills and, if the amount in the Surplus Fund is less than the Maximum Surplus Amount, not less than 63.600 mills; *provided, however*, that if, on or after January 1, 2018, changes are made in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement, such maximum and minimum mill levy shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the maximum and minimum mill levies, as adjusted for changes occurring after January 1, 2018, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in residential rate as defined in Section 39-1-104.2, C.R.S., shall be deemed to be a change in the method of calculating assessed valuation. The Board has determined that, as a result of the provisions of the Service Plan pertaining to mill levy adjustments as described above, the maximum levy of 63.600 mills is, as of the date of the Senior Indenture, 64.044 mills, and is subject to further adjustment after the date thereof.

(b) Notwithstanding anything in the Senior Indenture to the contrary, in no event may the Senior Required Mill Levy be established at a mill levy which would constitute a material departure from the requirements of the Service Plan, or cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Senior Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization or create a material

departure from the Service Plan, the Senior Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded and no material departure from the Service Plan occurs. See “THE SERIES 2023 SENIOR BONDS – Security for the Series 2023 Senior Bonds,” “FINANCIAL INFORMATION” and APPENDIX C – “REPORT OF DISTRICT’S FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS.”

Board Determination of Adjusted Mill Levies. The maximum mill levy of 63.600 mills set forth in the definition of Senior Required Mill Levy above is the maximum mill levy permitted by the Service Plan for the payment of general obligation bonds of the District; provided, however, that pursuant to the Service Plan (and as reflected in subparagraph (a) of the definition of Senior Required Mill Levy set forth in the Senior Indenture), such maximum mill levy is subject to adjustment for changes occurring in the method of calculating assessed valuation since January 1, 2018. These maximum and minimum mill levies are required to be adjusted by the Board as a result of subsequent changes in the ratio of actual valuation to assessed valuation occurring since January 1, 2018. **The Financial Forecast attached as APPENDIX C hereto, assumes that the District will adjust the Required Mill Levy upward to 64.044 mills (based on the residential assessment ratio of 7.15%) in the tax collection year 202_ and continuing through the term of the Financial Forecast. Further adjustments to the maximum mill levy are required to occur in accordance with the definition of Senior Required Mill Levy in the event of future changes to the method of calculating assessed valuation.** See “FINANCIAL INFORMATION – Ad Valorem Property Taxes” for discussion of potential further adjustment of the residential assessment rate.

Covenant to Impose the Senior Required Mill Levy. The Senior Indenture provides that for the purpose of paying the principal of, premium if any, and interest on the Series 2023 Senior Bonds and, if necessary, funding or replenishing the Surplus Fund to the Maximum Surplus Amount, the District covenants to cause to be levied on all of the taxable property of the District, in addition to all other taxes, direct annual taxes in each year, commencing in the First Debt Service Mill Levy Imposition Year and continuing through and including tax levy year 2052 (for tax collection through the year 2053), and in each year thereafter in which the Series 2023 Senior Bonds remain Outstanding, in the amount of the Senior Required Mill Levy, subject, however, to the limitations of the Service Plan with respect to the Maximum Debt Mill Levy Imposition Term. See “RISK FACTORS – Maximum Debt Mill Levy Imposition Term; Termination Dates for the Bonds.” Nothing in the Senior Indenture shall be construed to require the District to levy an ad valorem property tax for payment of the Series 2023 Senior Bonds in an amount in excess of the Senior Required Mill Levy, extends the imposition of a debt service mill levy of the District beyond the Maximum Debt Mill Levy Imposition Term or impose the Senior Required Mill Levy for payment of the Series 2023 Senior Bonds after tax levy year 20__.

The Service Plan prohibits the District from imposing a debt service mill levy for more than thirty five (35) years after the year of the initial imposition of such debt service mill levy (the “Maximum Debt Mill Levy Imposition Term”) unless: (i) a majority of the Board imposing the mill levy are residents of such District, and (ii) such Board has voted in favor of a refunding of a part or all of the Debt and such refunding will result in a net present value savings as set forth in Section 11-56-101, C.R.S. See “THE DISTRICT – Service Plan Limitations.” The District has not yet imposed a debt service mill levy, but the Senior Indenture requires the District to impose the Senior Required Mill Levy in the First Debt Service Mill Levy Imposition Year. The Senior Indenture defines “First Debt Service Mill Levy Imposition Year” as the first year after the date of the Senior Indenture in which the certified assessed valuation is [\$500,000] or more, being the first tax levy year in which the District shall impose and certify the Senior Required Mill Levy. Accordingly, unless the foregoing requirements of the Service Plan are met, the District may not impose a debt service mill levy in any year more than thirty five (35) years after the First Debt Service Mill Levy Imposition Year. See “RISK FACTORS – Maximum Debt Mill Levy Imposition Term; Termination Dates for the Bonds.” **However, even if the foregoing requirements of the Service Plan are met, the Senior**

Indenture does not require the District to impose the Senior Required Mill Levy in any year after 205__. See “RISK FACTORS – Maximum Debt Mill Levy Imposition Term; Termination Dates for the Bonds.”

The Senior Indenture further provides that it is the duty of the Board, annually, at the time and in the manner provided by law for levying other District taxes, to ratify and carry out the provisions of the Senior Indenture with reference to the levying and collection of taxes; and the Board is required to levy, certify and collect said taxes in the manner provided by law for the purposes described in the Senior Indenture.

NOTWITHSTANDING ANY OTHER PROVISION IN THE SENIOR INDENTURE, THE DISTRICT SHALL NOT BE REQUIRED TO IMPOSE THE SENIOR REQUIRED MILL LEVY FOR PAYMENT OF THE SERIES 2023 SENIOR BONDS AFTER TAX LEVY YEAR 20__ (FOR COLLECTION IN CALENDAR YEAR 20__).

Specific Ownership Tax. “Specific Ownership Tax” is defined in the Senior Indenture to mean the specific ownership taxes tax which is collected by the county and remitted to the District pursuant to Section 42-3-107, C.R.S., or any successor statute. as a result of imposition by the District of the Senior Required Mill Levy in accordance with the provisions of the Senior Indenture. Pursuant to Section 42-3-107, C.R.S., specific ownership tax is collected by all counties and distributed to every taxing entity within a county, such as the District, in the proportion that the taxing entity’s ad valorem taxes represents of the cumulative amount of ad valorem taxes levied county-wide. Such specific ownership tax is currently imposed at a graduated rate which varies from 2.1% of taxable value in the first year of ownership to \$3 per year in the tenth year of ownership and thereafter. Changes in State law pursuant to which the specific ownership tax is collected and distributed are not within the control of the District, and could result in a decrease in the present specific ownership tax rates and, as a result, the amount of Specific Ownership Tax received by the District and payable to the Trustee in accordance with the Senior Indenture.

Only the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Senior Required Mill Levy is pledged to the payment of the Series 2023 Senior Bonds. The portion of the Specific Ownership Tax which is collected as the result of the District’s general fund mill levy is anticipated to be applied to operational costs of the District.

The Series 2023 Senior Bonds are also secured by amounts, if any, on deposit in the Surplus Fund, which will be initially funded with proceeds of the Series 2023 Senior Bonds in the amount of \$[_____]* (the “Initial Surplus Fund Deposit”) and, thereafter, is to be funded from Senior Pledged Revenue, if any, available after payment of the Series 2023 Senior Bonds, up to the Maximum Surplus Amount of \$_____.*. In addition, if drawn upon such that the amount therein is less than the Minimum Surplus Amount of \$_____, the Surplus Fund is to be replenished to the Minimum Surplus Amount from Senior Pledged Revenue, if any, available after payment of the Series 2023 Senior Bonds.

Additionally, a portion of the interest to accrue on the Series 2023A-1 Senior Bonds will be paid from proceeds of the Series 2023A-1 Senior Bonds in the amount of \$_____.*.

Certain Senior Indenture Provisions

The following is a description of certain provisions of the Senior Indenture and is subject in all respects to the more specific provisions of the Senior Indenture. See APPENDIX A – “SELECTED DEFINITIONS” for definitions of certain capitalized terms used below and elsewhere in this Limited Offering Memorandum.

* Preliminary, subject to change.

Creation of Funds. Under the Senior Indenture, there are created and established the following funds and accounts, which shall be established, held and maintained by the Trustee in accordance with the provisions of the Senior Indenture:

- (a) The Revenue Fund;
- (b) the Senior Project Fund;
- (c) the Senior Bond Fund and, therein, the 2023A-1 Capitalized Interest Account;
- (d) the Surplus Fund; and
- (e) the Cost of Issuance Fund.

Senior Project Fund. The Senior Project Fund shall be maintained by the Trustee in accordance with the terms of the Senior Indenture.

Draws from the Senior Project Fund. So long as no Event of Default shall have occurred and be continuing, amounts in the Senior Project Fund shall be disbursed by the Trustee to the District in accordance with completed requisitions submitted to the Trustee in substantially the form set forth in Exhibit D to the Senior Indenture signed by (i) the District Representative or the President of the District, and (ii) the District Accountant, certifying that all amounts drawn will be applied to the payment of Project Costs (each, a “Senior Project Fund Requisition”). The Trustee may rely conclusively on any such Senior Project Fund Requisition as to the information and certifications contained therein and shall not be required to make any independent investigation in connection therewith. The execution of any Senior Project Fund Requisition by the District Accountant and the District Representative or the President of the District shall constitute, unto the Trustee, an irrevocable determination that all conditions precedent to the payments requested have been completed.

Transfers From Senior Project Fund to Senior Bond Fund In the event the amounts credited to the Senior Bond Fund (including amounts transferred thereto from the Surplus Fund) are insufficient to pay the principal of and/or interest on the Series 2023 Senior Bonds on any Scheduled Payment Date, the Trustee shall transfer from the Senior Project Fund to the Senior Bond Fund an amount which, when combined with moneys in the Senior Bond Fund (including amounts transferred thereto from the Surplus Fund) will be sufficient to pay the amounts due on such Scheduled Payment Date; and in the event the amounts in the Senior Bond Fund (including amounts transferred thereto from the Surplus Fund) and the Senior Project Fund are insufficient to pay all principal of and/or interest then due on the applicable Scheduled Payment Date, the Trustee shall nonetheless transfer all of the moneys in the Senior Project Fund to the Senior Bond Fund for the purpose of making partial payments as provided in “- Senior Bond Fund” below. Amounts in the Senior Project Fund shall not be transferred to the Senior Bond Fund for the purpose of paying Bonds being called pursuant to any optional redemption provisions of the Senior Indenture.

Priority of Transfers to Senior Bond Fund; Events of Default and Disposition of Unused Moneys. It is the intent of the Senior Indenture that amounts in the Senior Project Fund shall be transferred to the Senior Bond Fund pursuant “-Transfers From the Senior Project Fund to Senior Bond Fund” above only after the transfer of moneys from the Surplus Fund.

Upon the occurrence and continuance of an Event of Default, the Trustee will cease disbursing moneys from the Senior Project Fund and, instead, shall apply such moneys in the manner provided in “- Events of Default” and “- Remedies on Occurrence of Event of Default” below.

Upon the receipt by the Trustee of a resolution of the District determining that all Project Costs have been paid, or that the funds in the Senior Project Fund exceed the amount necessary to pay all Project Costs which the District has determined to pay, any balance remaining in the Senior Project Fund shall be credited to the Senior Bond Fund.

Termination of Senior Project Fund. The Senior Project Fund shall terminate at such time as no further moneys remain therein.

Revenue Fund; Flow of Funds. The Senior Indenture requires that upon issuance of the Series 2023 Senior Bonds, the District is to transfer or cause to be transferred all amounts comprising Senior Pledged Revenue to the Trustee as soon as may be practicable after the receipt thereof, but in no event later than the 15th day of the calendar month immediately succeeding the calendar month in which such Senior Pledged Revenue is received by the District. IN NO EVENT IS THE DISTRICT PERMITTED TO WITHHOLD ANY PORTION OF THE SENIOR PLEDGED REVENUE OR TO APPLY ANY PORTION THEREOF TO ANY PURPOSE OTHER THAN REMITTANCE TO THE TRUSTEE FOR APPLICATION AS SET FORTH IN THE SENIOR INDENTURE. The Trustee shall credit all Senior Pledged Revenue to the Revenue Fund promptly upon the receipt thereof.

The Trustee is to, in each Senior Bond Year, apply the Senior Pledged Revenue (except for Senior Pledged Revenue identified in clause (c) of the definition thereof, which the Trustee shall credit directly to the Senior Bond Fund) in the order of priority set forth in clauses FIRST through FOURTH below and, for purposes of such application: (A) no Senior Pledged Revenue shall flow to a lower priority until all of the higher priorities have been fully funded; (B) when credits or disbursements to more than one fund, account, or purpose are required at any single priority level (each of clauses FIRST through FOURTH below represent a single priority level), such credits and/or disbursements shall rank *pari passu* with each other; and (C) when credits or disbursements are required to go to funds or accounts which are not held by the Trustee under the Senior Indenture, the Trustee may rely upon the written instructions of the District with respect to the appropriate funds or accounts to which such credits and/or disbursements are to be made.

FIRST, to the Trustee, an amount sufficient to pay the Trustee Fees then due and payable.

SECOND, to the credit of the Senior Bond Fund, the amount necessary to pay the principal of and interest on the Series 2023 Senior Bonds due and coming due in the then current Senior Bond Year as more particularly provided in “-Senior Bond Fund” below, and to the credit of or disbursement to any other similar fund or account established for the current payment of the principal of and interest on any other Senior Bonds due or coming due in the then current Senior Bond Year (or equivalent), the amounts required by the documents pursuant to which the Senior Bonds are issued.

THIRD, to the credit of the Surplus Fund the amount, if any, necessary to cause the amount therein to equal the Maximum Surplus Amount, and to the credit of or disbursement to any surplus fund or similar fund or account established in connection with any other Senior Bonds to secure payment of the current principal of and interest on such Senior Bonds (where such fund or account is not funded in an amount of more than 10% of par as of the date of issuance of such Senior Bonds), the amount necessary, if any, to fund or replenish such fund or account to the amount required by the documents pursuant to which such other Senior Bonds are issued.

FOURTH, to the Subordinate Bond Trustee, the amount remaining in the then current Senior Bond Year after the payments and accumulations set forth in clauses FIRST through THIRD above for application in the manner set forth in the Subordinate Indenture; *provided, however*, that if any other Subordinate Bonds are then outstanding, the amounts available at this clause FOURTH shall be allocated among the Series 2023B₍₂₎ Subordinate Bonds and such other Subordinate Bonds

in the manner provided by the applicable Subordinate Bond Documents, and the Trustee shall transfer to each applicable Subordinate Bond Trustee the respective amount set forth in written instructions provided to the Trustee by the District setting forth the respective amounts to be so transferred for each such series of Subordinate Bonds; *provided further, however*, that if the Trustee serves as the Subordinate Bond Trustee for the Series 2023B₍₂₎ Subordinate Bonds and/or any other outstanding Subordinate Bonds, the Trustee shall transfer the amounts so allocated pursuant to the applicable Subordinate Bond Documents without the need for any written instructions from the District (and despite written instructions from the District to the contrary).

FIFTH, to or at the direction of the District, for the credit of or disbursement to any other fund or account as may be designated by the District in writing to the Trustee, to be used for any lawful purpose, all amounts remaining in the then current Senior Bond Year after the payments and accumulations set forth in clauses FIRST through FOURTH above.

Senior Bond Fund.

Credits to Senior Bond Fund; Capitalized Interest Account. Subject to the receipt of sufficient Senior Pledged Revenue, there shall be credited to the Senior Bond Fund each Senior Bond Year an amount of Senior Pledged Revenue which, when combined with other legally available moneys then in the Senior Bond Fund (but not including moneys deposited thereto from other funds pursuant to the terms of the Senior Indenture), will be sufficient to pay the principal of and interest on the Series 2023 Senior Bonds which has or will become due on the Scheduled Payment Dates occurring in the Senior Bond Year in which the credit is made. Moneys in the 2023A-1 Capitalized Interest Account of the Senior Bond Fund shall be taken into account by the Trustee when making such credits in each Senior Bond Year, and no Senior Pledged Revenue shall be applied to the payment of interest on the Series 2023A-1 Senior Bonds until all moneys in the 2023A-1 Capitalized Interest Account have been fully expended. At such time as no amounts remain therein, the 2023A-1 Capitalized Interest Account shall terminate.

Use of Moneys in Senior Bond Fund. Moneys in the Senior Bond Fund (including moneys transferred thereto from other funds pursuant to the terms of the Senior Indenture) shall be used by the Trustee solely to pay the principal of and interest on the Series 2023 Senior Bonds (and premium, if due in connection with an optional redemption of Series 2023 Senior Bonds being made pursuant to the applicable provisions described in “-Redemption” above), in the following order of priority:

- (i) *First*, to the payment of current interest due in connection with the Series 2023 Senior Bonds;
- (ii) *Second*, to the payment of accrued but unpaid interest on the Series 2023 Senior Bonds (which interest has not yet compounded);
- (iii) *Third*, to the payment of interest due as a result of compounding; and
- (iv) *Fourth*, to the extent of any moneys remaining after the payment of all interest due pursuant to (i) through (iii) above:
 - (A) to the payment of the principal of the Series 2023 Senior Bonds then due and owing on the applicable Scheduled Payment Date (which Scheduled Payment Date may constitute a maturity date); or
 - (B) if the Series 2023 Senior Bonds are being optionally redeemed, in whole or in part, pursuant to the applicable provisions described in “-Redemption”

above, to the payment of the principal (and premium, if any) of the Series 2023 Senior Bonds so redeemed on the applicable redemption date.

Insufficient Moneys in the Senior Bond Fund. In the event that available moneys in the Senior Bond Fund (including any moneys transferred thereto from other funds pursuant to the terms of the Senior Indenture) are insufficient for the payment of the principal of, premium if any, and interest due on the Series 2023 Senior Bonds on any Scheduled Payment Date, the Trustee shall apply such amounts on such Scheduled Payment Date as follows:

(i) *First*, to the payment of current interest due in connection with the Series 2023 Senior Bonds, in proportion to the amount of the current interest then due on each Series 2023 Senior Bond;

(ii) *Second*, to the payment of accrued but unpaid interest on the Senior Bonds, in proportion to the amount of accrued but unpaid interest then due on each Series 2023 Senior Bond;

(iii) *Third*, to the payment of interest due on the Series 2023 Senior Bonds as a result of compounding, if any, in proportion to the amount of compounded interest then due on each Series 2023 Senior Bond; and

(iv) *Fourth*, any and all moneys remaining in the Senior Bond Fund after the payment of interest on the Series 2023 Senior Bonds pursuant to (i), (ii) and (iii) above shall be applied, in increments of \$1,000 or any integral multiple thereof, respectively, in the following order of priority:

(A) First, to the payment of past due principal of the Series 2023 Senior Bonds not paid when due on any previous Scheduled Payment Date; and

(B) Second, to the payment of the principal of the Series 2023 Senior Bonds then due and owing on the applicable Scheduled Payment Date.

For purposes of this section (iv), Series 2023 Senior Bonds or portions thereof to be redeemed pursuant to a partial mandatory sinking fund redemption payment shall be selected by lot from the Series 2023 Senior Bonds the principal of which is due and owing on the applicable Scheduled Payment Date.

Investments. Moneys credited to the Senior Bond Fund may be invested or deposited as provided in the Senior Indenture.

Surplus Fund. The Surplus Fund shall be held, maintained and administered by the Trustee and moneys therein shall be used solely as described in this section. The Surplus Fund shall secure the Series 2023 Senior Bonds in accordance with the provisions of the Senior Indenture.

(a) *Initial Partial Funding; Duration of Surplus Fund.* Upon issuance of the Series 2023 Senior Bonds, a portion of the proceeds thereof in the amount of the Initial Surplus Fund Deposit shall partially fund the Surplus Fund. Subject thereafter to the receipt of sufficient Senior Pledged Revenue, the Surplus Fund shall be funded, held and maintained as provided herein until the Series 2023 Senior Bonds have been paid in full, at which time the Trustee shall apply or transfer all amounts then in the Surplus Fund to or at the direction of the District to use for any lawful purpose. The District acknowledges that State law places restrictions on the use of revenue derived from the imposition of a debt service mill levy.

(b) ***Funding and Maintenance of Maximum Surplus Amount.*** Except for the Initial Surplus Fund Deposit, the Surplus Fund shall be funded solely from and to the extent of Senior Pledged Revenue available for such purpose pursuant to clause THIRD in “-Revenue Fund; Flow of Funds” above up to the Maximum Surplus Amount. In the event the Surplus Fund is drawn on or valued such that the amount therein is less than the Maximum Surplus Amount, the Surplus Fund shall be replenished in the amount necessary to cause the amount therein to equal the Maximum Surplus Amount, but solely from and to the extent of Senior Pledged Revenue available for such purpose pursuant to clause THIRD in “-Revenue Fund; Flow of Funds” above. Except to the extent Senior Pledged Revenue is available pursuant to clause THIRD in “-Revenue Fund; Flow of Funds” above (and except for the Initial Surplus Fund Deposit from Series 2023 Senior Bond proceeds), the District has no obligation to fund the Surplus Fund in any amount.

(c) ***Transfers to Senior Bond Fund.*** In the event the amounts credited to the Senior Bond Fund are insufficient to pay the principal of and/or interest on the Series 2023 Senior Bonds when due on any Scheduled Payment Date, the Trustee shall transfer from the Surplus Fund to the Senior Bond Fund an amount which, when combined with moneys in the Senior Bond Fund, will be sufficient to make such payments when due on the applicable Scheduled Payment Date; and in the event the amounts in the Senior Bond Fund and the Surplus Fund are insufficient to pay all principal of and/or interest on the Series 2023 Senior Bonds due on the applicable Scheduled Payment Date, the Trustee shall nonetheless transfer all of the moneys in the Surplus Fund to the Senior Bond Fund for the purpose of making partial payments as provided in “-Senior Bond Fund – Insufficient Moneys in Senior Bond Fund” above. Amounts in the Surplus Fund are not to be used to redeem Series 2023 Senior Bonds being called pursuant to any optional redemption provisions of the Senior Indenture.

(d) ***Investments.*** Moneys credited to the Surplus Fund may be invested or deposited by the Trustee at the written direction of the District in Permitted Investments only and in accordance with the laws of the State. The investment of moneys credited to the Surplus Fund shall, however, be subject to the covenants and provisions the Senior Indenture. Investments in the Surplus Fund shall be valued by the Trustee at market value at least quarterly. Interest income from the investment or reinvestment of moneys credited to the Surplus Fund shall remain in and become part of the Surplus Fund if the Surplus Fund balance is less than the Maximum Surplus Amount. At any time that the Trustee determines that the Surplus Fund balance exceeds the Maximum Surplus Amount, such excess amounts shall be transferred by the Trustee to the Senior Bond Fund on or prior to the next Interest Payment Date.

(e) ***Priority of Transfers to Senior Bond Fund.*** It is intended that amounts in the Surplus Fund are to be transferred to the Senior Bond Fund for the purpose of paying the principal of and/or interest on the Series 2023 Senior Bonds on any Scheduled Payment Date prior to any transfer thereto from the Senior Project Fund for such purpose.

Costs of Issuance Fund. On the date of issuance of the Series 2023 Senior Bonds and from the proceeds thereof, the amount set forth in “USE OF PROCEEDS AND DEBT SERVICE REQUIREMENTS” below shall be deposited in the Costs of Issuance Fund. The Trustee shall disburse amounts from the Costs of Issuance Fund at the direction of the District for payment of the fees, costs and expenses incurred in connection with the issuance of the Series 2023 Senior Bonds pursuant to invoices provided to the Trustee which are consistent with the closing memorandum prepared by the Underwriter. Following receipt of the direction of the District to disburse funds in accordance with the closing memorandum (which direction may be via e-mail transmission), the Trustee may rely conclusively on the instructions provided in the closing memorandum and shall not be required to make any independent investigation in connection with such payments. Amounts to be disbursed from the Costs of Issuance Fund other than as provided in the closing memorandum must be approved in writing by the District prior to disbursement. On the date which is 120 days after the date of issuance of the Series 2023 Senior Bonds,

the Trustee shall transfer all amounts then remaining in the Costs of Issuance Fund, if any, to the Senior Project Fund. At such time as no moneys remain therein, the Costs of Issuance Fund shall terminate.

Additional Covenants and Agreements of the District in Senior Indenture. The District irrevocably covenants in the Senior Indenture and agrees with each and every Owner that so long as any of the Series 2023 Senior Bonds remain Outstanding:

(a) The District shall not dissolve, merge, or otherwise alter its corporate structure in any manner or to any extent as might materially adversely affect the security provided for the payment of the Series 2023 Senior Bonds, and will continue to operate and manage the District and its facilities in an efficient and economical manner in accordance with all applicable laws, rules, and regulations; provided however, that the foregoing shall not prevent the District from dissolving pursuant to the provisions of the Act.

(b) At least once a year the District will cause an audit to be performed of the records relating to its revenues and expenditures, and the District shall use its reasonable efforts to have such audit report completed no later than September 30 of the calendar year immediately succeeding the calendar year which is the subject of such audit. The foregoing covenant shall apply notwithstanding any state law audit exemptions that may exist. In addition, at least once a year in the time and manner provided by law, the District will cause a budget to be prepared and adopted. Copies of the budget and audit will be filed and recorded in the places, at the times, and in the manner provided by law.

(c) The District will carry general liability, public officials' liability, and such other forms of insurance on insurable District property upon the terms and conditions, in such amounts, and issued by recognized insurance companies, as in the judgment of the District will protect the District and its operations.

(d) Each District official or other person having custody of any District funds or responsible for the handling of such funds shall be bonded or insured against theft or defalcation at all times.

(e) In the event any ad valorem taxes are not paid when due, the District shall diligently cooperate with the appropriate county treasurer to enforce the lien of such unpaid taxes against the property for which the taxes are owed.

(f) In the event the Senior Pledged Revenue and other moneys available under the Senior Indenture for payment of the Series 2023 Senior Bonds is insufficient or is anticipated to be insufficient to pay the principal of and/or interest on the Series 2023 Senior Bonds when due, the District shall use its reasonable efforts to refinance, refund, or otherwise restructure the Series 2023 Senior Bonds so as to avoid such insufficiency.

(g) In the event that any Senior Pledged Revenue is released to the District as provided in clause FIFTH of "-Revenue Fund; Flow of Funds" above, the District will, in making its determination as to which obligations will be paid with such amounts, take into account that State law places certain restrictions upon the use of any moneys representing ad valorem property tax revenue.

Additional Bonds. The Senior Indenture provides that after issuance of the Series 2023 Senior Bonds, no Additional Bonds may be issued except in accordance with the provisions of the Senior Indenture. The Senior Indenture does not limit or restrict the right of the District to issue or incur obligations which are not Additional Bonds thereunder; provided that notwithstanding the foregoing or anything therein to the contrary, the District shall not create, incur, assume, or suffer to exist any liens or encumbrances upon the ad valorem tax revenues of the District or the Senior Pledged Revenue or any part thereof superior to the lien thereon of the Series 2023 Senior Bonds.

The District may issue the Series 2023B₍₂₎ Subordinate Bonds in accordance with the Subordinate Indenture without regard to the other provisions of this section. Further, the District may issue Permitted Refunding Bonds at such time or times and in such amounts as may be determined by the District in its absolute discretion.

Additional Senior Bonds. The District may issue Additional Bonds which constitute Senior Bonds on parity with the Series 2023 Senior Bonds if such issuance is consented to by the Consent Parties with respect to a majority in aggregate principal amount of the Series 2023 Senior Bonds then Outstanding, provided that, with or without such consent, the District may issue additional Senior Bonds if all of the following conditions are met as of the date of issuance of such additional Senior Bonds:

- (i) no Event of Default has occurred and is continuing hereunder and no amounts of principal or interest on the Series 2023 Senior Bonds or any other Senior Bonds then outstanding are due but unpaid;
- (ii) upon issuance of the additional Senior Bonds, the Debt to Assessed Ratio of the District will be 50% or less; and
- (iii) the maximum mill levy which the District promises to impose for payment of the additional Senior Bonds is not higher than the number of mills equal to the maximum Senior Required Mill Levy as determined under paragraph (a) of the definition thereof provided in the Senior Indenture and shall be subject to the same adjustments as the Senior Required Mill Levy.

Additional Subordinate Bonds. The District may issue Additional Bonds constituting Subordinate Bonds without prior notice to or the consent of the Consent Parties; provided that each of the following conditions is met as of the date of issuance of the Subordinate Bonds:

- (i) The failure to make a payment when due on the Subordinate Bonds shall not constitute an event of default under the Subordinate Bond Documents pursuant to which such additional Subordinate Bonds are issued.
- (ii) The additional Subordinate Bonds shall not be subject to acceleration for any reason whatsoever.
- (iii) The maximum mill levy which the District promises to impose for payment of the Subordinate Bonds (A) is not higher than the number of mills equal to the maximum Senior Required Mill Levy as determined under paragraph (a) of the definition thereof set forth in the Senior Indenture *minus* the number of mills required to be imposed in connection with the Series 2023 Senior Bonds and any other Senior Bonds then outstanding, and (B) shall be subject to the same adjustments as the Senior Required Mill Levy.
- (iv) The additional Subordinate Bonds are payable as to both principal and interest not more than once annually on a date in any calendar year which is after the final principal and interest payment due dates in that calendar year on the Series 2023 Senior Bonds and any other Senior Bonds.

District Certification. A written certificate by the President or Treasurer of the District that the conditions for issuance of Additional Bonds as set forth above are met shall conclusively determine the right of the District to authorize, issue, sell, and deliver such Additional Bonds in accordance with the Senior Indenture.

Events of Default. The Senior Indenture provides that the occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an Event of Default under the Senior Indenture (whatever the reason for such event or condition and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree, rule, regulation or order of any court or any administrative or governmental body), and there shall be no default or Event of Default thereunder except as provided in the Senior Indenture:

- (a) The District fails or refuses to impose the Senior Required Mill Levy;
- (b) The District fails or refuses to remit (or cause to be remitted) the Senior Pledged Revenue to the Trustee as required by the Senior Indenture.
- (c) The District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Senior Indenture or the Bond Resolution, other than as described in (a) and (b) above, and fails to remedy the same after notice thereof pursuant to the Senior Indenture; or
- (d) the District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Series 2023 Senior Bonds.

WITHOUT LIMITING THE FOREGOING, AND NOTWITHSTANDING ANY OTHER PROVISION CONTAINED IN THE SENIOR INDENTURE, THE DISTRICT ACKNOWLEDGES AND AGREES THAT THE APPLICATION OF ANY PORTION OF THE SENIOR PLEDGED REVENUE TO ANY PURPOSE OTHER THAN DEPOSIT WITH THE TRUSTEE IN ACCORDANCE WITH THE PROVISIONS THEREOF CONSTITUTES A VIOLATION OF THE TERMS OF THE SENIOR INDENTURE AND A BREACH OF THE COVENANTS MADE THEREUNDER FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2023 SENIOR BONDS, WHICH SHALL ENTITLE THE TRUSTEE TO PURSUE, ON BEHALF OF THE OWNERS OF THE SERIES 2023 SENIOR BONDS, ALL AVAILABLE ACTIONS AGAINST THE DISTRICT IN LAW OR IN EQUITY, AS MORE PARTICULARLY PROVIDED IN THE SENIOR INDENTURE. THE DISTRICT FURTHER ACKNOWLEDGES AND AGREES THAT THE APPLICATION OF SENIOR PLEDGED REVENUE IN VIOLATION OF THE COVENANTS OF THE SENIOR INDENTURE WILL RESULT IN IRREPARABLE HARM TO THE OWNERS OF THE SERIES 2023 SENIOR BONDS. IN NO EVENT SHALL ANY PROVISION OF THE SENIOR INDENTURE BE INTERPRETED TO PERMIT THE DISTRICT TO RETAIN ANY PORTION OF THE SENIOR PLEDGED REVENUE.

The Senior Indenture states that it is acknowledged that due to the limited nature of the Senior Pledged Revenue, the failure to pay the principal of or interest on the Series 2023 Senior Bonds when due shall not, of itself, constitute an Event of Default thereunder.

IN ADDITION, IT IS ACKNOWLEDGED THAT THE DISTRICT SHALL NOT BE REQUIRED TO IMPOSE THE SENIOR REQUIRED MILL LEVY PURSUANT TO THE TERMS OF THE SENIOR INDENTURE FOR PAYMENT OF THE SERIES 2023A SENIOR BONDS AFTER DECEMBER 20__ (FOR COLLECTION IN CALENDAR YEAR 20__).

The Trustee is to give to the Owners of all Series 2023 Senior Bonds notice by mailing to the address shown on the registration books maintained by the Trustee or by electronic means to DTC or its successors, of all Events of Default of which the Trustee is by the Senior Indenture required to take notice, or if notice of an Event of Default is given as provided in the Senior Indenture, within 90 days after the Trustee has knowledge of the occurrence of such default or Event of Default unless such default or Event of Default shall have been cured before the giving of such notice; provided that, the Trustee shall be

protected in withholding such notice if and so long as a committee of its corporate trust department in good faith determines that the withholding of such notice is not detrimental to the interests of the Owners.

No default under subsection (c) in “- Events of Default” above shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given by the Trustee or by the Owners of not less than 25% in aggregate principal amount of all Series 2023 Senior Bonds Outstanding to the District, and the District shall have had 30 days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted within the applicable period and diligently pursued thereafter until the default is corrected.

Remedies on Occurrence of Event of Default. Upon the occurrence and continuance of an Event of Default, the Senior Indenture provides that the Trustee may pursue the following rights and remedies:

(a) *Receivership.* Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the Trust Estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the Trustee shall be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the Senior Indenture to, the Trustee.

(b) *Suit for Judgment.* The Trustee may proceed to protect and enforce its rights and the rights of the Owners under the Act, the Series 2023 Senior Bonds, the Bond Resolution, the Senior Indenture, and any provision of law by such suit, action, or special proceedings as the Trustee, being advised by Counsel, shall deem appropriate.

(c) *Mandamus or Other Suit.* The Trustee may proceed by mandamus or any other suit, action or proceeding, at law or in equity, to enforce all rights of the Owners.

No recovery of any judgment by the Trustee shall in any manner or to any extent affect the lien of the Senior Indenture or any rights, powers or remedies of the Trustee thereunder, or any lien, rights, powers and remedies of the Owners of the Series 2023 Senior Bonds, but such lien, rights, powers and remedies of the Trustee and of the Owners shall continue unimpaired as before.

If any Event of Default under paragraphs (a) and (b) in “- Events of Default” above shall have occurred and if requested by the Owners of (25%) in aggregate principal amount of the Series 2023 Senior Bonds then Outstanding, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Senior Indenture as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Owners (subject to the paragraph below); provided that the Trustee at its option shall be indemnified as provided in the Senior Indenture.

Acceleration of the Series 2023 Senior Bonds is not an available remedy for an Event of Default.

The Owners of a majority in aggregate principal amount of the Series 2023 Senior Bonds then Outstanding shall have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Senior Indenture, or for the appointment of a receiver, and any other proceedings thereunder; provided that such

direction shall not be otherwise than in accordance with the provisions thereof; and provided further that at its option the Trustee shall be indemnified as provided in the Senior Indenture.

No Owner of any Series 2023 Senior Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Senior Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder, unless a default has occurred of which the Trustee has been notified as provided in the Senior Indenture, or of which under that section of the Senior Indenture it is deemed to have notice, and unless such default shall have become an Event of Default and the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Series 2023 Senior Bonds then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers granted in the Senior Indenture or to institute such action, suit or proceedings in their own name, nor unless they have also offered to the Trustee indemnity as provided in the Senior Indenture, nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted in the Senior Indenture, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to any action or cause of action for the enforcement of the Senior Indenture, or for the appointment of a receiver or for any other remedy thereunder; it being understood and intended that no one or more Owners of Series 2023 Senior Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Senior Indenture by his, her, its or their action, or to enforce any right under the Senior Indenture except in the manner therein provided and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the equal benefit of the Owners of all Series 2023 Senior Bonds then Outstanding.

The Trustee may in its discretion waive any Event of Default under the Senior Indenture and its consequences, and shall do so upon the written request of the Consent Parties with respect to a majority in aggregate principal amount of all the Series 2023 Senior Bonds then Outstanding; provided however, that there shall not be waived without the consent of the Consent Parties with respect to one hundred percent (100%) of the Series 2023 Senior Bonds then Outstanding as to which the Event of Default exists any Event of Default described in paragraphs (a) and (b) in “- Events of Default” above. In case of any such waiver, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then in every such case the District, the Trustee and the Owners shall be restored to their former positions and rights thereunder respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Indenture Supplements. Subject to the provisions of the Senior Indenture, the District and the Trustee may, without the consent of or notice to the Owners or Consent Parties, enter into such indentures supplemental thereto, which supplemental indentures shall thereafter form a part thereof, for any one or more of the following purposes: (a) to cure any ambiguity, to cure, correct or supplement any formal defect or omission or inconsistent provision contained in the Senior Indenture, to make any provision necessary or desirable due to a change in law, to make any provisions with respect to matters arising under the Senior Indenture, or to make any provisions for any other purpose if such provisions are necessary or desirable and do not in the opinion of bond counsel materially adversely affect the interests of the Owners of the Series 2023 Senior Bonds; (b) to subject to the Senior Indenture additional revenues, properties or collateral; (c) to grant or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Trustee; and (d) to qualify the Senior Indenture under the Trust Indenture Act of 1939.

Except for supplemental indentures delivered pursuant to the foregoing sentence, and subject to the provisions of the Senior Indenture, the Consent Parties with respect to not less than a majority (or for modifications of provisions of the Senior Indenture which require the consent of a percentage of Owners or Consent Parties higher than a majority, such higher percentage) in aggregate principal amount of the

Series 2023 Senior Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the District and the Trustee of such indenture or indentures supplemental thereto as shall be deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Senior Indenture; provided however, that without the consent of the Consent Parties with respect to all the Outstanding Series 2023 Senior Bonds affected thereby, nothing contained in the Senior Indenture shall permit, or be construed as permitting: (i) a change in the terms of the maturity of any Outstanding Series 2023 Senior Bond, in the principal amount of any Outstanding Series 2023 Senior Bond, in the optional or mandatory redemption provisions applicable thereto, or the rate of interest thereon; (ii) an impairment of the right of the Owners to institute suit for the enforcement of any payment of the principal of or interest on the Series 2023 Senior Bonds when due; (iii) a privilege or priority of any Series 2023 Senior Bond or any interest payment over any other Series 2023 Senior Bond or interest payment; or (iv) a reduction in the percentage in principal amount of the Outstanding Series 2023 Senior Bonds, the consent of whose Owners or Consent Parties is required for any such supplemental indenture.

Discharge of the Lien of the Senior Indenture. If the District shall pay or cause to be paid to the Trustee, for the Owners of the Series 2023 Senior Bonds, the principal of and interest to become due thereon at the times and in the manner stipulated in the Senior Indenture, and if the District shall keep, perform, and observe all and singular the covenants and promises in the Series 2023 Senior Bonds and in the Senior Indenture expressed to be kept, performed, and observed by it or on its part, and if all fees and expenses of the Trustee required by the Senior Indenture to be paid shall have been paid, then these presents and the estate and rights hereby granted shall cease, terminate, and be void, and thereupon the Trustee shall cancel and discharge the lien of the Senior Indenture, and execute and deliver to the District such instruments in writing as shall be required to satisfy the lien hereof, and assign and deliver to the District any property at the time subject to the lien of the Senior Indenture which may then be in its possession, and deliver any amounts required to be paid to the District under the Senior Indenture, except for moneys and Federal Securities held by the Trustee for the payment of the principal of, premium if any, and interest on the Series 2023 Senior Bonds.

Any Series 2023 Senior Bond shall, prior to the maturity or prior redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the Senior Indenture if, for the purpose of paying such Series 2023 Senior Bond (i) there shall have been deposited with the Trustee an amount sufficient, without investment, to pay the principal of, premium if any, and interest on such Series 2023 Senior Bond as the same becomes due at maturity or upon one or more designated prior redemption dates, or (ii) there shall have been placed in escrow and in trust with a commercial bank exercising trust powers, an amount sufficient (including the known minimum yield from Federal Securities in which such amount may be invested) to pay the principal of, premium if any, and interest on such Series 2023 Senior Bond, as the same becomes due at maturity or upon one or more designated prior redemption dates. The Federal Securities in any such escrow shall not be subject to redemption or prepayment at the option of the issuer, and shall become due at or prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the District and such bank at the time of the creation of the escrow, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure such availability as so needed to meet such schedule. The sufficiency of any such escrow funded with Federal Securities shall be determined by a Certified Public Accountant.

Neither the Federal Securities, nor moneys deposited with the Trustee or placed in escrow and in trust pursuant to the Senior Indenture, nor principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Series 2023 Senior Bonds; provided however, that any cash received from such principal or interest payments on such Federal Securities, if not then needed for such purpose, shall, to the extent practicable, be reinvested subject to the provisions of the Senior Indenture in Federal Securities

maturing at the times and in amounts sufficient to pay, when due, the principal of and interest on the Series 2023 Senior Bonds.

Prior to the investment or reinvestment of such moneys or such Federal Securities as provided in the Senior Indenture, the Trustee shall receive and may rely upon: (i) an opinion of Bond Counsel experienced in matters arising under Section 103 of the Code and acceptable to the Trustee, that the investment or reinvestment of such moneys or such Federal Securities complies with the Senior Indenture; and (ii) a report of a Certified Public Accountant that the moneys or Federal Securities will be sufficient to provide for the payment of the principal of and interest on the Series 2023 Senior Bonds when due.

The release of the obligations of the District under the Senior Indenture shall be without prejudice to the rights of the Trustee to be paid reasonable compensation by the District for all services rendered by it under the Senior Indenture and all its reasonable expenses, charges, and other disbursements incurred in the administration of the trust hereby created, the exercise of its powers, and the performance of its duties under the Senior Indenture.

Continuing Role as Bond Registrar and Paying Agent. Notwithstanding the defeasance of the Series 2023 Senior Bonds prior to maturity and the discharge of the Senior Indenture as provided in the Senior Indenture, the Trustee shall continue to fulfill its obligations under the Senior Indenture until the Series 2023 Senior Bonds are fully paid, satisfied, and discharged.

Discharge on December [2], 20__. Notwithstanding any other provision in the Senior Indenture, after application on December 1, 20__ of all available Senior Pledged Revenue to the payment of the Series 2023 Senior Bonds, the Series 2023 Senior Bonds and the lien of the Senior Indenture securing payment thereof shall be deemed fully satisfied on the Senior Termination Date of December 2, 20__, and on such date the Series 2023 Senior Bonds shall be discharged and the Senior Indenture shall terminate, and the estate and rights hereby granted shall cease, terminate, and be void, and thereupon the Trustee shall cancel the Series 2023 Senior Bonds and discharge the lien of the Senior Indenture, and execute and deliver to the District such instruments in writing as shall be required to evidence the same. Upon such discharge, the Owners will have no recourse to the District or any property of the District for the payment of any amount of Accreted Value, principal of, premium, if any, or interest on the Series 2023 Senior Bonds remaining unpaid.

THE SERIES 2023B₍₂₎ SUBORDINATE BONDS

Description

The Series 2023B₍₂₎ Subordinate Bonds will be issued in the principal amount will be dated and will mature as indicated on the cover page of this Limited Offering Memorandum. For a complete statement of the details and conditions of the Series 2023B₍₂₎ Subordinate Bond issue, reference is made to the Subordinate Indenture, a copy of which is available from the Underwriter prior to the delivery of the Series 2023B₍₂₎ Subordinate Bonds. See “INTRODUCTION – Additional Information.”

See APPENDIX A – “SELECTED DEFINITIONS” for definitions of the capitalized terms used above and otherwise throughout this Limited Offering Memorandum.

Discharge on December [16], 20__

The Subordinate Indenture provides that notwithstanding any other provision in the Subordinate Indenture, after application on December 15, 20__ of all available Subordinate Pledged Revenue to the payment of the Series 2023B₍₂₎ Subordinate Bonds, the Series 2023B₍₂₎ Subordinate Bonds and the lien of the Subordinate Indenture securing payment thereof shall be deemed fully satisfied on the Subordinate

Termination Date of December 16, 20___, and on such date the Series 2023B₍₂₎ Subordinate Bonds shall be discharged and the Subordinate Indenture shall terminate, and the estate and rights hereby granted shall cease, terminate, and be void, and thereupon the Trustee shall cancel the Series 2023B₍₂₎ Subordinate Bonds and discharge the lien of the Subordinate Indenture, and execute and deliver to the District such instruments in writing as shall be required to evidence the same. Upon such discharge, the Owners will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the Series 2023B₍₂₎ Subordinate Bonds remaining unpaid.

Authorized Denominations of the Series 2023B₍₂₎ Subordinate Bonds

The Series 2023B₍₂₎ Subordinate Bonds are being issued in “Authorized Denominations,” defined in the Subordinate Indenture to mean the amount of \$500,000 or any integral multiple of \$1,000 in excess thereof; provided that no individual Series 2023B₍₂₎ Subordinate Bond may be in an amount which exceeds the principal amount coming due on any maturity date for such series; and in the event a Series 2023B₍₂₎ Subordinate Bond is partially redeemed and the unredeemed portion is less than \$500,000, such unredeemed portion of such Series 2023B₍₂₎ Subordinate Bond may be issued in the largest possible denomination of less than \$500,000, in integral multiples of not less than \$1,000 each or any integral multiple thereof.

“Cash Flow” Nature of the Series 2023B₍₂₎ Subordinate Bonds

The Series 2023B₍₂₎ Subordinate Bonds are structured as “cash flow” bonds, meaning that there are no scheduled payments of principal thereof prior to the final maturity date. Rather, principal on the Series 2023B₍₂₎ Subordinate Bonds is payable annually on each December 15 from, and to the extent of, Subordinate Pledged Revenue on deposit, if any, in the Subordinate Bond Fund on November 15 of each year, commencing on November 15, 2024, in accordance with the terms of the Subordinate Indenture, pursuant to a special mandatory redemption more particularly described herein under the section captioned “– Certain Subordinate Indenture Provisions - Subordinate Bond Fund; Mandatory Redemption.” Interest on the Series 2023B₍₂₎ Subordinate Bonds is payable on each December 15, from, and to the extent of, Subordinate Pledged Revenue if any, available therefor and accrued unpaid interest will compound annually on each interest payment date for the Series 2023B₍₂₎ Subordinate Bonds, until sufficient Subordinate Pledged Revenue is available for payment, or until the Series 2023B₍₂₎ Subordinate Bonds are discharged on the Subordinate Termination Date, as described above. See “RISK FACTORS – “Cash Flow” Nature of the Series 2023B₍₂₎ Subordinate Bonds” herein. *According to the Financial Forecast attached hereto as Appendix C, under the “base case” scenario (defined herein) it is anticipated that there will be Subordinate Pledged Revenue available to pay only a portion of accrued interest on the Series 2023B₍₂₎ Subordinate Bonds on each December 15 in 20__ through 20__ and it is not anticipated that there will be any Subordinate Pledged Revenue to pay principal on the Series 2023B₍₂₎ Subordinate Bonds until 20__.* *These dates represent a forecast and there is no guarantee that any payments will be made on or after such date or, further, that the Series 2023B₍₂₎ Subordinate Bonds will be paid prior to their discharge date of December [16], 20__, as more particularly described below.*

Payment of Principal and Interest

The Series 2023B₍₂₎ Subordinate Bonds will bear interest at the rate set forth on the front cover hereof (computed on the basis of a 360-day year of twelve 30-day months) payable to the extent of Subordinate Pledged Revenue available therefor on each December 15, commencing on December 15, 2023.

Subject to the Subordinate Termination Date, to the extent principal of any Series 2023B₍₂₎ Subordinate Bond is not paid on or prior to the maturity date of such Series 2023B₍₂₎ Subordinate Bond, such principal shall remain Outstanding and shall continue to bear interest at the rate then borne by the

Series 2023B₍₂₎ Subordinate Bond, and to the extent interest on any Series 2023B₍₂₎ Subordinate Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Series 2023B₍₂₎ Subordinate Bond; provided however, that notwithstanding anything in the Subordinate Indenture to the contrary, the District shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Series 2023B₍₂₎ Subordinate Bonds, including all payments of principal, premium if any, and interest, and all Series 2023B₍₂₎ Subordinate Bonds will be deemed defeased and no longer Outstanding upon the payment by the District of such amount. See also “RISK FACTORS – Maximum Debt Mill Levy Imposition Term; Termination Dates for the Bonds” and “– Security for the Series 2023B₍₂₎ Subordinate Bonds - Covenant to Impose the Subordinate Required Mill Levy” for a discussion about the Maximum Debt Mill Levy Imposition Term.

The principal of and premium, if any, on the Series 2023B₍₂₎ Subordinate Bonds are payable in lawful money of the United States of America to the Owner of each Series 2023B₍₂₎ Subordinate Bond upon maturity or prior redemption and presentation at the principal office of the Trustee. The interest on any Bond is payable to the person in whose name such Series 2023B₍₂₎ Subordinate Bond is registered, at his address as it appears on the registration books maintained by or on behalf of the District by the Trustee, at the close of business on the Record Date, irrespective of any transfer or exchange of such Series 2023B₍₂₎ Subordinate Bond subsequent to such Record Date and prior to such interest payment date; provided that any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and shall be payable to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of any such unpaid interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the unpaid interest, and notice of the Special Record Date shall be given to the Owners of the Series 2023B₍₂₎ Subordinate Bonds not less than ten (10) days prior to the Special Record Date by first-class mail to each such Owner as shown on the registration books kept by the Trustee on a date selected by the Trustee. Such notice shall state the date of the Special Record Date and the date fixed for the payment of such unpaid interest.

Payments for the principal of and interest on the Series 2023B₍₂₎ Subordinate Bonds will be made as described in APPENDIX F – “BOOK-ENTRY-ONLY SYSTEM.”

Redemption

Optional Redemption. The Series 2023B₍₂₎ Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, on _____ and on any date thereafter, upon payment of the principal amount so redeemed plus accrued interest thereon to the date of redemption, together with a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

Date of Redemption

Redemption Premium

Mandatory Redemption. The Series 2023B₍₂₎ Subordinate Bonds are subject to mandatory redemption, as a whole or in integral multiples of \$1,000, on December 15 of each year, upon payment of par and accrued interest, without redemption premium, solely from and to the extent of amounts in the Subordinate Bond Fund as provided in “- Certain Subordinate Indenture Provisions- Subordinate Bond Fund; Mandatory Redemption” below.

Security for the Series 2023B₍₂₎ Subordinate Bonds

Subordinate Pledged Revenue. The Series 2023B₍₂₎ Subordinate Bonds are “cash flow” limited tax general obligations of the District secured by and payable solely from and to the extent of the Subordinate Pledged Revenue consisting of moneys derived by the District from the following sources: (i) the Subordinate Required Mill Levy, net of fees of the County Treasurer and any tax refunds or abatements authorized by or on behalf of the County; (ii) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Subordinate Required Mill Levy; (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application hereunder as Subordinate Pledged Revenue; and (iv) all Senior Pledged Revenue available as described in “THE SERIES 2023 SENIOR BONDS – Certain Senior Indenture Provisions - Revenue Fund; Flow of Funds.”

Subordinate Required Mill Levy. The definition of Subordinate Required Mill Levy is set forth below. The Series 2023B₍₂₎ Subordinate Bonds are not secured by property lying within the District, but rather by, among other things, the District’s obligation to annually determine, fix and certify a rate of levy, not to exceed the Subordinate Required Mill Levy, for ad valorem property taxes to the County Board of County Commissioners in an amount sufficient to pay, along with other legally available revenues, the principal of and interest on the Series 2023B₍₂₎ Subordinate Bonds. The Subordinate Indenture provides that in the event any ad valorem taxes are not paid when due, the District shall diligently cooperate with the County Treasurer to enforce the lien of such unpaid taxes against the property for which the taxes are owed. See “- Covenant to Impose the Senior Required Mill Levy” below and “RISK FACTORS – Enforcement of Tax Collection by County.”

Definition of Subordinate Required Mill Levy. Subordinate Required Mill Levy is defined in the Subordinate Indenture as:

(a) Subject to paragraph (b) below, “Subordinate Required Mill Levy” means an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year, commencing in the First Debt Service Mill Levy Imposition Year, in the amount of 63.600 mills *minus* the number of mills equal to the Senior Bond Mill Levy for the same levy year; *provided, however*, that if, on or after January 1, 2018, changes are made in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement, such maximum mill levy shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by such maximum mill levy, as adjusted for changes occurring after January 1, 2018, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in residential rate as defined in Section 39-1-104.2, C.R.S., shall be deemed to be a change in the method of calculating assessed valuation. The Board has determined that, as a result of the provisions of the Service Plan pertaining to mill levy adjustments as described above, the maximum levy of 63.600 mills is, as of the date of the Subordinate Indenture, 64.044 mills, and is subject to further adjustment after the date thereof.

(b) Notwithstanding anything in the Subordinate Indenture to the contrary, in no event may the Subordinate Required Mill Levy be established at a mill levy which would constitute a material departure from the requirements of the Service Plan, or cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District’s electoral authorization, and if the Subordinate Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District’s electoral authorization or create a material departure from the Service Plan, the Subordinate Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded and no material departure from the Service Plan occurs. See “THE SERIES 2023B₍₂₎ SUBORDINATE BONDS – Security for the Series 2023B₍₂₎

Subordinate Bonds,” “FINANCIAL INFORMATION” and APPENDIX C – “REPORT OF DISTRICT’S FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS.”

Board Determination of Adjusted Mill Levies. The maximum mill levy of 63.600 mills set forth in the definition of Subordinate Required Mill Levy above is the maximum mill levy permitted by the Service Plan for the payment of general obligation bonds of the District; provided, however, that pursuant to the Service Plan (and as reflected in subparagraph (a) of the definition of Subordinate Required Mill Levy set forth in the Subordinate Indenture), such maximum mill levy is subject to adjustment for changes occurring in the method of calculating assessed valuation since January 1, 2018. These maximum and minimum mill levies are required to be adjusted by the Board as a result of subsequent changes in the ratio of actual valuation to assessed valuation occurring since January 1, 2018. **The Financial Forecast attached as APPENDIX C hereto, assumes that the District will adjust the Subordinate Required Mill Levy upward to 64.044 mills (based on the residential assessment ratio of 7.15%) in the tax collection year 202_ and continuing through the term of the Financial Forecast. Further adjustments to the maximum mill levy are required to occur in accordance with the definition of Subordinate Required Mill Levy in the event of future changes to the method of calculating assessed valuation.** See “FINANCIAL INFORMATION – Ad Valorem Property Taxes” for discussion of potential further adjustment of the residential assessment rate.

Covenant to Impose the Subordinate Required Mill Levy. The Subordinate Indenture provides that for the purpose of paying the principal of, premium if any, and interest on the Series 2023B₍₂₎ Subordinate Bonds, the District covenants to cause to be levied on all of the taxable property of the District, in addition to all other taxes, direct annual taxes in each year, commencing in the First Debt Service Mill Levy Imposition Year and continuing through and including tax levy year 2052 (for tax collection through the year 2053), and in each year thereafter in which the Series 2023B₍₂₎ Subordinate Bonds remain Outstanding, in the amount of the Subordinate Required Mill Levy, subject, however, to the limitations of the Service Plan with respect to the Maximum Debt Mill Levy Imposition Term. See “RISK FACTORS – Maximum Debt Mill Levy Imposition Term; Termination Dates for the Bonds.” Nothing in the Subordinate Indenture shall be construed to require the District to levy an ad valorem property tax for payment of the Series 2023B₍₂₎ Subordinate Bonds in an amount in excess of the Subordinate Required Mill Levy, extends the imposition of a debt service mill levy of the District beyond the Maximum Debt Mill Levy Imposition Term or impose the Subordinate Required Mill Levy for payment of the Series 2023B₍₂₎ Subordinate Bonds after tax levy year 20____.

The Service Plan prohibits the District from imposing a debt service mill levy for more than thirty five (35) years after the year of the initial imposition of such debt service mill levy (the “Maximum Debt Mill Levy Imposition Term”) unless: (i) a majority of the Board imposing the mill levy are residents of such District, and (ii) such Board has voted in favor of a refunding of a part or all of the Debt and such refunding will result in a net present value savings as set forth in Section 11-56-101, C.R.S. See “THE DISTRICT – Service Plan Limitations.” The District has not yet imposed a debt service mill levy, but the Subordinate Indenture requires the District to impose the Subordinate Required Mill Levy in the First Debt Service Mill Levy Imposition Year. The Subordinate Indenture defines “First Debt Service Mill Levy Imposition Year” as the first year after the date of the Subordinate Indenture in which the certified assessed valuation is [\$500,000] or more, being the first tax levy year in which the District shall impose and certify the Subordinate Required Mill Levy. Accordingly, unless the foregoing requirements of the Service Plan are met, the District may not impose a debt service mill levy in any year more than thirty five (35) years after the First Debt Service Mill Levy Imposition Year. See “RISK FACTORS – Maximum Debt Mill Levy Imposition Term; Termination Dates for the Bonds.” **However, even if the foregoing requirements of the Service Plan are met, the Subordinate Indenture does not require the District to impose the Subordinate Required Mill Levy in any year after 205_.**

The Subordinate Indenture further provides that it is the duty of the Board, annually, at the time and in the manner provided by law for levying other District taxes, to ratify and carry out the provisions of the Subordinate Indenture with reference to the levying and collection of taxes; and the Board is required to levy, certify and collect said taxes in the manner provided by law for the purposes described in the Subordinate Indenture.

NOTWITHSTANDING ANY OTHER PROVISION IN THE SUBORDINATE INDENTURE, THE DISTRICT SHALL NOT BE REQUIRED TO IMPOSE THE SUBORDINATE REQUIRED MILL LEVY FOR PAYMENT OF THE SERIES 2023B₍₂₎ SUBORDINATE BONDS AFTER TAX LEVY YEAR 20__ (FOR COLLECTION IN CALENDAR YEAR 20__).

Specific Ownership Tax. “Specific Ownership Tax” is defined in the Subordinate Indenture to mean the specific ownership taxes tax which is collected by the county and remitted to the District pursuant to Section 42-3-107, C.R.S., or any successor statute. as a result of imposition by the District of the Subordinate Required Mill Levy in accordance with the provisions of the Subordinate Indenture. Pursuant to Section 42-3-107, C.R.S., specific ownership tax is collected by all counties and distributed to every taxing entity within a county, such as the District, in the proportion that the taxing entity’s ad valorem taxes represents of the cumulative amount of ad valorem taxes levied county-wide. Such specific ownership tax is currently imposed at a graduated rate which varies from 2.1% of taxable value in the first year of ownership to \$3 per year in the tenth year of ownership and thereafter. Changes in State law pursuant to which the specific ownership tax is collected and distributed are not within the control of the District, and could result in a decrease in the present specific ownership tax rates and, as a result, the amount of Specific Ownership Tax received by the District and payable to the Trustee in accordance with the Subordinate Indenture.

Only the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Subordinate Required Mill Levy is pledged to the payment of the Series 2023B₍₂₎ Subordinate Bonds. The portion of the Specific Ownership Tax which is collected as the result of the District’s general fund mill levy is anticipated to be applied to operational costs of the District.

Certain Subordinate Indenture Provisions

The following is a description of certain provisions of the Subordinate Indenture and is subject in all respects to the more specific provisions of the Subordinate Indenture. See APPENDIX A – “SELECTED DEFINITIONS” for definitions of certain capitalized terms used below and elsewhere in this Limited Offering Memorandum.

Creation of Funds. Under the Subordinate Indenture, there are created and established the following funds and accounts, which shall be established, held and maintained by the Trustee in accordance with the provisions of the Subordinate Indenture:

- (a) the Subordinate Project Fund; and
- (b) the Subordinate Bond Fund.

Subordinate Project Fund. The Subordinate Project Fund shall be maintained by the Trustee in accordance with the terms of the Subordinate Indenture.

Draws from the Subordinate Project Fund. So long as no Event of Default shall have occurred and be continuing, amounts in the Subordinate Project Fund shall be disbursed by the Trustee to the District in accordance with completed requisitions submitted to the Trustee in substantially the form set forth in Exhibit B to the Subordinate Indenture signed by (i) the District Representative (or the President of

the District), and (ii) the District Accountant, certifying that all amounts drawn will be applied to the payment of Project Costs (each, a “Subordinate Project Fund Requisition”). The Trustee may rely conclusively on any such Subordinate Project Fund Requisition as to the information and certifications contained therein and shall not be required to make any independent investigation in connection therewith. The execution of any Subordinate Project Fund Requisition by the District Accountant and the District Representative (or the President of the District) shall constitute, unto the Trustee, an irrevocable determination that all conditions precedent to the payments requested have been completed.

Events of Default; Disposition of Unused Moneys Termination of Subordinate Project Fund. Upon the occurrence and continuance of an Event of Default, the Trustee will cease disbursing moneys from the Subordinate Project Fund and, instead, shall apply such moneys in the manner provided in “- Events of Default” and “- Remedies on Occurrence of Event of Default” below.

Upon the receipt by the Trustee of a resolution of the District determining that all Project Costs have been paid, or that the funds in the Subordinate Project Fund exceed the amount necessary to pay all Project Costs which the District has determined to pay, any balance remaining in the Subordinate Project Fund shall be credited to the Subordinate Bond Fund. The Subordinate Project Fund shall terminate at such time as no further moneys remain therein.

Flow of Funds. The Subordinate Indenture requires that upon issuance of the Series 2023B₍₂₎ Subordinate, the District is to transfer or cause to be transferred all amounts comprising Subordinate Pledged Revenue to the Trustee as soon as may be practicable after the receipt thereof, but in no event later than the 15th day of the calendar month immediately succeeding the calendar month in which such Subordinate Pledged Revenue is received by the District. IN NO EVENT IS THE DISTRICT PERMITTED TO WITHHOLD ANY PORTION OF THE SUBORDINATE PLEDGED REVENUE OR TO APPLY ANY PORTION THEREOF TO ANY PURPOSE OTHER THAN REMITTANCE TO THE TRUSTEE FOR APPLICATION AS SET FORTH IN THE SUBORDINATE INDENTURE.

The Trustee shall, in each Subordinate Bond Year, apply the Subordinate Pledged Revenue in the order of priority set forth in clauses FIRST through THIRD below and, for purposes of such application: (i) with respect to the priorities established below, no Subordinate Pledged Revenue shall flow to a lower priority until all of the higher priorities have been fully funded; (ii) when credits or disbursements to more than one fund, account, or purpose are required at any single priority level, such credits and disbursements shall rank *pari passu* with each other; and (iii) when credits or disbursements are required to go to funds or accounts which are not held by the Trustee under the Subordinate Indenture, the Trustee may rely upon the written instructions of the District with respect to the appropriate funds or accounts to which such credits or disbursements are to be made.

FIRST, to the Trustee, an amount sufficient to pay the Trustee Fees then due and payable.

SECOND, to the credit of the Subordinate Bond Fund, the lesser of: (i) all amounts remaining after the payment set forth in clause FIRST above, or (ii) the amount necessary to pay in full all principal of, premium if any, and interest on the Series 2023B₍₂₎ Subordinate Bonds; provided, however, that if any other Subordinate Bonds are then outstanding, the allocations of amounts available at this level SECOND shall be made in accordance with “- Subordinate Bond Fund; Mandatory Redemption” below, and the amount so allocated to such other Subordinate Bonds shall be transferred to the applicable Subordinate Bond Trustee for application in accordance with the applicable Subordinate Bond Documents.

THIRD, to or at the direction of the District, for the credit of or disbursement to any other fund or account as may be designated by the District in writing to the Trustee, to be used for any

lawful purpose, all amounts remaining in the then current Subordinate Bond Year after the payments and accumulations set forth in clauses FIRST through SECOND above.

Subordinate Bond Fund; Mandatory Redemption.

Credits of Subordinate Pledged Revenue. For so long as the Series 2023B₍₂₎ Subordinate Bonds are the only Subordinate Bonds then outstanding, all Subordinate Pledged Revenue in the then current Subordinate Bond Year available at clause SECOND described in “- Flow of Funds” above shall be credited to the Subordinate Bond Fund. If any additional Subordinate Bonds other than the Series 2023B₍₂₎ Subordinate Bonds are issued, the District will so inform the Trustee in writing and, if the Trustee is not the Subordinate Bond Trustee for such additional Subordinate Bonds, the District shall provide a copy of the applicable Subordinate Bond Documents relating to such additional Subordinate Bonds to the Trustee. Unless otherwise set forth in the Subordinate Bond Documents pursuant to which such other Subordinate Bonds were issued, the Subordinate Pledged Revenue available at clause SECOND described in “- Flow of Funds” above shall be allocated among the Series 2023B₍₂₎ Subordinate Bonds and such other Subordinate Bonds on a pro rata basis, in accordance with the relative outstanding principal amounts of such issues, and the amount so allocated to the Series 2023B₍₂₎ Subordinate Bonds shall be credited to the Subordinate Bond Fund in the then current Subordinate Bond Year.

Use of Moneys in Subordinate Bond Fund. Moneys in the Subordinate Bond Fund shall be used by the Trustee solely to pay the principal of and interest on the Series 2023B₍₂₎ Subordinate Bonds (and premium, if due in connection with an optional redemption of Series 2023B₍₂₎ Subordinate Bonds being made pursuant to the applicable provisions described in “-Redemption” above), in the following order of priority:

- (i) *First*, to the payment of current interest due in connection with the Series 2023B₍₂₎ Subordinate Bonds;
- (ii) *Second*, to the payment of accrued but unpaid interest on the Series 2023B₍₂₎ Subordinate Bonds (which interest has not yet compounded);
- (iii) *Third*, to the payment of interest due on the Series 2023B₍₂₎ Subordinate Bonds as a result of compounding; and
- (iv) *Fourth*, to the extent any moneys are remaining in the Subordinate Bond Fund after the payment of interest due under the preceding clauses *First* through *Third* above to the payment of the principal of the Series 2023B₍₂₎ Subordinate Bonds, whether due at maturity or upon prior redemption (and if the Series 2023B₍₂₎ Subordinate Bonds are being optionally redeemed pursuant to the provisions “- Redemption” above, to the payment of the premium, if any, due on the Series 2023B₍₂₎ Subordinate Bonds so redeemed).

Mandatory Redemption. On each November 15, commencing November 15, 2024, the Trustee shall determine the amount credited to the Subordinate Bond Fund and, to the extent the amount therein is in excess of the amount required to pay all interest then due on the Series 2023B₍₂₎ Subordinate Bonds on the interest payment date occurring in that year (including current interest, accrued but unpaid interest, and interest due as a result of compounding, if any), the Trustee shall promptly give notice of redemption and take such other actions as necessary to redeem as many Series 2023B₍₂₎ Subordinate Bonds as can be redeemed with such excess moneys on December 15 of such year, provided that amounts insufficient to redeem at least one Series 2023B₍₂₎ Subordinate Bond in the denomination of \$1,000 will be retained in the Subordinate Bond Fund. The mandatory redemption of Series 2023B₍₂₎ Subordinate Bonds pursuant to this section shall be made by the Trustee without further instruction from the District and notwithstanding any instructions from the District to the contrary. Notwithstanding anything in the

Subordinate Indenture to the contrary, it is understood and agreed that borrowed moneys shall not be used for the purpose of redeeming principal of the Series 2023B₍₂₎ Subordinate Bonds pursuant to this section.

Additional Covenants and Agreements of the District in Subordinate Indenture. The District irrevocably covenants in the Subordinate Indenture and agrees with each and every Owner that so long as any of the Series 2023B₍₂₎ Subordinate Bonds remain Outstanding:

(a) The District shall not dissolve, merge, or otherwise alter its corporate structure in any manner or to any extent as might materially adversely affect the security provided for the payment of the Series 2023B₍₂₎ Subordinate Bonds, and will continue to operate and manage the District and its facilities in an efficient and economical manner in accordance with all applicable laws, rules, and regulations; provided however, that the foregoing shall not prevent the District from dissolving pursuant to the provisions of the Act.

(b) At least once a year the District will cause an audit to be performed of the records relating to its revenues and expenditures, and the District shall use its reasonable efforts to have such audit report completed no later than September 30 of the calendar year immediately succeeding the calendar year which is the subject of such audit. The foregoing covenant shall apply notwithstanding any state law audit exemptions that may exist. In addition, at least once a year in the time and manner provided by law, the District will cause a budget to be prepared and adopted. Copies of the budget and audit will be filed and recorded in the places, at the times, and in the manner provided by law.

(c) The District will carry general liability, public officials' liability, and such other forms of insurance on insurable District property upon the terms and conditions, in such amounts, and issued by recognized insurance companies, as in the judgment of the District will protect the District and its operations.

(d) Each District official or other person having custody of any District funds or responsible for the handling of such funds shall be bonded or insured against theft or defalcation at all times.

(e) In the event any ad valorem taxes are not paid when due, the District shall diligently cooperate with the appropriate county treasurer to enforce the lien of such unpaid taxes against the property for which the taxes are owed.

(f) In the event the Subordinate Pledged Revenue and other moneys available under the Subordinate Indenture for payment of the Series 2023B₍₂₎ Subordinate Bonds is insufficient or is anticipated to be insufficient to pay the principal of and/or interest on the Series 2023B₍₂₎ Subordinate Bonds when due, the District shall use its reasonable efforts to refinance, refund, or otherwise restructure the Series 2023B₍₂₎ Subordinate Bonds so as to avoid such insufficiency.

(g) In the event that any Subordinate Pledged Revenue is released to the District as provided in clause THIRD of "Flow of Funds" above, the District will, in making its determination as to which obligations will be paid with such amounts, take into account that State law places certain restrictions upon the use of any moneys representing ad valorem property tax revenue.

(h) Except upon receipt by the District of the prior written consent of the Consent Parties with respect to 100% in aggregate principal amount of the Series 2023B₍₂₎ Subordinate Bonds Outstanding, the District will not amend, modify or supplement (or consent to the amendment, modification or supplement of) the Senior Indenture in any way which would (i) alter the amortization of the principal of the Series 2023 Senior Bonds or (ii) increase the rate or rates of interest borne by the Series 2023 Senior Bonds.

Additional Bonds. The Subordinate Indenture provides that after issuance of the Series 2023B₍₂₎ Subordinate Bonds, no Additional Bonds may be issued except in accordance with the provisions of the Subordinate Indenture. The Subordinate Indenture does not limit or restrict the right of the District to issue or incur obligations which are not Additional Bonds.

The District may issue the Series 2023 Senior Bonds in accordance with the Senior Indenture without regard to the other provisions of this section. Further, the District may issue Permitted Refunding Bonds at such time or times and in such amounts as may be determined by the District in its absolute discretion. The District may issue Additional Bonds as Subordinate Bonds if such issuance is consented to by the Consent Parties with respect to 100% in aggregate principal amount of the Series 2023B₍₂₎ Subordinate Bonds then Outstanding.

A written certificate by the President or Treasurer of the District that the conditions for issuance of Additional Bonds as set forth above are met shall conclusively determine the right of the District to authorize, issue, sell, and deliver such Additional Bonds in accordance with the Subordinate Indenture.

Events of Default. The Subordinate Indenture provides that the occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an Event of Default under the Subordinate Indenture (whatever the reason for such event or condition and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree, rule, regulation or order of any court or any administrative or governmental body), and there shall be no default or Event of Default thereunder except as provided in the Subordinate Indenture:

(a) The District fails or refuses to impose the Subordinate Required Mill Levy or to remit (or cause to be remitted) the Subordinate Pledged Revenue to the Trustee as required by the Subordinate Indenture;

(b) The District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Subordinate Indenture or the Bond Resolution, other than as described in (a) above, and fails to remedy the same after notice thereof pursuant to the Subordinate Indenture; or

(c) the District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Series 2023B₍₂₎ Subordinate Bonds.

WITHOUT LIMITING THE FOREGOING, AND NOTWITHSTANDING ANY OTHER PROVISION CONTAINED IN THE SUBORDINATE INDENTURE, THE DISTRICT ACKNOWLEDGES AND AGREES THAT APPLICATION OF ANY PORTION OF THE SUBORDINATE PLEDGED REVENUE TO ANY PURPOSE OTHER THAN REMITTANCE TO THE TRUSTEE FOR APPLICATION AS REQUIRED BY THE SUBORDINATE INDENTURE CONSTITUTES AN EVENT OF DEFAULT THEREUNDER, AND IN NO EVENT SHALL THE DISTRICT BE PERMITTED TO WITHHOLD ANY PORTION OF THE SUBORDINATE PLEDGED REVENUE OR APPLY ANY PORTION THEREOF TO ANY PURPOSE OTHER THAN REMITTANCE TO THE TRUSTEE AS REQUIRED BY THE SUBORDINATE INDENTURE.

The Subordinate Indenture states that it is acknowledged that due to the limited nature of the Subordinate Pledged Revenue, the failure to pay the principal of or interest on the Series 2023B₍₂₎ Subordinate Bonds when due shall not, of itself, constitute an Event of Default thereunder.

IN ADDITION, IT IS ACKNOWLEDGED THAT THE DISTRICT SHALL NOT BE REQUIRED TO IMPOSE THE SUBORDINATE REQUIRED MILL LEVY PURSUANT TO THE TERMS OF THE SUBORDINATE INDENTURE FOR PAYMENT OF THE SERIES 2023B₍₂₎

SUBORDINATE BONDS AFTER DECEMBER 20__ (FOR COLLECTION IN CALENDAR YEAR 20__).

The Trustee shall give to the Owners of all Series 2023B₍₂₎ Subordinate Bonds notice by mailing to the address shown on the registration books maintained by the Trustee or by electronic means to DTC or its successors, of all Events of Default of which the Trustee is by the Subordinate Indenture required to take notice, or if notice of an Event of Default is given as provided in the Subordinate Indenture, within 90 days after the Trustee has knowledge of the occurrence of such default or Event of Default unless such default or Event of Default shall have been cured before the giving of such notice; provided that, the Trustee shall be protected in withholding such notice if and so long as a committee of its corporate trust department in good faith determines that the withholding of such notice is not detrimental to the interests of the Owners.

No default under subsection (c) in “- Events of Default” above shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given by the Trustee or by the Owners of not less than 25% in aggregate principal amount of all Series 2023B₍₂₎ Subordinate Bonds Outstanding to the District, and the District shall have had 30 days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted within the applicable period and diligently pursued thereafter until the default is corrected.

Remedies on Occurrence of Event of Default. Upon the occurrence and continuance of an Event of Default, the Subordinate Indenture provides that the Trustee may pursue the following rights and remedies:

(a) ***Receivership.*** Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the Trust Estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the Trustee shall be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the Subordinate Indenture to, the Trustee.

(b) ***Suit for Judgment.*** The Trustee may proceed to protect and enforce its rights and the rights of the Owners under the Act, the Series 2023B₍₂₎ Subordinate Bonds, the Bond Resolution, the Subordinate Indenture, and any provision of law by such suit, action, or special proceedings as the Trustee, being advised by Counsel, shall deem appropriate.

(c) ***Mandamus or Other Suit.*** The Trustee may proceed by mandamus or any other suit, action or proceeding, at law or in equity, to enforce all rights of the Owners.

No recovery of any judgment by the Trustee shall in any manner or to any extent affect the lien of the Subordinate Indenture or any rights, powers or remedies of the Trustee thereunder, or any lien, rights, powers and remedies of the Owners of the Series 2023B₍₂₎ Subordinate Bonds, but such lien, rights, powers and remedies of the Trustee and of the Owners shall continue unimpaired as before.

If any Event of Default under paragraphs (a) and (b) in “- Events of Default” above shall have occurred and if requested by the Owners of (25%) in aggregate principal amount of the Series 2023B₍₂₎ Subordinate Bonds then Outstanding, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Subordinate Indenture as the Trustee, being advised by Counsel, shall

deem most expedient in the interests of the Owners (subject to the paragraph below); provided that the Trustee at its option shall be indemnified as provided in the Subordinate Indenture.

Acceleration of the Series 2023B₍₂₎ Subordinate Bonds is not an available remedy for an Event of Default.

The Owners of a majority in aggregate principal amount of the Series 2023B₍₂₎ Subordinate Bonds then Outstanding shall have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Subordinate Indenture, or for the appointment of a receiver, and any other proceedings thereunder; provided that such direction shall not be otherwise than in accordance with the provisions thereof; and provided further that at its option the Trustee shall be indemnified as provided in the Subordinate Indenture.

No Owner of any Series 2023B₍₂₎ Subordinate Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Subordinate Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder, unless a default has occurred of which the Trustee has been notified as provided in the Subordinate Indenture, or of which under that section of the Subordinate Indenture it is deemed to have notice, and unless such default shall have become an Event of Default and the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Series 2023B₍₂₎ Subordinate Bonds then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers granted in the Subordinate Indenture or to institute such action, suit or proceedings in their own name, nor unless they have also offered to the Trustee indemnity as provided in the Subordinate Indenture, nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted in the Subordinate Indenture, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to any action or cause of action for the enforcement of the Subordinate Indenture, or for the appointment of a receiver or for any other remedy thereunder; it being understood and intended that no one or more Owners of Series 2023B₍₂₎ Subordinate Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Subordinate Indenture by his, her, its or their action, or to enforce any right under the Subordinate Indenture except in the manner therein provided and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the equal benefit of the Owners of all Series 2023B₍₂₎ Subordinate Bonds then Outstanding.

The Trustee may in its discretion waive any Event of Default under the Subordinate Indenture and its consequences, and shall do so upon the written request of the Consent Parties with respect to a majority in aggregate principal amount of all the Series 2023B₍₂₎ Subordinate Bonds then Outstanding; provided however, that there shall not be waived without the consent of the Consent Parties with respect to one hundred percent (100%) of the Series 2023B₍₂₎ Subordinate Bonds then Outstanding as to which the Event of Default exists any Event of Default described in paragraphs (a) and (b) in “- Events of Default” above. In case of any such waiver, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then in every such case the District, the Trustee and the Owners shall be restored to their former positions and rights thereunder respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Indenture Supplements. Subject to the provisions of the Subordinate Indenture, the District and the Trustee may, without the consent of or notice to the Owners or Consent Parties, enter into such indentures supplemental thereto, which supplemental indentures shall thereafter form a part thereof, for any one or more of the following purposes: (a) to cure any ambiguity, to cure, correct or supplement any formal

defect or omission or inconsistent provision contained in the Subordinate Indenture, to make any provision necessary or desirable due to a change in law, to make any provisions with respect to matters arising under the Subordinate Indenture, or to make any provisions for any other purpose if such provisions are necessary or desirable and do not in the opinion of bond counsel materially adversely affect the interests of the Owners of the Series 2023B₍₂₎ Subordinate Bonds; (b) to subject to the Subordinate Indenture additional revenues, properties or collateral; (c) to grant or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners or the Trustee; and (d) to qualify the Subordinate Indenture under the Trust Indenture Act of 1939.

Except for supplemental indentures delivered pursuant to the foregoing sentence, and subject to the provisions of the Subordinate Indenture, the Consent Parties with respect to not less than a majority (or for modifications of provisions of the Subordinate Indenture which require the consent of a percentage of Owners or Consent Parties higher than a majority, such higher percentage) in aggregate principal amount of the Series 2023B₍₂₎ Subordinate Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the District and the Trustee of such indenture or indentures supplemental thereto as shall be deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Subordinate Indenture; provided however, that without the consent of the Consent Parties with respect to all the Outstanding Series 2023B₍₂₎ Subordinate Bonds affected thereby, nothing contained in the Subordinate Indenture shall permit, or be construed as permitting: (i) a change in the terms of the maturity of any Outstanding Series 2023B₍₂₎ Subordinate Bond, in the principal amount of any Outstanding Series 2023B₍₂₎ Subordinate Bond, in the optional or mandatory redemption provisions applicable thereto, or the rate of interest thereon; (ii) an impairment of the right of the Owners to institute suit for the enforcement of any payment of the principal of or interest on the Series 2023B₍₂₎ Subordinate Bonds when due; (iii) a privilege or priority of any Series 2023B₍₂₎ Subordinate Bond or any interest payment over any other Series 2023B₍₂₎ Subordinate Bond or interest payment; or (iv) a reduction in the percentage in principal amount of the Outstanding Series 2023B₍₂₎ Subordinate Bonds, the consent of whose Owners or Consent Parties is required for any such supplemental indenture.

Discharge of the Lien of the Subordinate Indenture. If the District shall pay or cause to be paid to the Trustee, for the Owners of the Series 2023B₍₂₎ Subordinate Bonds, the principal of and interest to become due thereon at the times and in the manner stipulated in the Subordinate Indenture, and if the District shall keep, perform, and observe all and singular the covenants and promises in the Series 2023B₍₂₎ Subordinate Bonds and in the Subordinate Indenture expressed to be kept, performed, and observed by it or on its part, and if all fees and expenses of the Trustee required by the Subordinate Indenture to be paid shall have been paid, then these presents and the estate and rights hereby granted shall cease, terminate, and be void, and thereupon the Trustee shall cancel and discharge the lien of the Subordinate Indenture, and execute and deliver to the District such instruments in writing as shall be required to satisfy the lien hereof, and assign and deliver to the District any property at the time subject to the lien of the Subordinate Indenture which may then be in its possession, and deliver any amounts required to be paid to the District under the Subordinate Indenture, except for moneys and Federal Securities held by the Trustee for the payment of the principal of, premium if any, and interest on the Series 2023B₍₂₎ Subordinate Bonds.

Any Series 2023B₍₂₎ Subordinate Bond shall, prior to the maturity or prior redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the Subordinate Indenture if, for the purpose of paying such Series 2023B₍₂₎ Subordinate Bond (i) there shall have been deposited with the Trustee an amount sufficient, without investment, to pay the principal of, premium if any, and interest on such Series 2023B₍₂₎ Subordinate Bond as the same becomes due at maturity or upon one or more designated prior redemption dates, or (ii) there shall have been placed in escrow and in trust with a commercial bank exercising trust powers, an amount sufficient (including the known minimum yield from Federal Securities in which such amount may be invested) to pay the principal of, premium if any, and

interest on such Series 2023B₍₂₎ Subordinate Bond, as the same becomes due at maturity or upon one or more designated prior redemption dates. The Federal Securities in any such escrow shall not be subject to redemption or prepayment at the option of the issuer, and shall become due at or prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the District and such bank at the time of the creation of the escrow, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure such availability as so needed to meet such schedule. The sufficiency of any such escrow funded with Federal Securities shall be determined by a Certified Public Accountant.

Neither the Federal Securities, nor moneys deposited with the Trustee or placed in escrow and in trust pursuant to the Subordinate Indenture, nor principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on the Series 2023B₍₂₎ Subordinate Bonds; provided however, that any cash received from such principal or interest payments on such Federal Securities, if not then needed for such purpose, shall, to the extent practicable, be reinvested subject to the provisions of the Subordinate Indenture in Federal Securities maturing at the times and in amounts sufficient to pay, when due, the principal of and interest on the Series 2023B₍₂₎ Subordinate Bonds.

Prior to the investment or reinvestment of such moneys or such Federal Securities as provided in the Subordinate Indenture, the Trustee shall receive and may rely upon: (i) an opinion of Bond Counsel experienced in matters arising under Section 103 of the Code and acceptable to the Trustee, that the investment or reinvestment of such moneys or such Federal Securities complies with the Subordinate Indenture; and (ii) a report of a Certified Public Accountant that the moneys or Federal Securities will be sufficient to provide for the payment of the principal of and interest on the Series 2023B₍₂₎ Subordinate Bonds when due.

The release of the obligations of the District under the Subordinate Indenture shall be without prejudice to the rights of the Trustee to be paid reasonable compensation by the District for all services rendered by it under the Subordinate Indenture and all its reasonable expenses, charges, and other disbursements incurred in the administration of the trust hereby created, the exercise of its powers, and the performance of its duties under the Subordinate Indenture.

Continuing Role as Bond Registrar and Paying Agent. Notwithstanding the defeasance of the Series 2023B₍₂₎ Subordinate Bonds prior to maturity and the discharge of the Subordinate Indenture as provided therein, the Trustee shall continue to fulfill its obligations under the Subordinate Indenture until the Series 2023B₍₂₎ Subordinate Bonds are fully paid or the Subordinate Termination Date.

Discharge on December [16,] 20__. The Subordinate Indenture provides that notwithstanding any other provision in the Subordinate Indenture, after application on December 15, 20__ of all available Subordinate Pledged Revenue to the payment of the Series 2023B₍₂₎ Subordinate Bonds, the Series 2023B₍₂₎ Subordinate Bonds and the lien of the Subordinate Indenture securing payment thereof shall be deemed fully satisfied on the Subordinate Termination Date of December 16, 20__, and on such date the Series 2023B₍₂₎ Subordinate Bonds shall be discharged and the Subordinate Indenture shall terminate, and the estate and rights hereby granted shall cease, terminate, and be void, and thereupon the Trustee shall cancel the Series 2023B₍₂₎ Subordinate Bonds and discharge the lien of the Subordinate Indenture, and execute and deliver to the District such instruments in writing as shall be required to evidence the same. Upon such discharge, the Owners will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the Series 2023B₍₂₎ Subordinate Bonds remaining unpaid.

USE OF PROCEEDS AND DEBT SERVICE REQUIREMENTS

Application of Bond Proceeds

General. Proceeds from the sale of the Series 2023A-1 Senior Bonds will be used for the purposes of: (a) paying a portion of the Project Costs (as defined herein); (b) funding the Surplus Fund in an amount equal to the Initial Surplus Amount; (c) funding a portion of interest to accrue on the Series 2023A-1 Senior Bonds; and (d) paying other costs in connection with the issuance of the Bonds.

Proceeds from the sale of the Series 2023A-2 Senior Bonds will be used for the purposes of: (a) paying a portion of the Project Costs (as defined herein); (b) funding the Surplus Fund in an amount equal to the Initial Surplus Amount; and (c) paying other costs in connection with the issuance of the Bonds.

Proceeds of the sale of the Series 2023B₍₂₎ Subordinate Bonds will be used for the purposes of paying a portion of the Project Costs (as defined herein).

The Indentures define Project Costs as means the District’s costs properly attributable to the Project (defined in the Indentures as the acquisition, construction, and installation of public facilities the debt for which was approved at the 2018 Election, including, without limitation, necessary or appropriate equipment) or any part thereof, which includes reimbursement or payment of such costs in accordance with the [_____ Agreement or any other similar agreements pursuant to which the District is bound], including, without limitation: the acquisition, construction, and installation of public facilities the debt for which was approved at the 2018 Election, including, without limitation, necessary or appropriate equipment. See APPENDIX A “Selected Definitions” for a more complete definition of Project Costs.

Estimated Sources and Uses of Funds. The estimated uses of the proceeds of the Bonds are as follows:

SOURCES:

The Series 2023A-1 Senior Bonds Par Amount.....	\$ _____
The Series 2023A-2 Senior Bonds Par Amount	
The Series 2023B ₍₂₎ Subordinate Bonds Par Amount	
Total	\$ _____

USES:

Deposit to Senior Project Fund.....	\$ _____
Deposit to Subordinate Project Fund	
Deposit to Senior Bond Fund (Capitalized Interest)	
Deposit to the Surplus Fund	
Costs of issuance, including underwriting discount ⁽¹⁾ and contingency	_____
Total	\$ _____

⁽¹⁾ See “MISCELLANEOUS – Underwriting.”

Source: The Underwriter.

Debt Service Requirements and Forecasted Debt Service Payments

Set forth in the following table are the estimated debt service requirements for the Series 2023 Senior Bonds and the forecasted payments for the Series 2023B₍₂₎ Subordinate Bonds. See “DEBT STRUCTURE – General Obligation Debt.”

Estimated Debt Service Requirements and Forecasted Payments⁽¹⁾

Year	Series 2023A-1 Senior Bonds		Series 2023A-2 Senior Bonds ⁽²⁾		Series 2023B ₍₂₎ Subordinate Bonds ⁽³⁾		Annual Total
	Principal	Interest	Principal	Interest	Principal	Interest	

Total

⁽¹⁾ Assumes no redemptions prior to maturity. Figures have been rounded.

⁽²⁾

⁽³⁾ Principal and interest on the Series 2023B₍₂₎ Subordinate Bonds are payable solely from and to the extent of Subordinate Pledged Revenue. There are no scheduled principal payments on the Series 2023B₍₂₎ Subordinate Bonds until final maturity. The amounts set forth herein reflect the projected payments on the Series 2023B₍₂₎ Subordinate Bonds as set forth in the Financial Forecast, based upon the assumptions more particularly set forth therein. No assurance is given that the level of Subordinate Pledged Revenue projected in the Financial Forecast will be achieved, or that payment of the principal of or interest on the Series 2023B₍₂₎ Subordinate Bonds will be paid as set forth in this table. Failure to pay the amounts set forth above with respect to the Series 2023B₍₂₎ Subordinate Bonds will not constitute an event of default under the Subordinate Indenture. See “THE SERIES 2023B₍₂₎ SUBORDINATE BONDS – “Cash flow” Nature of the Series 2023B₍₂₎ Subordinate Bonds;” “- Security for the Series 2023B₍₂₎ Subordinate Bonds” and the Financial Forecast attached hereto as “APPENDIX C – DISTRICT’S FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS.”

Source: The Underwriter with respect to the Series 2023 Senior Bonds and the Financial Forecast with respect to the Series 2023B₍₂₎ Subordinate Bonds.

THE DISTRICT

Organization and Description

The District is a quasi-municipal corporation and political subdivision of the State of Colorado created pursuant to the Special District Act, to provide all or a portion of the Public Improvements (within

and without the Districts' boundaries as further determined by the board of an individual district to be in the best interest of an individual district and in accordance with the Service Plan), for the benefit of the residents and taxpayers of the Districts and the public at large.

The District was organized as a special district pursuant to a service plan approved by the Town of Castle Rock, Colorado (the "Town"), on September 16, 2014. The District's service plan was amended and restated by a Second Amended and Restated Service Plan for Lanterns Metropolitan District No. 1 and First Amended and Restated Service Plan for Lanterns Metropolitan District No. 2 and First Amended and Restated Service Plan for Lanterns Metropolitan District No. 3 and Service Plan for Lanterns Metropolitan District No. 4 and Service Plan for Lanterns Metropolitan District No. 5 approved by the Town on August 21, 2018, with Exhibit A corrected and acknowledged by the Town on June 11, 2019 effective *nunc pro tunc* to August 21, 2018 (the "Service Plan"). In addition to amending and restating the District's prior service plan, the Service Plan further amends and restates the service plan for Lanterns Metropolitan District No. 1 ("District No. 1"), the service plan for Lanterns Metropolitan District No. 2 ("District No. 2"), and provides for the organization of, and applies to Lanterns Metropolitan District No. 4 ("District No. 4") and Lanterns Metropolitan District No. 5 ("District No. 5"). The District, District No. 1, District No. 2, District No. 4 and District No. 5 are referred to in the Limited Offering Memorandum, collectively, as the "Districts." The District, District No. 1 and District No. 2 are collectively referred to herein as "Districts No. 1-3" and District No. 4 and District No. 5 are referred to herein as the "Operating Districts." The Districts were formed to provide all or a portion of the Public Improvements (as defined below) (within and without the Districts' boundaries as further determined by the board of an individual district to be in the best interest of an individual district and in accordance with the Service Plan), for the benefit of the residents and taxpayers of the Districts and the public at large.

The creation of the District was approved by the eligible electors of the District voting at the election held on November 4, 2014 (the "2014 Election"). The order and decree creating the District was entered by the Douglas County District Court on November 25, 2014 and recorded on December 2, 2014.

The Districts encompass approximately 604 acres of property (the "Service Area") generally located south of Crystal Valley Parkway and east of Interstate 25 in the Town of Castle Rock, in Douglas County (the "County"), State of Colorado (the "State"). See "AERIAL PHOTO OF THE DISTRICT" and "DENVER METROPOLITAN AREA VICINITY MAP" at the beginning of this Limited Offering Memorandum. The District contains approximately 140.667 acres, District No. 1 contains approximately 271 acres and District 3 contains approximately 192 acres. See "MAP OF DISTRICTS NO. 1-3" at the beginning of this Limited Offering Memorandum.

It is expected that Districts No. 1-3 will finance the construction and acquisition of all or a part of the Public Improvements within their respective boundaries. The Operating Districts were organized to provide operations and maintenance services to the property within the Service Area and are not authorized to issue debt without an amendment to the Service Plan.

The 2023 preliminary assessed valuation (for collection of taxes in 2024) of property within the District is \$3,995,340*. *Only the property located within the boundaries of the District will generate property taxes pledged to the payment of the Bonds.* See "FINANCIAL INFORMATION – Ad Valorem Property Tax Data" and "THE DISTRICT."

* Preliminary figure as of August __, 2023. The final assessed value will not be certified until approximately December 10, 2023. The 2023/2024 mill levy will not be certified until approximately December 15, 2023.

Inclusion, Exclusion, Consolidation and Dissolution

Inclusion and Exclusion of Property. The Special District Act provides that the boundaries of a special district may be altered by the inclusion of additional real property or exclusion of real property under certain circumstances. After its inclusion, the included property is subject to all of the taxes and charges imposed by the special district and shall be liable for its proportionate share of existing bonded indebtedness of the special district. After its exclusion, the excluded property is no longer subject to the special district's operating mill levy, and is not subject to any debt service mill levy for new debt issued after the date of the court's exclusion order by the special district. The excluded property, however, remains subject to the special district's debt service mill levy for that proportion of the special district's outstanding indebtedness and the interest thereon existing immediately prior to the date of the court's exclusion order. Boundary changes resulting from property included or excluded to or from the special district prior to the first day of May of each year are reflected in the special district's assessed valuation and are subject to the ad valorem property tax levy of the special district for that assessment year. Inclusion or exclusions that occur after May 1 are considered in the following assessment year. Pursuant to the Service Plan, the Districts cannot include within any of their boundaries any property outside of the Service Area without the prior written consent of the Town.

Since its organization, the District has undergone both inclusions and exclusions to get to its current size of approximately 140.667 acres. It is not expected that any additional property will be included in the District and it is not expected that any property will be excluded from the District.

Consolidation With Other Districts. Two or more special districts may consolidate into a single district upon the approval of the District Court and of the electors of each of the consolidating special districts or the Town Council of the Town. The District Court order approving the consolidation can provide that the consolidated district assumes the debt of the districts being consolidated. If so, separate voter authorization of the debt assumption is required. If such authorization is not obtained, then the territory of the prior district will continue to be solely obligated for the debt after the consolidation. In accordance with the Service Plan, the Districts cannot file a request with any court to consolidate with another district, other than the Districts, without the prior written consent of the Town.

Dissolution of the District. The Special District Act allows a special district board of directors to file a dissolution petition with the District Court. The District Court must approve the petition if the special district's plan for dissolution meets certain requirements, generally regarding the continued provision of services to residents and the payment of outstanding debt. Dissolution must also be approved by the special district's voters if the district has financial obligations or outstanding bonds. If the special district has debt outstanding, the district may continue to exist for only the limited purpose of levying its debt service mill levy and discharging the indebtedness.

If the Town Council of the Town independently determines that purposes for which the District was created have been accomplished, the District agrees to file a petition in the appropriate district court for dissolution pursuant to the applicable State statutes. Dissolution of the District will not occur until the District has provided for the payment and discharge of all of its outstanding indebtedness and other financial obligations as required pursuant to State statutes.

District Powers

The rights, powers, privileges, authorities, functions and duties of the District are established by the laws of the State of Colorado, particularly the Special District Act. The powers of the District are, however, limited both by the provisions of the Service Plan and its electoral authorization. See “– Service Plan Limitations” below.

Pursuant to the Special District Act, special districts each have the power: to have a perpetual existence, to have and use a corporate seal, to enter into contracts and agreements; to sue and be sued and to be a party to suits, actions and proceedings; to borrow money and incur indebtedness and to issue bonds; to acquire, dispose of and encumber real and personal property, and any interest therein; to have the management, control and supervision of all the business and affairs of the special district; to appoint, hire and retain agents, employees, engineers and attorneys; to fix and from time to time to increase or decrease fees, rates, tolls, penalties or charges for services, programs or facilities furnished by the special district; to waive or amortize all or part of any such fees or extend the time period for paying all or part of such fees for property within the district; to furnish services and facilities within and without the boundaries of the special district and to establish fees, rates, tolls, penalties or charges for such services and facilities; to accept real and personal property for use of the special district and to accept gifts and conveyances made to the special district; and to have and exercise all rights and powers necessary in, incidental to or implied from the specific powers granted to the special district. Special districts also have the power to provide covenant enforcement and design review services and safety services if permitted by the service plan.

Each special district also has the power, subject to constitutional and statutory limitations, to certify a levy for collection of ad valorem taxes against all taxable property of such special district. See “FINANCIAL INFORMATION – Ad Valorem Property Taxes.”

Service Plan Limitations

Pursuant to the Service Plan and the Special District Act, the District is authorized to provide the Public Improvements within and without the boundaries of the District. The Districts are required to dedicate the Public Improvements to the Town or other appropriate jurisdiction or owners association in a manner consistent with rules and regulations of the Town and applicable provisions of the Town Code. The District is authorized, but not obligated, to own, operate and maintain Public Improvements not otherwise dedicated to the Town or another public entity. See also “– Public Improvements” below.

The Service Plan limits the total issuance of general obligation debt for Districts No. 1-3 to an aggregate amount of \$87,000,000, subject to certain conditions. The Service Plan defines “Debt” as bonds or other obligations for the payment of which any District has promised to impose an ad valorem property tax mill levy. In 2019, District No. 1 issued \$22,120,000 of general obligation bonds and in 2021, District No. 2 issued \$25,482,000 of general obligation debt leaving \$39,398,000 in remaining general obligation debt authorization under the Service Plan. According to the District, there is presently no outstanding indebtedness issued by the District subject to this Service Plan limit.

In addition, the Service Plan prohibits the Districts from imposing a Debt service mill levy for more than for thirty five (35) years after the year of the initial imposition of such Debt service mill levy (as previously defined, the “Maximum Debt Mill Levy Imposition Term”) unless: (i) a majority of the Board imposing the mill levy are residents of such District, and (ii) such Board has voted in favor of a refunding of a part or all of the Debt and such refunding will result in a net present value savings as set forth in Section 11-56-101, C.R.S. The District has not previously imposed a debt service mill levy and the Indentures require the District to impose the Senior Required Mill Levy and the Subordinate Required Mill Levy, (which are both a debt service mill levy) in 2023. Accordingly, unless the foregoing requirements of the Service Plan are met, the District may not impose a debt service mill levy in any year after 2057. See “RISK FACTORS – Maximum Debt Mill Levy Imposition Term; Termination Dates for the Bonds.”

The District may collect a development fee imposed for the repayment of Debt (as defined in the Service Plan) and capital costs in an amount to be determined by the Board, but in no event is such fee to exceed \$2,000 per unit (plus an annual cost of living adjustment from January 1, 2016 forward). No fee related to repayment of Debt (as defined in the Service Plan) is permitted to be imposed upon or collected from District property owned or occupied by a third party homeowner or tenant of any homeowner

occupying a residential dwelling unit located in the Service Area subsequent to the transfer of such residential dwelling unit to a third party homeowner or tenant of any homeowner.

The District may impose a mill levy on taxable property within its boundaries as a primary source of revenue for repayment of Debt and for operations and maintenance. However, under the Service Plan, a mill levy imposed to pay Debt may not exceed 63.600 mills (subject to adjustment for changes occurring in the method of calculating assessed valuation on or after January 1, 2018) (the “Maximum Debt Service Mill Levy”) and the District may not impose an operations and maintenance mill levy which when combined with its debt service mill levy, exceeds 74.600 mills (subject to adjustment for changes occurring in the method of calculating assessed valuation on or after January 1, 2018) (the “Maximum Aggregate Mill Levy”).

The foregoing limitations of the Service Plan may be modified or amended with the approval of the Town and as otherwise provided in the Special District Act.

Governing Board

The District is governed by a five-member board of directors (for purposes of this section, the “Board”), provided that State law permits the Board to have up to seven members, subject to certain conditions. The members must be eligible electors of the district as defined by State law and are elected to staggered four-year terms of office at successive biennial elections. However, pursuant to State law, all special districts are required to move their biennial elections from even years to odd years beginning in 2023. Accordingly, the terms commencing in 2020 and 2022 will be three-year terms and then will reset to four-year terms commencing in 2023 and 2025, respectively. Vacancies on the Board may be filled by appointment of the remaining directors, each appointee to serve until the next regular election, at which time the vacancy is filled by election for any remaining unexpired portion of the term. Pursuant to the State law, with certain exceptions, no nonjudicial elected official of any political subdivision of the State can serve more than two consecutive terms in office; however, such term limitation may be lengthened, shortened, or eliminated pursuant to voter approval. At the 2014 Election, the District obtained voter approval to eliminate term limitations applicable to its board members under State law.

The directors hold regular meetings and special meetings as needed. Each director is entitled to one vote on all questions before the applicable Board when a quorum is present. Current directors may receive compensation of up to \$100 per meeting attended, up to a maximum annual amount of \$2,400. With the exception of this compensation, directors may not receive compensation from the District as employees of the District. The current directors do not receive any compensation, but are not prohibited from doing so in the future.

The present directors, their positions on the Board, and principal occupations are set forth below:

District Board of Directors

Name	Occupation ⁽¹⁾	Term Expires
Scott Carlson, President	Real estate developer	
Kent Carlson, Secretary	Real estate developer	
Ryan Carlson, Treasurer	Real estate developer	
Nathaniel Both, Assistant Secretary		
Reginald Carveth, Assistant Secretary		

⁽¹⁾ Two of the directors of the Board are employed by the parent company of the Developer.

Pursuant to State law, directors are required to disclose to the Colorado Secretary of State and the Board potential conflicts of interest or personal or private interests in any matters which are proposed or

pending before the Board. Additionally, no contract for work or material including a contract for services, regardless of the amount, shall be entered into between the District and a director, or between the District and the owner of 25% or more of the territory within the District, unless a notice has been published for bids and such director or owner submits the lowest responsible and responsive bid. According to disclosure statements filed with the Secretary of State and the District by directors prior to taking any official action relating to the Bonds, two of the directors have existing personal or private interests relating to the issuance or delivery of the Bonds or the expenditure of the proceeds thereof because each director, except for directors Scott Carlson, Kent Carlson, and Ryan Carlson are employees of the parent company of the Developer.

Administration

The Board is responsible for the overall management and administration of the affairs of the District. The District has no employees. The day to day operations of the District are conducted by the District's President with the assistance of CliftonLarsonAllen, LLP, Greenwood Village, Colorado, which serves as the District's accountant, and White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado, which serves as the District's general counsel.

Material Contracts

The Special District Act authorizes the District to enter into agreements and contracts affecting the affairs of the District. According to the District's general counsel, the District is not a party to any agreements which materially affect its financial status or operations, other than the agreements described below.

Town Intergovernmental Agreement. On February 25, 2019, the Town and the Districts entered into the Intergovernmental Agreement Between the Town of Castle Rock, Colorado, Lanterns Metropolitan District No. 1, Lanterns Metropolitan District No. 2, Lanterns Metropolitan District No. 3, Lanterns Metropolitan District No. 4 and Lanterns Metropolitan District No. 5 (the "Town IGA") that, among other things, provides the Town with contractual enforcement rights with respect to the provision of services and the exercise of powers as set forth in the Service Plan. Pursuant to the Town IGA, the Districts agree to dedicate Public Improvements to the Town, or other appropriate jurisdiction or owners association in accordance with the then current Town requirements. In the Town IGA, the Districts agreed to ensure that the Public Improvements constructed by the Districts are designed and constructed in accordance with the standards and specifications of the Town and other governmental entities having proper jurisdiction. The Town IGA further provides that the Districts are authorized, but not obligated, to own, operate and maintain Public Improvements not otherwise dedicated to the Town or other public entity. However, the District does not expect to own, operate and maintain Public Improvements not otherwise dedicated to the Town or another public entity.

In accordance with the Town IGA, the Districts are not authorized to plan for, design, acquire, construct, install, relocate, redevelop, finance, operate or maintain fire protection facilities unless such facilities are provided pursuant to an intergovernmental agreement with the Town. Further, the Town IGA provides that the Districts may not include within any of their boundaries any property outside of the Service Area or consolidate with another Title 32 district without prior written approval of the Town.

As described in "– Service Plan Limitations" above, the Town IGA also imposes the Maximum Debt Mill Levy and the Maximum Debt Mill Levy Imposition Term limitations.

The Town IGA may only be amended, modified, changed or terminated in whole or in part by a written agreement executed by all the parties to the Town IGA.

[Master Intergovernmental Agreement. The Town and the District entered into the Town of Castle Rock/Lanterns Metropolitan District No. 2 Master Intergovernmental Agreement dated September 16, 2014 (the “Master IGA”). The Master IGA sets forth, among other things, the District’s powers and limitations thereto and the parameters of the District’s authority to finance and construct public improvements. The Master IGA states that District has the authority to construct and finance the infrastructure prescribed by Town Regulations (as defined in the Master IGA) necessary to furnish Municipal Services to the District (the “Facilities”). Pursuant to the Master IGA, the District shall convey to the Town the Facilities for operation and maintenance by the Town.

The Master IGA establishes the ways in which the District may satisfy the surety requirements related to the construction of public improvements set forth in the Town Regulations and the conditions that must be met by the District prior to its issuance of bonds. The Master IGA sets forth the criteria for the Town’s review of the District and the standards for Service Plan compliance and amendment. The Master IGA provides that Master IGA does not limit the Town’s ability to enforce the Town’s policies throughout the District.]

[Infrastructure Acquisition and Project Fund Disbursement Agreement. On _____, the District entered into an Infrastructure Acquisition and Project Fund Disbursement Agreement with the Developer (the “Acquisition and Disbursement Agreement”).

The Acquisition and Disbursement Agreement sets forth the terms and conditions for reimbursement of the Developer of District Eligible Costs (defined in the Acquisition and Disbursement Agreement as “costs related to the acquisition, financing, planning, design, construction, and installation of Public Infrastructure that may be lawfully funded by the District under the Special District Act and the Service Plan”) for Public Infrastructure (defined in the Acquisition and Disbursement Agreement as certain public infrastructure, improvements, facilities and services) to be dedicated to other governmental entities, and for Public Infrastructure to be acquired by the District.

In accordance with the Acquisition and Disbursement Agreement, the Developer is to initiate a request for the District’s acceptance of District Eligible Costs by submitting either an “Application for Acceptance of District Eligible Costs/Dedicated Public Infrastructure” or an “Application for Acceptance of District Eligible Costs/District Acquired Public Infrastructure” (collectively referred to herein as, an “Acceptance Application”) forms of each of which are appended to the Acquisition and Disbursement Agreement, in form and substance satisfactory to the District.

Following receipt of a completed Acceptance Application, the District is to direct the following to occur:

(a) The District shall engage a professional engineer registered in the State of Colorado to review the invoices and other material presented to substantiate the District Eligible Costs (the “District’s Engineer”) and the District’s Engineer shall issue a written report certifying that the cost of the Public Infrastructure is reasonable as compared to the construction of the Public Infrastructure for similar improvements in a substantially similar area as the District (the “Engineer’s Cost Certification”).

(b) The District’s accountant shall also review the Engineer’s Cost Certification, invoices and other material presented to verify payment and substantiate the District Eligible Costs and issue a written report in form and substance reasonably acceptable to the District declaring the total amount of District Eligible Costs associated with the Public Infrastructure proposed for reimbursement (the “Accountant’s Cost Certification”).

The Acquisition and Disbursement Agreement provides that upon receipt of an Application for Acceptance of District Eligible Costs/District Acquired Public Infrastructure for any substantially

completed Public Infrastructure or component part thereof, the District shall promptly direct the following to occur:

(a) The District's representative and the Developer or its representative, shall jointly inspect the Public Infrastructure within 30 days of the submission of a complete Application for Acceptance of District Eligible Costs/Acquired Public Infrastructure (the "Public Infrastructure Inspection");

(b) If the District's representative finds after the Public Infrastructure Inspection that: (i) the Public Infrastructure has been constructed in substantial accordance with the Construction Drawings (as defined in the Acquisition and Disbursement Agreement); and (ii) the Public Infrastructure is fit for its intended purpose, then, within 14 days after the Inspection, unless the Parties mutually agree to extend the deadline, the District's representative shall notify the District in writing of its findings and provide certification of the same (the "District Inspection Certification");

(c) If any defective work is identified during the Public Infrastructure Inspection, the District's representative will prepare a punch list of items requiring remedial action to correct any defective work. Such corrective work will be performed by the Developer within 60 days of the issuance of the District Inspection Certification and in accordance with any warranty agreement. Within 30 days after the corrective work has been completed, the District's representative and the Developer or its representative shall jointly inspect the Public Infrastructure that was found to be defective and the District's representative shall provide a new District Inspection Certification for such Public Infrastructure; and

Within 60 days or receipt of a satisfactory Engineer's Cost Certification, Accountant's Cost Certification and a District Inspection Certification, if applicable, and within a reasonable time thereafter, the District shall accept the District Eligible Costs, and (if applicable) acquire any Public Infrastructure being conveyed to the District, by adopting a resolution declaring satisfaction of the conditions to acceptance as set forth in the Acquisition and Disbursement Agreement, subject to any variances or waivers which the District may allow in its sole and absolute discretion, and with any reasonable conditions the District may specify (the "District Acceptance Resolution").

In the Acquisition and Disbursement Agreement, the District and the Developer agreed that no reimbursement for Certified District Eligible Costs shall be required thereunder unless and until the District has adopted a District Acceptance Resolution. After the adoption of a District Acceptance Resolution, the District shall make a requisition in the amount of the Certified District Eligible Costs from the Project Fund held by the Trustee (as set forth in Section 3.04 (b) of the Indenture), which requisition shall direct that the Trustee make payment of the applicable amount directly to the Developer.

Notwithstanding any provision in the Acquisition and Disbursement Agreement to the contrary, the Acquisition and Disbursement Agreement shall terminate automatically and be of no further force or effect upon the occurrence of: (i) the Developer's voluntary dissolution, liquidation and winding up; (ii) administrative dissolution (or other legal process not initiated by the Developer, dissolving the Developer as a legal entity) that is not remedied or cured within sixty (60) days of the effective date of such dissolution or other process; or (iii) the initiation of bankruptcy, receivership or similar process or actions with regard to the Developer (whether voluntary or involuntary). The termination of the Acquisition and Disbursement Agreement shall be absolute and binding upon the Developer and its successors and assigns. The District's obligations under the Acquisition and Disbursement Agreement shall terminate at the earlier of exhaustion of all amounts in the Project Fund or 20 years from the date of the Acquisition and Development Agreement.

As of _____, the District has not acquired any Public Improvements or reimbursed the Developer for any cost incurred pursuant to the terms of the Acquisition and Disbursement Agreement. It is anticipated that a portion of the proceeds of the Bonds will be deposited to the Project Fund and disbursed

to the Developer for costs incurred pursuant to the terms of the Acquisition and Disbursement Agreement. See “USE OF PROCEEDS AND DEBT SERVICE REQUIREMENTS.”]

[Funding and Reimbursement Agreement (Operations and Maintenance). The District and the Developer entered into a Funding and Reimbursement Agreement (Operations and Maintenance) on _____ (the “Funding and Reimbursement Agreement”). The Funding and Reimbursement Agreement states that the Developer will make certain advances to the District for costs relating to the District’s general operation, administration, and maintenance. In the Funding and Reimbursement Agreement, the District agrees to reimburse the Developer for these costs incurred plus interest at the rate of 4.0% per annum, from ad valorem taxes, fees, or other legally available revenues of the District, net of any debt service or current operations and maintenance costs of the District. The Funding and Reimbursement Agreement limits the aggregate amount of loans from the Developer to the District for operations and maintenance-related costs to a maximum amount of \$50,000 per annum for two years, up to \$100,000 (the “Maximum Loan Amount”), unless such amount is subsequently increased upon agreement of the Developer and the District. Such amount is expected to be available to the District through _____, 202_ (the “FRA Termination Date”). The FRA Termination Date is to be automatically extended for additional one (1) year terms unless the Developer provides written notice to the District of termination at least thirty (30) days prior to December 31 of each year. Upon the occurrence of the automatic extension described in the preceding sentence, the Developer agrees to loan the District up to \$50,000 and to increase the amount Maximum Loan Amount of the loan by the amount by the amount of such annual loan.

In the Funding and Reimbursement Agreement, the District acknowledges that the Developer has incurred costs on behalf of the District prior to the execution of the Funding and Reimbursement Agreement in anticipation that the same would be reimbursed as provided therein (the “Prior Costs”). Pursuant to the Funding and Reimbursement Agreement, reimbursement for Prior Costs will be in accordance with the Funding and Reimbursement Agreement, except that any Prior Costs reimbursed will not be included in the calculation of the Maximum Loan Amount.

Pursuant to the Funding and Reimbursement Agreement, the District agrees that it shall apply all funds loaned by the Developer solely to its general operation, administrative, and maintenance costs as set forth in the annual adopted budgets for the District, and pursuant to any contracts entered into with third parties to perform functions for the District under such budgets. The Funding and Reimbursement Agreement sets forth the procedures for the District to request advances from the Developer.

The Funding and Reimbursement Agreement also sets forth the procedure for the Developer to request that the District issue the Developer one or more reimbursement notes, bonds or other instruments (collectively, “Reimbursement Obligation”) reflecting advances made thereunder. A Reimbursement Obligation is to bear interest as set forth in the specific Reimbursement Obligation, will have a term of no longer than twenty (20) years from _____, 202_ and are not considered an obligation under the Funding and Reimbursement Agreement and are therefor not subject to termination or discharge as described in the following paragraph.

Any obligations of the District under the Funding and Reimbursement Agreement will be subject to annual appropriation by the District and are not to be construed as a debt or multiple fiscal year obligation under any statutory or constitutional provision, and such reimbursement obligation is subordinate to any current or future bonded indebtedness of the District. The District’s obligation under the Funding and Reimbursement Agreement terminates on the payment of the Maximum Loan Amount or on a date which is twenty (20) years from July 6, 2021 at which point any District obligation remaining under the Funding and Reimbursement Agreement will be forgiven in its entirety, and forever discharged.

As of _____, 202_, \$0 was outstanding under the Funding and Reimbursement Agreement, including Prior Costs, additional advances made by the Developer thereunder and all interest accrued thereon to such date.]

District Insurance

The Board acts to protect the District against loss and liability by obtaining and maintaining certain insurance coverage in amounts which each district's board believes will be adequate. Currently, the District maintains insurance through the Colorado Special Districts Property and Liability Pool ("CSDPLP"). CSDPLP was established by the Special District Association of Colorado in 1988 to provide special districts with general liability, auto/property liability, public officials' liability and workers' compensation insurance coverage as an alternative to the traditional insurance market. CSDPLP provides insurance coverage for over 1,160 special districts and is governed by an eleven-member board of special district representatives.

The District's current policy expires on December 31, 202_. There is no guarantee that the District will continue to maintain such insurance in the future; provided that the Indentures contain certain insurance requirements for the District.

Public Improvements

Generally. Pursuant to the Special District Act, the Service Plan and the 2018 Election authorization to incur debt and impose taxes, the District has the authority to acquire, construct, relocate, install, complete and otherwise provide, within or without the boundaries of the District, the Public Improvements.

For information concerning the costs of all public infrastructure required to serve the Development, including the Public Improvements, see "THE DEVELOPMENT – Public Infrastructure." The Districts are required to dedicate the Public Improvements to the Town or other appropriate jurisdiction or owners association in a manner consistent with rules and regulations of the Town and applicable provisions of the Town Code. Pursuant to the Service Plan, the District is authorized, but not obligated, to own, operate and maintain Public Improvements not otherwise dedicated to the Town or another public entity. See "– Material Contracts - Town Intergovernmental Agreement" above. However, the District does not expect to own, operate and maintain Public Improvements not otherwise dedicated to the Town or another public entity.

Standards of Construction. Pursuant to the Service Plan, the District is required to ensure that all Public Improvements it constructs or finances are designed and constructed in accordance with the standards and specifications of the Town and other governmental entities having jurisdiction. The District is required to obtain the Town's approval of civil engineering plans and applicable permits for construction and installation of Public Improvements prior to performing work. However, the District does not expect to construct any Public Improvements.

THE DEVELOPMENT

The following information has been supplied by the Developer. None of the District, the District's advisors, or the Underwriter make any representation regarding projected development plans within the District, the financial soundness of the Developer or future builders, or their managerial ability to complete the Development as planned. The development of the property within the District may be affected by factors such as governmental policies with respect to land development, the availability of water and other utilities, the availability of energy, construction costs, interest rates, competition from other developments, and other political, legal and economic conditions. Further, property within the District not owned by the District or the Developer may be subject to encumbrances as security for obligations payable to various parties, the

default of which could adversely affect construction activity. See “RISK FACTORS – Development Not Assured.”

Development Overview

The property within the District (the “Development”) is a portion of an approximately 848 acre master planned residential community known as Montaine (“Montaine”) generally located south of Crystal Valley Parkway and east of Interstate 25 in the Town of Castle Rock, in Douglas County (the “County”), State of Colorado (the “State”). According to the Developer, upon full build out, Montaine is expected to include approximately 1,200 residential units consisting of approximately 664 single family homes in the active adult community for residents 55 years old and older and approximately 536 single family homes in the single family community.

The Development, the third phase of the Montaine development, is planned to consist of approximately 378 single family detached residences, in two distinct communities (1) approximately 279 single family homes in an active adult community for residents 55 years old and over; and (2) approximately 99 homes in a single family residential community. Construction within the Development is expected to take place in eight (8) phases. Phase I of the Development is expected to include the construction of 4 active adult single family detached residences (“Phase I”). Phase II of the Development is expected to include the construction of 51 single family detached residences (“Phase II”). Phase III of the Development is expected to include the construction of 4 active adult single family detached residences (“Phase III”). Phase IV of the Development is expected to include the construction of 48 single family detached residences (“Phase IV”). Phase V of the Development is expected to include the construction of 26 active adult single family detached residences (“Phase V”). Phase VI of the Development is expected to include the construction of 63 active adult single family detached residences (“Phase VI”). Phase VII of the Development is expected to include the construction of 49 active adult single family detached residences (“Phase VII”). Phase VIII of the Development is expected to include the construction of 133 active adult single family detached residences (“Phase VIII”). Both the active adult community and the single family residential community will have amenities including a separate recreation center for each community featuring a lounge, a pool, fitness, spa, indoor and outdoor entertaining areas, game room, multipurpose rooms, catering kitchen, coffee bar, yoga lawn and fire pits. The Development will also feature open space and preserved nature areas, soft and hard trail system, playgrounds, tot lots, sledding hills, tennis/pickleball courts, bocce ball courts and an event lawn. See also “AERIAL PHOTO OF THE DISTRICT” and “MAP OF DISTRICTS NO. 1-3.” Vertical construction within the Development is expected to begin in the fall of 2023 and all homes and amenities are expected to be fully constructed by fall of 2031. See also “RISK FACTORS – Development Not Assured” and “THE DEVELOPMENT.” See also APPENDIX B – “MARKET STUDY” and APPENDIX C – “DISTRICT’S FORECASTED STATEMENT OF SOURCES AND USES OF CASH.”

The Lanterns, Filing No. 6 Final Plat, a plat for approximately 4 single-family detached lots in the active adult community (“Filing No. 6”), The Lanterns, Filing No. 7 Final Plat, a plat for approximately 89 single family lots within the active adult community and 4 single family detached lots within the single family community (“Filing No. 7”) and The Lanterns, Filing No. 8 Final Plat, a plat for approximately 99 single-family detached lots in the single family community (“Filing No. 8) have been approved by the Town. The Lanterns, Filing No. 10 Final Plat, a plat for approximately 182 single family lots within the active adult community (“Filing No. 10”) has been submitted to the Town for approval. See “– Zoning and Platting” below. Subject to the approval of necessary plats and issuance of building permits, the Development is fully entitled for its intended uses in accordance with the zoning documentation applicable to the Development as more particularly described in “– Zoning and Platting” below. See “– Zoning and Platting” below.

All developable property within the Development is owned by the Developer. See “– Land Acquisition; Encumbrances on Property; Restrictive Covenants.” The Developer anticipates that it will construct homes on all of the lots within the Development. The Developer is under no obligation to continue to develop property within the Development and the Developer is not under any obligation to construct homes within the Development. See “RISK FACTORS – Development Not Assured.”

Notwithstanding any of the foregoing, the Developer is not contractually obligated to pursue the development of the property comprising the Development, and no assurance is given that development will continue in accordance with the present permitted land uses, modifications thereof or at all.

Only the property located within the boundaries of the District (the Development) will generate property taxes pledged to the payment of the Bonds. All of the Development is located within the District.

The improvements permitted to be financed by the District pursuant to the Service Plan and the 2018 Election (as defined below) generally include a water system, sanitary sewer system, storm sewer system, on and off-site road improvements and trails (collectively, the “Public Improvements”). According to the Developer, construction of the Public Improvements to serve the Development commenced in July 2022, is approximately forty (40) percent complete and all Public Improvement construction is expected to be completed in the fourth quarter of 2024. The Developer estimates the total costs of Public Improvements within the District or benefitting the District to be approximately \$17,100,000. As of September 1, 2023, the Developer has spent approximately \$12,000,000 on Public Improvements. See the Market Study attached in APPENDIX B and also the Financial Forecast attached in APPENDIX C hereto. Pursuant to the Acquisition and Disbursement Agreement by and between the District and the Developer, the District has agreed to acquire certain of the completed Public Improvements from the Developer upon the satisfaction of certain conditions contained therein. See “THE DISTRICT – Material Contracts - [Infrastructure Acquisition and Project Fund Disbursement Agreement.” A portion of the proceeds of the Bonds will be used to pay the purchase price for such Public Improvements.

Additional infrastructure necessary for the Development (which, in addition to Public Improvements, includes, among other things, dry utilities, lot improvements and other improvements which are not permitted to be financed by the District pursuant to the Service Plan) is expected to be complete by [REDACTED] for an estimated remaining cost of approximately \$10,600,000. The Developer has funded and expects to continue to fund the remaining costs of such infrastructure with cash or internal lines of credit. As of September 1, 2023, the Developer has spent approximately \$6,400,000 on other infrastructure within the District.

Montaine Overview

Montaine is an 848 acre master planned residential community generally located south of Crystal Valley Parkway and east of Interstate 25 in the Town of Castle Rock, in Douglas County (the “County”), State of Colorado (the “State”). According to the Developer, upon full build out, Montaine is expected to include approximately 1,200 residential units consisting of approximately 664 single family homes in the active adult community for residents 55 years old and older and approximately 536 single family homes in the single family community, two a recreation centers, parks, trails and open space.

Zoning and Platting

Development of the property comprising the Development is subject to, and is being undertaken in accordance with: (i) the Development Agreement, (ii) the limitations on land uses provided in the applicable zoning documentation, comprised of preliminary and final site development plans; (iii) the subdivision of property in accordance with plats; and (iv) improvement agreements anticipated to be entered into at the time of platting of property, all in accordance with the Town’s Municipal Code and as

more particularly described in “– Development Agreement and Subdivision Improvement Agreements” below.

Platting. The Town’s subdivision process, as set forth in its Municipal Code, provides for consideration and approval by Town Council of one or more site-specific “Plats,” but only after consideration and approval of the applicable Site Development Plan (described below under “–Zoning”), and provided that simultaneous with a Plat there is to be executed a subdivision improvement agreement (as more particularly described under “– Development Agreement and Subdivision Improvement Agreements” below). Plat approval for each phase of the Development is required prior to the issuance of any building permit for property within such phase of the Development.

Pursuant to the process set forth above, The Lanterns, Filing No. 6 Final Plat, a plat for approximately 4 single-family detached lots in the active adult community (“Filing No. 6”), The Lanterns, Filing No. 7 Final Plat, a plat for approximately 89 single family lots within the active adult community and 4 single family detached lots within the single family community (“Filing No. 7”) and The Lanterns, Filing No. 8 Final Plat, a plat for approximately 99 single-family detached lots in the single family community (“Filing No. 8) have been approved by the Town. The Lanterns, Filing No. 10 Final Plat, a plat for approximately 182 single family lots within the active adult community (“Filing No. 10”) has been submitted to the Town for approval. See “– Zoning and Platting” above.

According to the Developer, Filing No. 10 has been submitted to the Town for approval and is expected to be approved **by the end of 202_**.

Notwithstanding the foregoing, development plans are subject to change and no assurance is given that the Developer will not pursue a platting or re-platting of property within the Development into fewer lots than anticipated herein. See “RISK FACTORS – Development Not Assured.”

Zoning. The property comprising the Development is presently zoned in accordance with the Town’s zoning process for a “Planned Development” zoning district (which is the zoning classification applicable to the Development), which process is generally comprised of: (i) an optional “sketch plan,” which may be submitted by the applicant, intended to address in a preliminary fashion the proposed use and density of the property, including, among other matters, open space and major planned roadways; (ii) a “PD Plan and Zoning Regulations,” subject to approval by Town Council (after recommendations are provided by the Town’s Planning Commission), which, together with the Development Agreement (described below) are intended to provide Town Council approval of more detailed land use plans for particular phases of the project; and (iii) one or more site specific “Site Development Plans,” also subject to approval by Town Council (after recommendations are provided by the Town’s Planning Commission). Site Development Plan approval for the Development (in addition to applicable subdivision approvals as described in “- Platting” above) is required prior to the issuance of any building permit for property within the Development.

In accordance with the foregoing, with respect to the property planned for the Development, the Town has approved the following zoning documentation: (i) on September 23, 2002, the Lanterns Planned Development Plan and The Lanterns PD Zoning Regulations; (ii) on December 16, 2008, 1st Amendment to the Lanterns Planned Development Plan and The Lanterns PD Zoning Regulations 1st Amendment; (iii) on June 3, 2014, Lanterns Planned Development Plan Amendment No. 3, PD Zoning Regulations 2nd Amendment; (iv) on May 11, 2018, the 3rd Amendment PD Zoning Regulations; and (v) on December 17, 2019, Lanterns Planned Development Plan, Amendment No. 4. All of the above-referenced material is referred to herein as the “Zoning Approvals.”

The Zoning Approvals govern the development of 378 single family detached residential units within the Development included within Planning Areas P.A. 3, P.A 4, P.A. 5, P.A. 6, P.A. 12, and P.A. 13

(as set forth in the Lanterns Site Development Plan), Filing No. 6, Filing No. 7, Filing No. 8 and, once approved by the Town, Filing No. 10 and any other additional plats necessary to complete the Development. See “- Platting” above. The Zoning Approvals govern product types, lot sizes and similar development standards, and enable a degree of flexibility in density allocation. Additional parcels, comprised of public land dedication, private open space and rights-of-way comprise the remaining acreage of property within the District that is the subject of the Zoning Approvals.

The Zoning Approvals comprise the “PD Plan and Zoning Regulations” described above for the development and comprise, together with the Site Development Plans described above, all of the zoning documentation applicable to the Development.

The following table sets forth the permitted land uses for each planning area pursuant to the Zoning Approvals, the Developer’s presently anticipated allocation of proposed density to such planning areas of the dwelling units and product types that are available pursuant to the Zoning Approvals and, where applicable, the portions thereof for which a final plat has been approved. There is no assurance that development will proceed in accordance with the Developer’s present plans, as reflected in the following table, or at all. In particular, for those Planning Areas for which a final plat has not yet been approved (totaling 182 single family residences), it is possible that certain adjustments and refinements to the assumptions set forth below will occur as Site Development Plans and Plats are processed and approved.

Permitted and Planned Land Uses and Platted Lots – The Development

Planning Area⁽¹⁾	Land Use⁽²⁾	Acreage⁽³⁾	Permitted Dwelling Units	Planned Dwelling Units
<u>Age Qualified</u>				
P.A. 12	R-SF-AR-2	177.6	526	___ ⁽⁴⁾
P.A. 13	R-SF-AR-1	51.2	138	___ ⁽⁵⁾
<i>Total</i>		228.8	664	279
<u>Single Family</u>				
P.A. 3	R-SF-2	12.6	37	___ ⁽⁶⁾
P.A. 4	R-SF-1	18.2	46	___ ⁽⁶⁾
P.A. 5	R-SF-3	7.2	25	___ ⁽⁶⁾
P.A. 6	R-SF-2	3.9	17	___ ⁽⁶⁾
<i>Total</i>		41.9	125	99
Development Total		270.7 ⁽⁷⁾	789 ⁽⁷⁾	378 ⁽⁷⁾

(1) Pursuant to the Lanterns Site Development Plan.

(2) With respect to P.A. 3, P.A. 4, P.A. 5 and P.A. 6, land use designations under the Zoning Approvals permit the following (in addition to accessory uses) R-SF-1, R-SF-2, R-SF-3 and R-SF-4 detached single family residences. With respect to P.A. 12 and P.A. 13, land use designations under the Zoning Approvals permit the following (in addition to accessory uses) R-SF-AR1 and R-SF-AR2 age restricted single family residences.

(3) Acreage does not include surrounding open space and other non-developable property within the District.

(4) Approximately ___ lots within P.A. 12 are contained within Filing No. 6 and Filing No. 7 which have been approved and Filing No. 10 which is expected to be approved as set forth in “-Platting” above.

(5) Approximately ___ lots within P.A.13 are contained within Filing No. 10 which is expected to be approved as set forth in “-Platting” above.

(6) Approximately 99 lots within P.A. 3, P.A. 4, P.A. 5 and P.A. 6 are contained within Filing No. 8 which have been approved as set forth in “-Platting” above.

(7) Portions of the acreage in P.A. 12, P.A. 13, P.A. 3, P.A. 4, P.A. 5 and P.A. 6 are not included within the District or the Development; therefore, the Development acreage total and the Permitted Dwelling Units total will not match the total acreage or Permitted Dwelling Units within the District. Only the property located within the boundaries of the District will generate property taxes pledged to the payment of the Bonds.

Source: The Lanterns Planned Development Plan, Amendment No. 4, the Lanterns Site Development Plan and the Developer.

Notwithstanding the foregoing, development plans are subject to change and no assurance is given that the Developer will not pursue re-platting of the property within the Development into fewer lots than anticipated herein. See “RISK FACTORS – Development Not Assured.”

Development Agreement and Subdivision Improvement Agreements

In connection with Zoning Approvals, and in accordance with the Town’s Municipal Code, the following development agreement (the “Development Agreement”) further address development within Montaine: the Town and Jefferson 500, LLC, Austen Holdings, LLC and Alcott Holdings, LLC (prior developers of property within the Development, collectively referred to herein as the “Prior Developers”) entered into the Lanterns Amended and Restated Development Agreement dated October 31, 2014, in relation to the 3rd Amendment to the Lanterns Planned Development Plan and 3rd Amendment PD Zoning Regulations (the “Development Agreement”), including the Development.

The Development Agreement constitutes a covenant that runs with the land, binding upon successors in interest to such property (including the Developer). Pursuant to the Development Agreement, subject to the provision by the Developer (and/or the District) of the infrastructure required as described therein, the Town undertakes to provide the “municipal services” described therein, including public safety, water and wastewater, storm water drainage and detention, parks and recreation, transportation and street maintenance, general administrative services including code enforcement and any other service provided by the Town within the municipality under its police powers. The Town also agrees to not unduly delay or hinder the processing of development requests for the property.

The Development Agreement generally provides that the Developer (and/or the District) is responsible for causing the provision (at its initial expense, but subject to the District’s participation as described herein) of all infrastructure necessary for the Town to provide the foregoing municipal services (which infrastructure is to be dedicated to the Town upon completion), with the exception of the “Town Facilities” described below. Such facilities are anticipated to be provided in phases, provided that the Town has the right to withhold further development approvals (which would include the issuance of building permits) for any property which utilizes or benefits from a particular phase of facilities that have not yet been completed. The Town has the obligation to provide the “Town Facilities” which include the water supply, treatment and storage and wastewater treatment necessary to serve the subject property. The Developer is also obligated to reimburse the Town for construction of certain road improvements; to cause construction of certain improvements for Crystal Valley Parkway, Plum Creek Boulevard, the I-25 frontage Road and Old Lanterns Road, to cause the extension of water, wastewater, and storm water utilities and streets to such lands and pay applicable fees; and to cause the design, installation and maintenance of any landscaping within any public street right-of-way dedicated to the Town. The Developer is required to dedicate certain lands to the Town or other public entities for parks, recreational areas, open space, well sites, utilities, public safety and other public purposes or to the Douglas County School District for educational facilities. The Developer is further obligated to pay a portion (\$1,357,056) of the costs of the construction of a new I-25 interchange for Crystal Valley Ranch Parkway/Douglas Lane. Finally, the Developer is required to dedicate certain lands to the Town or other public entities for parks, recreational areas, open space, well sites, utilities, public safety and other public purposes. The Developer, at its expense, is to extend water, wastewater, stormwater utilities and streets to the lands described in the preceding sentence. The Development Agreement also provides that restrictions and covenants be established and recorded with respect to the age qualified portions of the Development. The Developer’s obligations under the Development Agreements are subject to the District’s participation as otherwise described herein and as expressly contemplated in the Development Agreement.

The Development Agreement generally contemplates that the Town and Developer will enter into one or more subdivision improvement agreements (the “Subdivision Improvement Agreements”) at the

time of approval of a plat with respect to any particular property in the Development. It is anticipated that, in accordance with such Subdivision Improvement Agreements, the Developer will be required to provide security to assure the completion of the infrastructure described therein (relating to the property that is the subject of the related plat); subject to the provision of infrastructure by the District as otherwise discussed herein. The District may undertake to provide such public improvements. In such event, provisions of the Development Agreement and Town Regulations requiring the posting of financial guarantees to secure the construction and warranty obligations therein, may be satisfied by the District by the cash funding of an escrow to be available for the payment of construction contract progress payments upon Town approval of draw requests, and to be made available to the Town in the event of a default by the District to complete or remediate the related public improvements as provided in the applicable Subdivision Improvement Agreement.

The Development Agreement also sets forth obligations of the Town and the Developer relating to the acquisition, funding and allocation of water rights and certain wastewater necessary to serve the Montaine development, including the payment, pre-payment and credits against the payment of a portion of the System Development Fees and tap connection fees imposed by the Town for such purposes, as more particularly described in “– Water and Sewer” below. The Development Agreement further provides that in connection with the development of the property within the Development, the Developer or any homebuilder constructing houses within the Development shall implement “The Lanterns Water Efficiency Plan” (the “Water Efficiency Plan”). The Water Efficiency Plan is a comprehensive set of mandatory indoor and outdoor water efficiency standards that are constructed to achieve lower water demand. The Water Efficiency Plan provides that 100% of the homes constructed within the Development be inspected and certified by a third party to ensure compliance and that third party compliance certification is a condition to the receipt of a certificate of occupancy for the house from the Town. The Water Efficiency Plan also provides for ongoing monitoring and enforcement of the standards set forth therein.

Planned Development and Construction Activity

According to the Developer, home construction is expected to begin in the fall of 2023 and full build-out is anticipated to be completed by 2031. The Developer expects to commence construction within the Development in eight (8) phases. According to the Developer, construction of the Public Improvements to serve the Development commenced in July 2022, is approximately forty (40) percent complete and is expected to be completed in the fourth quarter of 2024. The Developer estimates the total costs of Public Improvements within the District or benefitting the District to be approximately \$17,100,000. As of September 1, 2023, the Developer has spent approximately \$12,000,000 on Public Improvements. See the Market Study attached in APPENDIX B and also the Financial Forecast attached in APPENDIX C hereto. See the Market Study attached in APPENDIX B and also the Financial Forecast attached in APPENDIX C hereto.

Status of Lot Sales, Construction and Platting Activity⁽¹⁾

Owner	Planned Homebuilder	Product Type	Lot Sales Activity				Construction Status	Platting Status	
			Sold	Under Contract ⁽²⁾	Not Sold or UC	Total	Under Const./ Complete	Plat Recorded ⁽³⁾	Unplatted ⁽⁴⁾
Developer	Developer	Active Adult	0	279	0	279	0	97	182
Developer	Developer	Single-Family	0	99	0	99	0	99	0
			0	378	0	378	0	196	182

⁽¹⁾ As of August 31, 2023.

⁽²⁾ All land within the Development has been purchased by the Developer. See “-Land Acquisition; Encumbrances on Property; Restrictive Covenants” below. The Developer is expected to construct all of the homes in the Development and as of the date of this Limited Offering Memorandum, no homes have been sold to end users.

⁽³⁾ Filing No. 6, a plat for approximately 4 single-family detached lots in the active adult community, Filing No. 7, a plat for approximately 89 single family lots within the active adult community and 4 single family detached lots within the single family community and Filing No. 8, a plat for approximately 99 single-family detached lots in the single family community have been approved by the Town.

⁽⁴⁾ Filing No. 10, a plat for approximately 182 single family lots within the active adult community has been submitted to the Town for approval is expected to be approved by the end of 2023.

Notwithstanding the foregoing, development plans are subject to change and no assurance is given that the Developer will not pursue re-platting of the property within the Development into fewer lots than anticipated herein. See “RISK FACTORS – Development Not Assured.”

Additional information about the home products expected to be offered by the Developer and the anticipated base homes sale price is provided in the Market Study. *The actual amount of residential development is subject to change, depending upon the needs of the Developer, market conditions and other factors. See “RISK FACTORS – Development Not Assured.”*

Public Infrastructure

The improvements permitted to be financed by the District pursuant to the Service Plan and the 2018 Election (as defined below) generally include a water system, sanitary sewer system, storm sewer system, on and off-site road improvements and trails (collectively, the “Public Improvements”). According to the Developer, construction of the Public Improvements to serve the Development commenced in July 2022, is approximately forty (40) percent complete and all Public Improvement construction is expected to be completed in the fourth quarter of 2024. The Developer estimates the total costs of Public Improvements within the District or benefitting the District to be approximately \$17,100,000. As of September 1, 2023, the Developer has spent approximately \$12,000,000 on Public Improvements. See the Market Study attached in APPENDIX B and also the Financial Forecast attached in APPENDIX C hereto. Pursuant to the Acquisition and Disbursement Agreement by and between the District and the Developer, the District has agreed to acquire certain of the completed Public Improvements from the Developer upon the satisfaction of certain conditions contained therein. See “THE DISTRICT – Material Contracts - [Infrastructure Acquisition and Project Fund Disbursement Agreement.” A portion of the proceeds of the Bonds will be used to pay the purchase price for such Public Improvements.

Additional infrastructure necessary for the Development (which, in addition to Public Improvements, includes, among other things, dry utilities, lot improvements and other improvements which are not permitted to be financed by the District pursuant to the Service Plan) is expected to be complete by _____ for an estimated remaining cost of \$10,600,000. The Developer has funded and expects to continue to fund the remaining costs of such infrastructure with cash or internal lines of credit. As of September 1, 2023, the Developer has spent approximately \$6,400,000 on other infrastructure within the District.

Water and Sewer

Pursuant to the Development Agreement, water and sewer services are anticipated to be provided to the Montaine development by the Town. The Town has obtained the Montaine development's groundwater rights and, in accordance with the Development Agreement and established an initial credit against the Town's water dedication requirements for such property in the amount of 979 SFE (the "Water Credit"). The Water credit is expressed as a single family equivalent. Consequently, 1 SFE of water credit represents that the holder has satisfied the Town's water dedication requirement for one single family residence.

If the Water Credit is exhausted prior to full development of the property within the Montaine Development, which is anticipated to occur after the use of the 979 SFE, the Developer may provide additional water resources or pay cash-in-lieu of water rights dedication in accordance with the Development Agreement and Town regulations then in effect. Absent provision of such additional water resources, if required, the Town is not to be obligated to approve further development for portions of the Development for which sufficient Water Credits are not allocated or for which a cash-in-lieu payment has not been made.

Land Acquisition; Encumbrances on Property; Restrictive Covenants

Land Acquisition. Jefferson 500, LLC ("Jefferson") sold all of the property within the Development to the Developer pursuant to a Purchase and Sale Agreement which became effective on May 24, 2017 (the "Jefferson PSA").

Pursuant to the Jefferson PSA, Jefferson agreed to sell, and the Developer agreed to purchase, 713.06 acres of land (the "Jefferson Property"), including all water and water rights, wells, well rights and well permits, water and sewer taps, water and/or sewer service agreements, water credits and sanitary or storm sewer capacity. Jefferson reserved all minerals, oil, gas and other hydrocarbon substances and geothermal resources and mineral rights, except that Jefferson agreed at closing on the purchase of the Jefferson Property to sell and convey to the Developer all surface use, ingress and egress rights related to the exploration of mineral and mineral rights pursuant to a covenant not to damage or interfere with surface improvements.

As set forth in the Jefferson PSA, the purchase of the Jefferson Property is to take place in three closings. The first closing occurred on June 12, 2019 (the "First Closing"). The second closing (which includes all of the land within the Development) occurred on August 12, 2021 (the "Second Closing"). The third closing is scheduled to occur on or before two calendar years after the Second Closing (the "Third Closing" and, collectively, with the First Closing and the Second Closing, the "Jefferson Closings"). In the event a closing date falls in the last two weeks of the Developer's fiscal quarters, then the Developer has the right to extend the applicable date to the first week of the next fiscal quarter. The Jefferson PSA provides for interim closings for property to be acquired at the Second Closing and the Third Closing.

The purchase price of the Jefferson Property is to be paid in three portions at each of the Jefferson Closings. At the First Closing, the payable purchase price was \$13,578,000 to acquire four-tenths of the acreage and dwelling unit density. At each of the Second Closing and the Third Closing, the payable purchase price is \$12,000,000 to acquire three-tenths of the acreage and dwelling unit density. The Developer has made a deposit of \$1,000,000 towards its purchase obligations under the Jefferson PSA. Such amount has become non-refundable and in accordance with the terms of the Jefferson PSA, will be applied to the purchase price of the land at the Third Closing.

The Jefferson Property does not include approximately 4.9 acres of land designated for church use (the "Reserved Property"), although the exclusion of the Reserved Property is conditioned on certain

dwelling unit density transfers to other parcels. The Jefferson PSA also provides for Jefferson and the Developer to reach agreement on a covenant to be recorded as an encumbrance on the Reserved Property at the Third Closing restricting the use of the Reserved Property to open space or for a church for a period of 15 years after the Third Closing.

The Jefferson PSA describes various funding agreements between Jefferson and Districts No. 1-3 to pay reimbursements to Jefferson. However, only District No. 1 is a party to such funding agreements. The Jefferson PSA provides for the Developer to pay Jefferson an amount equal to the amounts due from Districts No. 1-3 and for Jefferson to assign to the Developer the right to receive the remaining reimbursements.

Districts No. 1-3 are also themselves subject to various reimbursement obligations. As set forth in the Jefferson PSA, Jefferson shall pay or fund any amounts to satisfy these obligations and the Developer shall reimburse Jefferson for such payments at the first recording of a subdivision plat for any portion of the Jefferson Property.

The Jefferson PSA states that Jefferson shall have no subdivision or development responsibilities except for preparing and securing governmental approval of a subdivision plat and the engineering and design of the Loop Road (according to the Developer, both have been completed); obtaining the Town's final non-appealable approval of vesting for the planned development plan of the Jefferson Property (according to the Developer, this condition has been fulfilled); providing a letter from the Town confirming that the reduction in the number of age restricted lots is administrative in nature and that the Town planning staff is amenable to the change; and terminating (according to the Developer, this condition has been fulfilled) or partially terminating any lease as requested by the Developer.

In the event the Developer does not complete the acquisition of all of the Jefferson Property, Jefferson and the Developer agree under the Jefferson PSA to provide reasonable ingress and egress easements, utility easements and temporary easements to complete infrastructure necessary for the issuance of building permits and certificates of occupancy to serve both the portion of the Jefferson Property retained by Jefferson and the portion of the Jefferson Property acquired by the Developer.

Appraisal. The Developer has stated that no current appraisal is available for property comprising the Development.

Other Encumbrances. With the exception of the restrictive covenants (expected to be recorded as described below), the Development Agreement, the Zoning Approvals, and Subdivision Improvement Agreements described elsewhere in this Limited Offering Memorandum and other matters of record, the Developer has stated that the property in the Development is not presently encumbered, and the Developer does not plan to encumber such property, in a manner which would materially adversely affect the Development as planned as described herein. The property within the Development is also subject to various easements, rights of way, and similar encumbrances (including statutory liens for *ad valorem* taxes due and payable in arrears) consistent with and/or required pursuant to the Zoning Approvals.

Restrictive Covenants. All of the property in the Montaine development (including all of the property comprising the Development) is subject to restrictive covenants. There are two separate sets of covenants. The first set of covenants only encumbers the age qualified community and the second set of covenants only encumbers the single family community.

Regency at Montaine Covenants. The Declaration of Covenants, Conditions and Restrictions for Regency at Montaine Community Association, Inc. is expected to be recorded by the Developer against all the property in the Development that comprises the age qualified community (the "Regency Covenants"). Pursuant to the Regency Covenants, the age qualified community is expected to

be subject to certain covenants, conditions obligations, liabilities and restrictions in order to establish a general plan of development. The Regency Covenants are expected to provide that creation of the Regency at Montaine Community Association Inc., a Colorado nonprofit corporation (the “Regency Association”) is an integral part of the development plan. The Regency Association is expected to be comprised of real property owners in the age qualified community, will own, operate, and/or maintain amenities upon various common areas and community improvements and administer and enforce the Regency Covenants. The Regency Association is also expected to have the power to levy, collect and disburse assessments and other charges imposed under the Regency Covenants. Once the Regency Covenants are recorded, the Regency Association will have a statutory lien against a lot for any assessment levied against the lot or fines imposed against its owner. The Regency Covenants also are expected to provide for the creation of Architectural Review Committee (the “ARC”). The Regency Covenants are expected to provide that no structure or thing shall be placed, erected or installed upon any lot and no improvements or other work (including staking, clearing, excavation, grading and other site work, exterior alterations, or planning or removal of landscaping) shall take place in a lot without adherence to guidelines set forth in the Regency Covenants. The Regency Covenants, the Developer will have exclusive authority to administer architectural controls and to review and act upon all applications for original construction within the area subject to the Regency Covenants until all of the lots have been conveyed to members of the Regency Association.

The Regency Covenants are expected provide that the lots within the property covered by the Regency Covenants are intended for the housing of persons fifty-five (55) years of age and older and that each dwelling unit must at all times be occupied by at least one person fifty-five (55) years or older. The Regency Covenants are expected to provide that the Regency Covenants run with and bind the land subject to the Regency Covenants in perpetuity. The Regency Covenants are also expected to provide that the Regency Covenants may only be amended, changed or modified by the affirmative vote or written consent, or combination thereof, of members of the Regency Association representing at least 67% of the total votes in the Regency Association. The summary above reflects provisions that are currently expected to be contained in the Regency Covenants. However, the Regency Covenants have not been recorded and until the Regency Covenants are recorded, the provisions are subject to change.

Vista at Montaine Covenants. The Declaration of Covenants, Conditions and Restrictions for Vista at Montaine Community Association, Inc., is expected to be recorded by the Developer against all the property in the Development that comprises the single family community (the “Vista Covenants”). Pursuant to the Vista Covenants, the single family community is expected to be subject to certain covenants, conditions obligations, liabilities and restrictions in order to establish a general plan of development. The Vista Covenants are expected to provide that creation of the Vista at Montaine Community Association Inc., a Colorado nonprofit corporation (the “Vista Association”) is an integral part of the development plan. The Vista Association is expected to be comprised of real property owners in the single family community, will own, operate, and /or maintain amenities upon various common areas and community improvements and administer and enforce the Vista Covenants. The Vista Association is also expected to have the power to levy, collect and disburse assessments and other charges imposed under the Vista Covenants. Once the Vista Covenants are recorded, the Vista Association will have a statutory lien against a lot for any assessment levied against the lot or fines imposed against its owner. The Vista Covenants also are expected to provide for the creation of Architectural Review Committee (the “ARC”). The Vista Covenants are expected to provide that no structure or thing shall be placed, erected or installed upon any lot and no improvements or other work (including staking, clearing, excavation, grading and other site work, exterior alterations, or planning or removal of landscaping) shall take place in a lot without adherence to guidelines set forth in the Vista Covenants. The Vista Covenants, the Developer will have exclusive authority to administer architectural controls and to review and act upon all applications for original construction within the area subject to the Vista Covenants until all of the lots have been conveyed to members of the Vista Association.

The Vista Covenants are expected to provide that the Vista Covenants run with and bind the land subject to the Vista Covenants in perpetuity. The Vista Covenants are also expected to provide that the Vista Covenants may only be amended, changed or modified by the affirmative vote or written consent, or combination thereof, of members of the Vista Association representing at least 67% of the total votes in the Vista Association. The summary above reflects provisions that are currently expected to be contained in the Vista Covenants. However, the Vista Covenants have not been recorded and until the Vista Covenants are recorded, the provisions are subject to change.

Environmental Matters

Phase I Study. On November 26, 2013, A.G. Wassenaar, Inc. (“A.G.”), issued a Phase I Environmental Site Assessment (the “Phase I Study”), with respect to the property now comprising the Development. The scope of the Phase I Study consisted of a site reconnaissance of the Development and surrounding property to identify potential environmental problems, interviews with persons familiar with the property, and a review of aerial photographs and other publicly-available records in an effort to identify evidence of recognized environmental conditions that may impact the Development. The Phase I Study found that stained soil on a portion of the property that comprises the Development observed in connection with a 2004 Phase I Study performed by A.G. (the “2004 Phase I”) on the property that comprises the Development was a recognized environmental condition. A recognized environmental condition is defined as the presence or likely presence of hazardous substances or petroleum products on a site under conditions that indicate an existing release, a past release, or material threat of a release of hazardous substances or petroleum products into the structures on the property or into ground, groundwater or surface water of the property.

After the discovery of the stained soil mentioned above, a limited Phase II Subsurface Investigation (the “Phase II Study”) was conducted on the impacted soil location and the Phase II Study revealed elevated levels of petroleum hydrocarbons in near-surface soil. The Phase I Study provides that based upon observations and interviews with individual knowledgeable of the subject property, A.G. cannot confirm if the impacted soil was ever excavated or disposed; stained soil was not observed during a site survey conducted in connection with the Phase I Study. The Phase I Study further provides that based upon soil samples obtained beneath and downgradient of the impacted soil location in 2004, contamination appears not to have migrated or impacted ground water. According to the Phase I Study, the extent of contamination is believed to be limited and is not expected to significantly impact the subject property. The Phase I study recommends that any impacted soils that are uncovered during redevelopment activities should be characterized and properly disposed in accordance with applicable regulatory guidelines.

Geotechnical Reports. On September 20, 2004, AG prepared a Preliminary Geotechnical Study for property now comprising the Development (the “Geotechnical Report”). The purpose of the Geotechnical Report was to provide geotechnical design criteria for planning and site development, and preliminary design concepts for foundation systems, interior floor support, and drainage for the proposed development. According to the Geotechnical Report, geotechnical concerns for the property within the Development include the presence of potentially expansive soils and bedrock and comparatively shallow ground water and soft soils and to a lesser extent, the presence of man-made fill and the presence of drainages, large gulches and man-made ponds. AG stated that the expansive properties of the soil and bedrock may be reduced across some portions of property comprising the Development with proper fill placement, drainage, future irrigation controls and with the use of proper foundation design and construction techniques. AG recommended underdrain systems to help control ground water and densification of loose sands if loose sands are exposed in foundation excavation. The Geotechnical Report further recommended that all existing man-made fill in planned structural areas be completely removed down to the natural soils/bedrock and replaced with well compacted suitable fill materials.

In 2013, the prior owner of the land comprising the Development requested that AG review the Geotechnical Report. By letter dated August 27, 2013, AG stated that site was in roughly the same condition as in 2004, and that Geotechnical Report may continue to be used for general geotechnical information for the site.

A geologic and preliminary geotechnical investigation for the area of the Development comprising Filing No. 7 was prepared for the parent company of the Developer by CTL Thompson, Inc. (“CTL”), dated August 4, 2021 (the “Filing No. 7 Geotechnical Report”). The purpose of the Lanterns Filing No. 7 Geotechnical Report was to provide a preliminary indication of soil conditions to assist in due diligence and planning for proposed development. Filing No. 8 Geotechnical Report found that there were no geotechnical constraints that precluded development. Filing No. 7 Geotechnical Report found that the primary geotechnical concern that will influence site development and building performance is the presence of expansive soil and bedrock but that this concern could be mitigated with proper Planning, engineering, design and construction.

A geologic and preliminary geotechnical investigation for the area of the Development comprising Filing No. 8 was prepared for the parent company of the Developer by CTL Thompson, Inc. (“CTL”), dated March 1, 2022 (the “Filing No. 8 Geotechnical Report”). The purpose of the Lanterns Filing No. 8 Geotechnical Report was to provide a preliminary indication of soil conditions to assist in due diligence and planning for proposed development. Filing No. 8 Geotechnical Report found that there were no geotechnical constraints that precluded development. Filing No. 8 Geotechnical Report found that the primary geotechnical concern that will influence site development and building performance is the presence of expansive soil and bedrock but that this concern could be mitigated with proper Planning, engineering, design and construction.

A geologic and preliminary geotechnical investigation for the area of the Development comprising Filing No. 10 was prepared for the parent company of the Developer by CTL, dated August 24, 2021 (the “Filing No. 10 Geotechnical Report”). The purpose of the Filing No. 10 Geotechnical Report was to provide a preliminary indication of soil conditions to assist in due diligence and planning for proposed development. Filing No. 10 Geotechnical Report found that there were no geotechnical constraints that precluded development. Filing No. 10 Geotechnical Report found that the primary geotechnical concern that will influence site development and building performance is the presence of expansive soil and bedrock but that this concern could be mitigated with proper planning engineering, design and construction.

The Developer has stated that it has followed and intends to follow the recommendations of the Filing No. 7 Geotechnical Report, Filing No. 8 Geotechnical Report and the Filing No. 10 Geotechnical Report during the construction of public improvements in the Development, additionally, the Developer intends to follow and expects the Homebuilder to follow these recommendations when constructing vertical development.

The Developer anticipates that it will engage one or more geotechnical engineering firms to provide a report evaluating the geotechnical aspects of the land comprising the remaining phases of the Development.

Natural Resource Assessment. A prior owner of the property comprising Montaine commissioned a Natural Resource Report (the “2004 Resource Report”) from ERO Resources Corporation, Denver, Colorado (“ERO”). As part of its acquisition of the property comprising Montaine, the Prior Developers had ERO reassess the property comprising Montaine and provide a memorandum with an update of the 2004 Resource Report dated September 11, 2013 (the “2013 Update Memorandum”). The 2013 Update Memorandum found a total of 2.78 acres of wetlands and 1.90 acres of open water on the entire Montaine site and stated that the wetlands and open water would need to be evaluated by the U.S. Army Corps of Engineers (the “U.S. Army Corps”). See “- Wetland Delineation” below. The 2013 Update Memorandum

also provided that the Montaine project area does not fall within U.S. Fish and Wildlife Service (the “F&W Service”) habitat or survey guidelines for the majority of species listed by the F&W Service as potentially occurring in the county. Further, although ERO did not observe any active bird nests in the Montaine development area, the abundance of trees and shrubs in the Montaine development area provide suitable habitat for many species of migratory birds. ERO recommended in the 2013 Update Memorandum that all vegetation be removed from the Montaine project area outside of breeding season to avoid destroying potential nests.

Wetland Delineation. On August 2, 2017, Phelps Engineering (Phelps), on behalf of the parent company of the Developer, requested from the U.S. Army Corps, a Jurisdictional Determination for Waters of the United States (the “Jurisdiction Determination”) on the Montaine project area, which was provided. In a letter to Phelps dated October 3, 2017, the U.S. Army Corps stated that after reviewing the Montaine project area in accordance with Section 404 of the Clean Water Act, the Montaine Project area does not contain any jurisdictional aquatic resources and that a Department of the Army permit will not be required. The U.S. Army Corps Jurisdiction Determination is valid for 5 years from the date of the letter subject to conditions set forth in the letter.

Floodplain. No third-party assessments relating to inclusion of any portion of the Development in a floodplain were provided by the Developer.

Generally. There can be no assurance that during or subsequent to the continued development, hazardous materials, other adverse environmental conditions, endangered species, threatened habitats or adverse soil conditions will not be discovered on the property which could hinder or prohibit further development. Should such a discovery occur, it is possible that the development and marketing of the Development could be materially adversely affected.

Development Forecasts

The District has retained Meyers Research, Centennial, Colorado, to prepare the Market Study attached hereto as APPENDIX B. The Market Study contains the projections of Zonda Advisory as of [REDACTED] regarding the build-out of the Development and the market value of the residential dwelling units. The District has also retained CliftonLarsonAllen, LLP, Greenwood Village, Colorado, to prepare the Financial Forecast attached hereto as APPENDIX C. The Financial Forecast contains a projection of District revenues and expenditures for debt service, based upon the projections contained in the Market Study. See “RISK FACTORS – **Risks Inherent in Projections.**”

Marketing and Advertising

Marketing of the Development is expected to be undertaken by the Developer and is expected to include customary marketing tools, such as local signage, social media, print and radio advertising, grand opening events and model homes with an on-site sales force.

Competition

The Development competes with many other residential projects in the Town, and other developments in the southern portion of the Denver metropolitan area, and in the Denver metropolitan area as a whole. In addition, new competing communities can arise at any time which could include amenities comparable to or superior to the amenities offered in the Development. See the Market Study attached hereto as APPENDIX B.

Public Services for the Development

The Development is located in the Douglas County School District RE-1. (the “School District”). The Development expects to receive police protection from the Castle Rock Police Department and fire protection from the Castle Rock Fire and Rescue; natural gas service from Black Hills Energy and electrical service from CORE Electric Cooperative. Water and sewer service for the Development is expected to be provided by the Town. See “– Water and Sewer” above.

Schools

The Development is served by the Douglas County School District RE-1, including the following schools:

	Name of School	Grades Served	Approximate Distance from the Development
Elementary Schools	Rock Ridge Elementary School	K-6	7 miles
	South Ridge Elementary School	K-6	5.9 miles
	Castle Rock Elementary School	K-6	5.1 miles
	Flagstone Elementary School	K-6	8.2 miles
Middle School	Mesa Middle School	7-8	8.7 miles
High School	Douglas County High School	9-12	4.8 miles
Charter School	Academy Charter School	K-8	5.4 miles

Developer Agreement

The Developer has entered into various agreements related to infrastructure required for the Development and the operation of the District as described in “THE DISTRICT – Material Contracts.”

The Developer

The Developer has acquired the property comprising the Development from the property’s previous owners, advanced funds to the District for the District’s operational costs, applied for zoning from the Town, and is managing the entitlement process. In addition, the Developer is expected to begin constructing homes on the lots within the Development and marketing homes for sale to future homebuyers. Following the sale of homes to individual homebuyers, the Developer expects to continue to be involved in the Development for some period of time by assisting with the District’s management. *Neither the Developer nor any of the entities or individuals participating in the Development has guaranteed the payment of debt service on the Bonds, or are otherwise responsible for the payment of the Bonds.* The members of the development team for the Development are described below.

The Developer. The Developer is owned by Toll Brothers Inc. (“Toll Brothers”) a publicly traded company whose stock is traded on the New York Stock Exchange under the symbol “tol.” Toll Brothers is subject to the informational requirements of the Securities and Exchange Commission Act of 1934, as amended, and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). The SEC file number for Toll Brothers is No. 1-9186. Such reports, proxy statements and other information can be inspected and copied at the Headquarters Office of the SEC, 100 F Street, N.E., Room 1580, Washington, DC 20549, and electronically through the Commission’s website (www.sec.gov). Copies of such materials can be obtained by mail from the Public Reference Section of the SEC at prescribed rates. None of the District, the District’s advisors, the Underwriter or the Underwriter’s consultants have reviewed such reports or statements or verified the information set forth therein, and none of such reports or statements are incorporated herein.

Key Development Management Personnel. Key management personnel associated with the Development are as follows: [REGGIE'S BIO FROM SANTA FE PARK, PLEASE UPDATE CONFIRM THE OTHER BIOS]

Mark Bailey, Colorado Division President: Mark has been with Toll Brothers for 20 years and has held various positions within the company after starting as an Assistant Project Manager in 2001. Mark is a Veteran of the United States Army and is the president-elect of the Denver Home Builders Association. Mark is a graduate of Arizona State University.

Reggie Carveth, Vice President: Reggie has been with Toll Brothers since 1999 and has holding various management positions during his career. Reggie currently serves on the board for the Denver Home Builders Association representing the residential home building industry in eight metro-area counties and works with the Home Builder's Foundation which helps individuals and families with disabilities in the Denver area. He received his Bachelor of Science degrees in Construction Management and Political Science from Michigan State University.

Tim Westbrook, Vice President, Land Development: Tim has been in the industry since 2006 when he graduated with a degree in Civil Engineering. He has been developing land for Toll Brothers since the start of his career 15 years ago and worked in multiple regions for the company including Arizona, Northern Virginia and Colorado. Tim is currently responsible for the land development of all new Toll projects in Colorado including the Development.

FINANCIAL INFORMATION

The Bonds are payable from ad valorem property taxes which may be levied against all taxable property within the District with certain limitations as to rate to pay the principal of and interest on the Bonds when due. See "THE SERIES 2023 SENIOR BONDS – Security for the Series 2023 Senior Bonds" and "THE SERIES 2023B₍₂₎ SUBORDINATE BONDS – Security for the Series 2023B₍₂₎ Subordinate Bonds."

Ad Valorem Property Taxes

Property Subject to Taxation. Subject to the limitations imposed by TABOR (described in "– Constitutional Amendment Limiting Taxes and Spending" below), the Board has the power to certify to the Commissioners a levy for collection of ad valorem taxes against all taxable property within the District. The property subject to taxation, the assessment of such property, and the property tax procedure and collections are discussed below.

Property taxes are uniformly levied against the assessed valuation of all property subject to taxation by the District. Both real and personal property are subject to taxation, but there are certain classes of property which are exempt. Exempt property includes, but is not limited to: property of the United States of America; property of the State and its political subdivisions; public libraries; public school property; property used for charitable or religious purposes; nonprofit cemeteries; irrigation ditches, canals and flumes used exclusively to irrigate the owner's land; household furnishings and personal effects not used to produce income; intangible personal property; inventories of merchandise and materials and supplies which are held for consumption by a business or are held primarily for sale; livestock; agricultural and livestock products; and works of art, literary materials and artifacts on loan to a political subdivision, gallery or museum operated by a charitable organization. The State Board of Equalization supervises the administration of all laws concerning the valuation and assessment of taxable property and the levying of property taxes.

Assessment of Property. Taxable property is first appraised by the County Assessor to determine its statutory “actual” value. This amount is then multiplied by the appropriate assessment percentage to determine each property’s assessed value. The mill levy of each taxing entity is then multiplied by this assessed value to determine the amount of property tax levied upon such property by such taxing entity. Each of these steps in the taxation process is explained in more detail below.

Determination of Statutory Actual Value. The County Assessor annually conducts appraisals in order to determine, on the basis of statutorily specified approaches, the statutory “actual” value of all taxable property within each county as of January 1. Most property is valued using a market approach, a cost approach or an income approach. Residential property is valued using the market approach, and agricultural property, exclusive of building improvements thereon, is valued by considering the earning or productive capacity of such lands during a reasonable period of time, capitalized at a statutory rate.

The statutory actual value of a property is not intended to represent its current market value, but, with certain exceptions, is determined by the County Assessors utilizing a “level of value” ascertained for each two-year reassessment cycle from manuals and associated data published by the State Property Tax Administrator for the statutorily-defined period preceding the assessment date. Real property is reappraised by the County Assessor’s office every odd numbered year. The statutory actual value is based on the “level of value” for the period one and one-half years immediately prior to the July 1 preceding the beginning of the two-year reassessment cycle (adjusted to the final day of the data-gathering period). For example, values for levy year 2020 (collection year 2021) were based on an analysis of sales and other information for the period January 1, 2017 to June 30, 2018.

The following table sets forth the State Property Appraisal System for property tax levy years 2018 through 2023:

Collection Year	Levy Year	Value Calculated As Of	Based on the Market Period
2019	2018	July 1, 2016	Jan. 1, 2015 to June 30, 2016
2020	2019	July 1, 2018	Jan. 1, 2017 to June 30, 2018
2021	2020	July 1, 2018	Jan. 1, 2017 to June 30, 2018
2022	2021	July 1, 2020	Jan. 1, 2019 to June 30, 2020
2023	2022	July 1, 2020	Jan. 1, 2019 to June 30, 2020
2024	2023	July 1, 2022	Jan. 1, 2021 to June 30, 2022

The County Assessor may consider market sales from more than one and one-half years immediately prior to July 1 if there were insufficient sales during the stated market period to accurately determine the level of value.

Oil and gas leaseholds and lands, producing mines and other lands producing nonmetallic minerals are valued based on production levels rather than by the base year method. Public utilities are valued by the State Property Tax Administrator based upon the value of the utility’s tangible property and intangibles (subject to certain statutory adjustments), gross and net operating revenues and the average market value of its outstanding securities during the prior calendar year.

Determination of Assessed Value. Assessed valuation, which represents the value upon which ad valorem property taxes are levied, is calculated by the County Assessor as a percentage of statutory actual value. The percentage used to calculate assessed valuation differs depending upon the classification of each property.

Residential Property. Prior to tax levy year 2021, the residential assessment rate was adjusted every two years in connection with the general reassessment of property described in

“Determination of Statutory Actual Value” above. This adjustment was mandated by a provision of the State constitution (the “Gallagher Amendment”) to avoid extraordinary increases in residential real property taxes when the base year level of value changed. As a result of application of the Gallagher Amendment and TABOR, the residential assessment ratio has declined each year since 1989 (when the residential assessment rate was 15% of statutory actual value); for levy years 2019 and 2020, the residential assessment rate was 7.15%. The residential assessment rate cannot increase above 7.15% without the approval of Colorado voters due to the provisions of TABOR.

In November 2020, the State’s voters approved a referred measure to repeal the Gallagher Amendment (the “Gallagher Amendment Repeal”). The General Assembly is now responsible for setting future residential assessment rates. On June 23, 2021, Governor Jared Polis signed Senate Bill 21-293 (“SB 293”) into law. Among other things, SB 293 designates multi-family residential real property (defined generally in SB 293, as property that is a duplex, triplex or multi-structure of four or more units) as a new subclass of residential real property and temporarily reduces the residential assessments rates. Pursuant to SB 293, the assessment rate for the multi-family residential property will be temporarily reduced from 7.15% to 6.8% for levy years 2022 and 2023, and then return to 7.15% in levy year 2024. Additionally, SB 293 will, for the 2022 and 2023 property tax years only reduce (a) the assessment rate applicable to single-family residential property from 7.15% to 6.95%, and (b) the assessment rate applicable to agricultural property and renewable energy production property (two new subclasses of commercial property) from 29% to 26.4%.

On May 6, 2022, the State General Assembly passed Senate Bill 22-238 (“SB 238”), which was signed by Governor Polis on May 16, 2022 and became law. SB 238: (i) further reduces the assessment rate for residential real property to 6.765% in levy year 2023, and reduces the calculation of the actual value of such property (as described above in “- Determination of Statutory Actual Value”) by the lesser of: (a) \$15,000 or (b) the amount that reduces the actual value for assessment to \$1,000, (ii) temporarily reduces the assessment rate for multi-family residential property from 7.15% to 6.80% in levy year 2024 and (iii) adjusts the ratio of valuation for assessment for all residential real property other than multi-family residential real property for levy year 2024, so that the aggregate decrease in local government property tax revenue during the 2023 and 2024 property tax collection years, as a result of SB 238, equals \$700,000,000. SB 238 also requires the State treasurer to reimburse counties (including the County) for all or some portion of the reduction in property tax revenue resulting from SB 238, as further set forth therein, during the 2023 property tax collection year. County treasurers must then distribute these reimbursements to certain local governmental entities. In accordance with SB 238, the assessment rate on all residential property indefinitely returns to 7.15% in levy year 2025.

The assessment rate changes made by SB 293 and SB 238 are not expected to materially adversely impact the District’s ability to repay the principal of an interest on the Bonds when due because the Senior Required Mill Levy and Subordinate Required Mill Levy are both subject to adjustment for changes to the method of calculating assessed valuation; if such a reduction were to occur, the Senior Required Mill Levy and Subordinate Required Mill Levy could be increased so that, to the extent possible, the actual tax revenues generated by such mill levies, as adjusted, is neither diminished nor enhanced as a result of such changes. See “THE SERIES 2023 SENIOR BONDS – Security for the Series 2023 Senior Bonds” and “THE SERIES 2023B₍₂₎ SUBORDINATE BONDS – Security for the Series 2023B₍₂₎ Subordinate Bonds.” Provided, however, the District may not be able to increase the Senior Required Mill Levy and Subordinate Required Mill Levy to offset any reduction in the actual value of residential property within its boundaries due to the operation of SB 238. Notwithstanding the foregoing and due to the fact that the District currently anticipates that it will have no residential property within its boundaries, the District does not presently expect that any reduction in the actual value of residential property within its boundaries in 2023 necessitated by SB 238 will have a material impact on District’s the ad valorem tax revenues.

SB 238 will also: (i) reduce the assessment rate for lodging property and all property listed by the Assessor under any Improved Commercial Subclass Codes from 29% to 27.9% in levy year 2023, and reduce the calculation of the actual value of such property by the lesser of: (a) \$30,000 or (b) the amount that reduces the actual value for assessment to \$1,000, (ii) reduce the assessment rate for all non-residential property other than lodging property, agricultural property, renewable energy production property or property listed by the Assessor under any Improved Commercial Subclass Codes, from 29% to 27.9% in levy year 2023, and (iii) reduce the assessment rate for agricultural property and renewable energy production property from 29% to 26.4% for levy year 2024. In accordance with SB 238, the State treasurer is required to reimburse counties (including the County) for all or some portion of the reduction in property tax revenue resulting from SB 238, as further set forth therein, during the 2023 property tax collection year. County treasurers must then distribute these reimbursements to certain local governmental entities. In accordance with SB 238, the assessment rate on all non-residential property would then indefinitely return to 29% in levy year 2025.

On May 24, 2023, Senate Bill 303 (“SB 303”) became law. A majority of SB 303 is conditioned on voter approval of Proposition HH, as described below. SB 303 classifies primary residence real property and qualified-senior primary residence real property as new subclasses of residential real property and further temporarily reduces the assessment rates for the various classes of residential real property as follows:

Multi-family Residential Real Property. For levy year 2023, the assessment rate is reduced to 6.7%, and the actual value of such property is reduced by the lesser of: (i) \$50,000 or (ii) the amount that reduces the actual value for assessment to \$1,000. For levy years 2024-2032, the assessment rate is reduced to 6.7%, and the actual value of such property is reduced by the lesser of: (i) \$40,000 or (ii) the amount that reduces the actual value for assessment to \$1,000.

Primary Residence Real Property. For levy year 2023, the assessment rate is reduced to 6.7%, and the actual value of such property is reduced by the lesser of: (i) \$50,000 or (ii) the amount that reduces the actual value for assessment to \$1,000. For levy years 2024-2032, the assessment rate is reduced to 6.7%, and the actual value of such property is reduced by the lesser of: (i) \$40,000 or (ii) the amount that reduces the actual value for assessment to \$1,000. “Primary Residence Real Property” is generally defined as the property of an Owner-Occupier, or the individual (and their spouse or civil union partner) who is the owner of record of the residential real property that the individual occupies as the individual’s primary residence.

Qualified-Senior Primary Residence Real Property. For levy year 2023, the assessment rate is reduced to 6.7%, and the actual value of such property is reduced by the lesser of: (i) \$50,000 or (ii) the amount that reduces the actual value for assessment to \$1,000. For levy year 2024, the assessment rate is reduced to 6.7%, and the actual value of such property is reduced by the lesser of: (i) \$40,000 or (ii) the amount that reduces the actual value for assessment to \$1,000. For levy years 2025-2032, the assessment rate is reduced to 6.7%, and the actual value of such property is reduced by the lesser of: (i) \$140,000 or (ii) the amount that reduces the actual value for assessment to \$1,000. Qualified-Senior Primary Residence Real Property is generally defined as the Primary Residence Real Property where the Owner-Occupier of the property previously qualified for the Senior Homestead Exemption for a different property and does not qualify for the Senior Homestead Exemption for the current property tax year.

All Other Residential Property. SB 303 also temporarily reduces the assessed value and actual value of residential real property that is not classified as multi-family residential property, primary residence real property or qualified-senior primary residence real property. For levy year 2023, the assessment rate is reduced to 6.7%, and the actual value of such property is reduced by the lesser of: (i) \$50,000 or (ii) the amount that reduces the actual value for assessment to \$1,000. For levy year 2024,

the assessment rate is reduced to 6.7%, and the actual value of such property is reduced by the lesser of: (i) \$40,000 or (ii) the amount that reduces the actual value for assessment to \$1,000. For levy years 2025-2032, the assessment rate is reduced to 6.7% of the actual value thereof.

In levy year 2033, the assessed value of all residential property is set to return to 7.15%; however, the assessment rates can be further reduced by the Colorado General Assembly. In accordance with SB 303, commencing on and after levy year 2033, if the Colorado General Assembly does not enact legislation to establish valuations for assessment that are less than or equal to the temporarily reduced assessed valuations set forth therein for levy year 2032, for the same classes of property, the State may forfeit its ability to retain and spend excess revenues up to the Proposition HH Cap. No assurance is provided that the residential assessment rate will return to 7.15% in 2033, or in any year thereafter.

In accordance with SB 303, certain local governments are eligible for reimbursement (described therein as the “backfill”) for reductions in property tax revenue resulting from the temporary reductions in assessed and actual value imposed by SB 238 and SB 303. For counties with a population that is 300,000 or less, the reimbursement is equal to: (i) the entire amount of total property tax revenue reduction for each local government entity that had an increase of less than 10% in the assessed value from 2022 to the property tax year for which the reimbursement is being calculated, and (ii) 90% of the total property tax revenue reduction for each local government entity that had an increase of 10% or more in the assessed value from 2022 to the property tax year for which the reimbursement is being calculated. For counties with a population that is more than 300,000 (such as the County), 65% of the total property tax revenue reduction for all local governmental entities besides a municipality or select special district. Notwithstanding the foregoing, a local governmental entity is not eligible for any reimbursement if it has an increase of 20% or more in the assessed value of real property from the levy year 2022 to the year for which the reimbursement is calculated. It is anticipated that the District will increase the Required Mill Levy to account for changes to assessed and actual valuation. Therefore, it is not anticipated that the District’s property tax revenues will be reduced as a result of temporary assessed and actual valuation reductions imposed by SB 303.

Also in accordance with SB 303, beginning in levy year 2023, a local government’s (including the District) property tax revenue for a property tax year shall not increase by more than inflation from the local government’s property tax revenue from the prior year unless the governing body of the local government approves the increase in the manner set forth therein. For purposes of calculating the property tax limit, property tax revenue that is from the following sources or is used for the following purposes is excluded from property tax revenue: (i) property tax revenue from the increased valuation for assessment within the taxing entity for the preceding year that is attributable to new construction and personal property connected therewith; (ii) an amount to provide for the payment of bonds and interest thereon (including the Bonds), or for the payment of any other contractual obligation that has been approved by a majority of the local government’s voters; (iii) any revenue from a mill levy that has been approved by the voters of the local government; and (iv) other exceptions as further described therein.

Further, SB 303 includes a ballot proposition anticipated to be presented to the State’s voters on November 7, 2023 (“Proposition HH”). Proposition HH is anticipated to request approval for the State to reduce property taxes and backfill a portion of the reduced property tax revenue, as described above, in addition to allowing the State to retain and spend a portion of the State surplus above what would be permitted under TABOR (the “Proposition HH Cap”). The Proposition HH Cap is generally defined as maximum amount the State was permitted to retain and spend under TABOR in the prior year, adjusted for: (i) inflation plus 1%, (ii) the percentage change in State population, (iii) the qualification or disqualification of enterprises, and (iv) debt service changes. For additional information on TABOR, see “LEGAL MATTERS – Certain Constitutional Limitations.”

Approval of Proposition HH by a majority of electors voting is a condition to all material provisions of SB 303. No assurance is provided that a majority of the electors voting will approve Proposition HH. If Proposition HH is not approved, SB 238 would govern the temporary reductions in assessed and actual value for levy years 2023 and 2024.

Non-Residential Property. Except as disclosed above with respect to SB 293 and SB 238, all non-residential taxable property, with certain specified exceptions, is assessed at 29% of its statutory actual value. Producing oil and gas property is generally assessed at 87.5% of the selling price of the oil and gas. SB 303 classifies renewable energy agricultural land as a new subclass of agricultural property, and further temporarily reduces the assessment rates for the various classes of non-residential real property as follows:

Lodging Property. For levy year 2023, the assessment rate is reduced to 27.85%, and the actual value of such property is reduced by the lesser of: (i) \$30,000 or (ii) the amount that reduces the actual value for assessment to \$1,000. For levy years 2024-2026, the assessment rate is reduced to 27.85% of the actual value thereof. For levy years 2027 and 2028, the assessment rate is reduced to 27.65% of the actual value thereof. For levy years 2029 and 2030, the assessment rate is reduced to 26.9% of the actual value thereof. For levy years 2031 and 2032, the assessment rate is reduced to: (i) 25.9% if, for property tax year 2031, the average increase in total valuation for assessment of taxable real property within the 32 counties with the smallest increases in total valuation is greater than or equal to 3.7% from the prior tax year; or (ii) 26.9% if, for property tax year 2031, the average increase in total valuation for assessment of taxable real property within the 32 counties with the smallest increases in total valuation is less than 3.7% from the prior tax year.

Agricultural. For levy years 2023-2030, the assessment rate is reduced to 26.4% of the actual value thereof. For levy years 2031 and 2032, the assessment rate is reduced to: (i) 25.9% if, for property tax year 2031, the average increase in total valuation for assessment of taxable real property within the 32 counties with the smallest increases in total valuation is greater than or equal to 3.7% from the prior tax year; or (ii) 26.4% if, for property tax year 2031, the average increase in total valuation for assessment of taxable real property within the 32 counties with the smallest increases in total valuation is less than 3.7% from the prior tax year.

Renewable Energy Agricultural Land. For levy year 2023, the assessment rate is reduced to 26.4% of the actual value thereof. For levy years 2024-2032, the assessment rate is reduced to 21.9% of the actual value thereof.

Improved Commercial Subclass. For levy year 2023, the assessment rate is reduced to 27.85%, and the actual value of such property is reduced by the lesser of: (i) \$30,000 or (ii) the amount that reduces the actual value for assessment to \$1,000. For levy years 2024-2026, the assessment rate is reduced to 27.85% of the actual value thereof. For levy years 2027 and 2028, the assessment rate is reduced to 27.65% of the actual value thereof. For levy years 2029 and 2030, the assessment rate is reduced to 26.9% of the actual value thereof. For levy years 2031 and 2032, the assessment rate is reduced to: (i) 25.9% if, for property tax year 2031, the average increase in total valuation for assessment of taxable real property within the 32 counties with the smallest increases in total valuation is greater than or equal to 3.7% from the prior tax year; or (ii) 26.9% if, for property tax year 2031, the average increase in total valuation for assessment of taxable real property within the 32 counties with the smallest increases in total valuation is less than 3.7% from the prior tax year.

All other Non-Residential Real Property. SB 303 also temporarily reduces the assessed value of non-residential real property that is not classified as lodging property, agricultural property, renewable energy agricultural land or improved commercial subclass. For levy year 2023, the assessment rate is reduced to 27.85% of the actual value thereof. For levy years 2024-2026, the assessment rate is

reduced to 27.85% of the actual value thereof (excluding vacant property). For levy years 2027 and 2028, the assessment rate is reduced to 27.65% of the actual value thereof (excluding vacant property). For levy years 2029 and 2030, the assessment rate is reduced to 26.9% of the actual value thereof (excluding vacant property). For levy years 2031 and 2032, the assessment rate is reduced to: (i) 25.9% if, for property tax year 2031, the average increase in total valuation for assessment of taxable real property within the 32 counties with the smallest increases in total valuation is greater than or equal to 3.7% from the prior tax year; or (ii) 26.9% if, for property tax year 2031, the average increase in total valuation for assessment of taxable real property within the 32 counties with the smallest increases in total valuation is less than 3.7% from the prior tax year (excluding vacant property).

In levy year 2033, the assessed value of all non-residential property is set to return to 29%; however, the assessment rates can be further reduced by the Colorado General Assembly. In accordance with SB 303, commencing on and after levy year 2033, if the Colorado General Assembly does not enact legislation to establish valuations for assessment that are less than or equal to the temporarily reduced assessed valuations set forth therein for levy year 2032, for the same classes of property, the State may forfeit its ability to retain and spend excess revenues up to the Proposition HH Cap. No assurance is provided that the non-residential assessment rate will return to 29% in 2033, or in any year thereafter.

In addition to temporary reductions in assessed and actual valuations of certain residential and non-residential property, SB 303 provides for the reimbursement of certain reductions in property tax revenue, limits increases on a local government's property tax revenue, and increases the State's ability to retain and spend excess revenue up to the Proposition HH Cap. For additional information SB 303, see “ – Residential Property – SB 303” above.

Approval of Proposition HH by a majority electors voting is a condition to all material provisions of SB 303. No assurance is provided that a majority of the electors voting will approve Proposition HH. If Proposition HH is not approved, SB 22-238 would govern the temporary reductions in assessed and actual value for levy years 2023 and 2024.

The General Assembly may take additional action to reduce the assessment rate or calculation of actual value for residential or non-residential property at any time in the future.

Protests, Appeals, Abatements and Refunds. Property owners are notified of the valuation of their land or improvements, or taxable personal property and certain other information related to the amount of property taxes levied, in accordance with statutory deadlines. Property owners are given the opportunity to object to increases in the statutory actual value of such property, and may petition for a hearing thereon before the County's Board of Equalization. Upon the conclusion of such hearings, the County Assessor is required to complete the assessment roll of all taxable property and, no later than August 25th each year, prepare an abstract of assessment therefrom. The abstract of assessment and certain other required information is reviewed by the State Property Tax Administrator prior to October 15th of each year and, if necessary, the State Board of Equalization orders the County Assessor to correct assessments. The valuation of property is subject to further review during various stages of the assessment process at the request of the property owner, by the State Board of Assessment Appeals, the State courts or by arbitrators appointed by the Commissioners. On the report of an erroneous assessment, an abatement or refund must be authorized by the Commissioners; however, in no case will an abatement or refund of taxes be made unless a petition for abatement or refund is filed within two years after January 1 of the year in which the taxes were levied. Refunds or abatements of taxes are prorated among all taxing entities which levied a tax against the property.

Statewide Review. The Colorado Legislature is required to cause a valuation for assessment study to be conducted each year in order to ascertain whether or not county assessors statewide have complied with constitutional and statutory provisions in determining statutory actual values and assessed valuations

for that year. The final study, including findings and conclusions, must be submitted to the Colorado Legislature and the State Board of Equalization by September 15th of the year in which the study is conducted. Subsequently, the Board of Equalization may order a county to conduct reappraisals and revaluations during the following property tax levy year. Accordingly, the District's assessed valuation may be subject to modification following any such annual assessment study.

Homestead Property Tax Exemption. The Colorado Constitution provides property tax exemptions for qualifying senior citizens (adopted in 2000) and for disabled veterans (adopted in 2006). The senior citizen provision provides that for property tax collection years 2007 and later (except that the exemption was suspended for collection years 2009-2012), the exemption is equal to 50% of the first \$200,000 of actual value of residential real property that is owner-occupied if the owner or his or her spouse is 65 years of age or older and has occupied such residence for at least 10 years. The disabled veterans' provision provides that for property tax collection years 2008 and later, the same exemption is available to homeowners who have served on active duty in the U.S. Armed Forces and who are rated 100% permanently disabled by the federal government due to a service-connected disability. The State is required to reimburse all local governments for the reduction in property tax revenue resulting from these exemptions; therefore, it is not expected that this exemption will result in the loss of any property tax revenue to the District. There is no assurance, however, that the State reimbursement will be received in a time period which is sufficient to replace the reduced property tax revenue.

Taxation Procedure. The County Assessor is required to certify to the District the assessed valuation of property within the District no later than August 25th of each year. Subject to the limitations of TABOR, based upon the valuation certified by the County Assessor, the Board computes a rate of levy which, when levied upon every dollar of the valuation for assessment of property subject to the District's property tax, and together with other legally available District revenues, will raise the amount required by the District in its upcoming fiscal year. The District subsequently certifies to the Commissioners the rate of levy sufficient to produce the needed funds. Such certification must be made no later than December 15th of the property tax levy year for collection of taxes in the ensuing year. The property tax rate is expressed as a mill levy, which is the rate equivalent to the amount of tax per one thousand dollars of assessed valuation. For example, a mill levy of 25 mills would impose a \$250 tax on a parcel of property with an assessed valuation of \$10,000.

The Commissioners levy the tax on all property subject to taxation by the District. By December 22nd of each year, the Commissioners must certify to the County Assessor the levy for all taxing entities within the applicable county. If the Commissioners fail to so certify, it is the duty of the County Assessor to extend the levies of the previous year. Further revisions to the assessed valuation of property may occur prior to the final step in the taxing procedure, which is the delivery by the County Assessor of the tax list and warrant to the County Treasurer.

Property Tax Collections. Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2019 were collected in 2020 and taxes certified in 2020 are being collected in 2021. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (not later than the last day of April) or in two equal installments (not later than the last day of February and June 15th) without interest or penalty. Interest accrues on unpaid first installments at the rate of 1% per month from March 1 until the date of payment unless the whole amount is paid by April 30. If the second installment is not paid by June 15, the unpaid installment will bear interest at the rate of 1% per month from June 16 until the date of payment. Notwithstanding the foregoing, if the full amount of taxes is to be paid in a single payment after the last day of April and is not so paid, the unpaid taxes will bear penalty interest at the rate of 1% per month accruing from the first day of May until the date of payment. The County Treasurer collects current and delinquent property taxes, as well as any interest or penalty, and after deducting a statutory fee for such collection, remits the balance to the District on a monthly basis. The

payments to the District must be made by the tenth of each month, and shall include all taxes collected through the end of the preceding month.

All taxes levied on property, together with interest thereon and penalties for default, as well as all other costs of collection, constitute a perpetual lien on and against the property taxed from January 1st of the property tax levy year until paid. Such lien is on a parity with the tax liens of other general taxes. It is the County Treasurer’s duty to enforce the collection of delinquent real property taxes by tax sale of the tax lien on such realty. Delinquent personal property taxes are enforceable by distraint, seizure and sale of the taxpayer’s personal property. Tax sales of tax liens on realty are held on or before the second Monday in December of the collection year, preceded by a notice of delinquency to the taxpayer and a minimum of four weeks of public notice of the impending public sale. Sales of personal property may be held at any time after October 1st of the collection year following notice of delinquency and public notice of sale. There can be no assurance that the proceeds of tax liens sold, in the event of foreclosure and sale by the County Treasurer would be sufficient to produce the amount required with respect to property taxes levied by the District and property taxes levied by overlapping taxing entities, as well as any interest or costs due thereon. Further, there can be no assurance that the tax liens will be bid on and sold. If the tax liens are not sold, the County Treasurer removes the property from the tax rolls and delinquent taxes are payable when the property is sold or redeemed. When any real property has been stricken off to a county and there has been no subsequent purchase, the taxes on such property may be determined to be uncollectible after a period of six years from the date of becoming delinquent and they may be canceled by the Commissioners after that time.

Potential for Overlap with Tax Increment Authorities. Colorado law allows the formation of public highway authorities. Pursuant to statute, the board of directors of a public highway authority is entitled to designate areas within the authority’s boundaries as “value capture areas” to facilitate the financing, construction, operation or maintenance of highways constructed by the authority; an authority is entitled to capture a portion of the property taxes in such an area to support these purposes. The E-470 Public Highway Authority exists within the County; however, the board of directors has not established a value capture area within the County. If any such area were implemented, it is impossible to predict the terms of the plan, including whether it would negatively impact the District’s property tax revenues.

Ad Valorem Property Tax Data

A history of the District’s assessed valuation and mill levy is set forth in the following table.

History of Assessed Valuations and Mill Levies for the District

Levy/ Collection Year	Assessed Valuation	Percent Change	Mill Levy
2018/2019	\$ -0-	--	0.000
2019/2020	1,710	--	0.000
2020/2021	1,680	(1.75)%	0.000
2021/2022	2,100,670	124,939.88	0.000
2022/2023	2,199,620	4.71	0.000
2023/2024 ⁽¹⁾	3,995,340	81.64	n/a

⁽¹⁾ Preliminary figure as of August 25, 2023. The final assessed value will not be certified until approximately December 10, 2023. The 2023/2024 mill levy will not be certified until approximately December 15, 2023.

Sources: State of Colorado, Department of Local Affairs, Division of Property Taxation, Annual Reports, 2018-2022; and the Douglas County Assessor’s Office.

Based upon the most recent information available from Douglas County, the following table represents the taxpayers within the District. No independent investigation has been made of and consequently there can be no representation as to the financial conditions of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the District.

Taxpayers in the District for 2022

Taxpayer Name	2022 Assessed Valuation	Percentage of Total Assessed Valuation ⁽¹⁾
Lanterns CFC LLC, Lanterns SLC LLC, Lanterns KDC LLC & Lanterns RLC LLC	<u>\$2,199,620</u>	<u>100.00%</u>
TOTAL	<u>\$2,199,620</u>	<u>100.00%</u>

⁽¹⁾ Based on a 2022 assessed valuation of \$2,199,620.
Source: Douglas County Assessor's Office.

The following chart sets forth the 2023 preliminary assessed valuation of specific classes of real and personal property within the District. Vacant property accounts for the largest percentage of the District's assessed valuation and, therefore, it is anticipated that owners of vacant property will pay the largest percentage of ad valorem property taxes levied by the District.

2023 Assessed Valuation of Classes of Property in the District

Property Class	Total Assessed Valuation ⁽¹⁾	Percent of Total Assessed Valuation
Vacant	\$3,994,620	99.98%
Agricultural	<u>720</u>	<u>0.02</u>
TOTAL	<u>\$3,995,340</u>	<u>100.00%</u>

⁽¹⁾ Preliminary figures as of August 25, 2023. The final assessed values will not be certified until approximately December 10, 2023.
Source: Douglas County Assessor's Office.

Mill Levies Affecting Property Owners Within the District

In addition to the District's ad valorem property tax levy, owners of property within the District are obligated to pay taxes to other taxing entities in which their property is located. The following table reflects the mill levies imposed on properties within the District.

Mill Levies Affecting District Property Owners

Entity Name ⁽¹⁾	2022 Mill Levy ⁽²⁾
Douglas County School District, Number Re1	42.836
Douglas County	18.524
Douglas County Libraries	4.008
Town of Castle Rock	1.139
Cedar Hill Cemetery Association	<u>0.125</u>
Total Overlapping Sample Mill Levy	66.632
The District	<u>0.000</u>
Total Sample Mill Levy	<u><u>66.632</u></u>

⁽¹⁾ Douglas County Conservation District and Lanterns Metropolitan Districts Nos. 4 and 5 also overlap the District, but do not assess a mill levy.

⁽²⁾ One mill equals 1/10 of one cent. Mill levies certified in 2022 are for the collection of ad valorem property taxes in 2023. The 2023/2024 mill levy will not be certified until approximately December 15, 2023.

Source: Douglas County Assessor’s Office.

Estimated Overlapping General Obligation Debt

In addition to the general obligation indebtedness of the District, other taxing entities are authorized to incur general obligation debt within boundaries that overlap or partially overlap the boundaries of the District. The following table sets forth the estimated overlapping general obligation debt chargeable to property owners within the District as of the date of this Limited Offering Memorandum. Additional taxing entities may overlap the District in the future.

Estimated Overlapping General Obligation Indebtedness

Entity ⁽¹⁾	2022 Assessed Valuation ⁽²⁾	Outstanding General Obligation Debt	Outstanding General Obligation Debt Attributable to the District ⁽³⁾	
			Percent	Debt
Douglas County School District, Number Re1	\$8,144,600,544	\$332,620,000	0.03%	<u>\$99,786</u>
Total				<u><u>\$99,786</u></u>

⁽¹⁾ The following entities also overlap the District, but have no reported general obligation debt outstanding: Town of Castle Rock; Cedar Hill Cemetery Association; Douglas County; Douglas County Conservation District; Douglas County Libraries; and Lanterns Metropolitan Districts Nos. 4 and 5.

⁽²⁾ Assessed values certified in 2022 are for collection of ad valorem property taxes in 2023.

⁽³⁾ The percentage of each entity’s outstanding debt chargeable to the District is calculated by comparing the assessed valuation of the portion overlapping the District to the total assessed valuation of the overlapping entity. To the extent the District’s assessed valuation changes disproportionately with the assessed valuation of overlapping entities, the percentage of debt for which property owners within the District are responsible will also change.

Sources: Assessors’ Offices of Douglas and Elbert Counties; and information obtained from individual taxing entities.

Specific Ownership Taxes

Specific ownership taxes represent the amounts received by the District from the State pursuant to statute primarily on motor vehicle licensing. Such tax is collected by all counties and distributed to every taxing entity within a county, such as the District, in the proportion that the taxing entity’s ad valorem taxes represents the cumulative amount of ad valorem taxes levied county-wide. Those portions of specific ownership taxes which are allocable to the Senior Required Mill Levy are pledged to the payment of the Series 2023 Senior Bonds and those portions of specific ownership taxes which are allocable to the Subordinate Required Mill Levy are pledged to the payment of the Series 2023B₍₂₎ Subordinate Bonds, and

are not available for other purposes. See “THE SERIES 2023 SENIOR BONDS – Security for the Series 2023 Senior Bonds” and “THE SERIES 2023B₍₂₎ SUBORDINATE BONDS – Security for the Series 2023B₍₂₎ Subordinate Bonds.”

General Fund Mill Levy; Other Funding of Operations

Pursuant to the Service Plan, the Maximum Debt Mill Levy for the repayment of debt is not applicable to the District’s operation and maintenance functions. Accordingly, the District may impose a mill levy in an amount necessary to pay administrative, operational and maintenance expenses of the District. In 2023, the District is expected to certify a general fund mill levy of **11.000 mills** (subject to adjustment from January 1, 2018) (for collection in 2024) for purposes of paying its administrative and operations expenses. To the extent revenues produced from such mill levy are not sufficient, together with other available funds, to fund administrative, operations and maintenance costs of the District, the Developer has agreed to advance funds to the District for payment of such expenses pursuant to the Funding and Reimbursement Agreement. See APPENDIX C and “RISK FACTORS – District Operation and Maintenance Expenses; Reliance on Developer.”

Developer Advances

The District expects to continue to receive funds from the Developer to fund capital costs, as needed, and certain operation and maintenance costs in accordance with and subject to the limitations set forth in certain agreements entered into between the District and the Developer as described herein. Advances and interest on such advances owed to the Developer by the District are set forth in “THE DISTRICT – Material Contracts - [Funding and Reimbursement Agreement (Operations and Maintenance)” and are payable on a subordinate level to the Bonds.

Accounting Policies and Financial Statements

The District maintains two governmental funds: the General Fund and the Capital Projects Fund. The District expects to establish a Debt Service Fund after the issuance of the Bonds. The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The Capital Projects Fund is used to account for funds related to the acquisition or construction of infrastructure improvements and associated costs. The Debt Service Fund is used to account for the resources accumulated and payments or transfers made for payment of long-term general obligation debt of the governmental funds.

In accordance with Title 29, Article 1, Part 6, C.R.S., an annual audit is required to be made of the District’s financial statements at the end of the fiscal year unless an exemption from audit has been granted by the State Auditor’s Office. Because the District returned to active status in 2021 after being inactive for several years, no audited or unaudited financial statements are available. The Indentures and Continuing Disclosure Agreement require the District to cause an audit of its revenues and expenditures to be prepared.

Budget and Appropriation Procedure

The District’s budgets are prepared on a calendar year basis as required by § 29-1-101, *et seq.*, C.R.S. The budgets must present a complete financial plan for the District, setting forth all estimated expenditures, revenues and other financing sources for the ensuing budget year, together with the corresponding figures for the previous fiscal year.

On or before October 15 of each year, the District’s budget officer must submit a proposed budget to the Board for the next fiscal year. Thereupon, notice of a public hearing on the proposed budget must

be published stating, among other things, that the proposed budget is open for inspection by the public and that interested electors may file or register any objection to the budget prior to its adoption.

Before the beginning of the fiscal year, the Board must enact an appropriation resolution which corresponds with the budget. The income of the District must be allocated in the amounts and according to the funds specified in the budget for the purpose of meeting the expenditures authorized by the appropriation resolution. District expenditures may not exceed the amounts appropriated, except in the case of an emergency or a contingency which was not reasonably foreseeable. Under such circumstances, the Board may authorize the expenditure of funds in excess of the budget by a resolution adopted by a two-thirds vote of the Board following proper notice. If the District receives revenues which were unanticipated or unassured at the time of adoption of the budget, the Board may authorize the expenditure thereof by adopting a supplemental budget and appropriation resolution after proper notice and a hearing thereon. In the event that revenues are lower than anticipated in the adopted budget, the District may adopt a revised appropriation resolution after proper notice and a hearing thereon. The transfer of budgeted and appropriated moneys within a fund or between funds may be accomplished only in accordance with state law.

The Board timely adopted the District's 2023 budget and appropriation resolution and the District timely filed such budget with the State division of local government.

Limitation on Certain Tax Revenues. It is through the preparation of the budget and by taking into consideration all sources of revenue, costs of construction, expenses of operating the District, and the debt service requirements of the District's outstanding bonds and other obligations that the rate of mill levy is determined each year. Pursuant to the provisions of Section 20 of Article X of the Colorado Constitution, the District is subject to tax revenue limitations as described in "– Constitutional Amendment Limiting Taxes and Spending," but has received voter approval to waive such limitations.

Budgeted and Historical Financial Information

The following tables set forth a comparison and a summary of the 2023 budget for the District's General Fund and Capital Projects Fund.

General Fund Budget Summary

Revenues

Developer advances

Total revenues

Expenditures

Accounting

Dues and membership

Insurance and bonds

Legal services

Contingency

Total expenditures

Beginning fund balance

Ending fund balance

Emergency Reserve

Source: Adopted budget of the District for the year ending December 31, 2021.

Capital Projects Fund Budget Summary

Revenues

Bond issuance

Total revenues

Expenditures

Bond issue costs

Capital outlay

Contingency

Total expenditures

Beginning fund balance

Ending Fund Balance

Source: Adopted budget of the District for the year ending December 31, 2023.

Deposit and Investment of District Funds

State statutes set forth requirements for the deposit of District funds in eligible depositories and for the collateralization of such deposited funds. The District also may invest available funds in accordance with applicable state statutes. The investment of the proceeds of this issue also is subject to the provisions of the Tax Code. See "TAX MATTERS."

Constitutional Amendment Limiting Taxes and Spending

On November 3, 1992, Colorado voters approved an amendment to the Colorado Constitution, which is commonly referred to as the Taxpayer's Bill of Rights, or Amendment One ("TABOR"), and now constitutes Section 20 of Article X of the Colorado Constitution. TABOR imposes various limits and new

requirements on the State of Colorado and all Colorado local governments which do not qualify as “enterprises” under TABOR (each of which is referred to in this Section as a “governmental unit”). Any of the following actions, for example, now require voter approval in advance: (a) any increase in a governmental unit’s spending from one year to the next in excess of the rate of inflation plus a “growth factor” based on the net percentage change in actual value of all real property in a governmental unit from construction of taxable real property improvements, minus destruction of similar improvements, and additions to, minus deletions from, taxable real property for government units other than school districts, and the percentage change in student enrollment for a school district; (b) any increase in the real property tax revenues of a local governmental unit (not including the state) from one year to the next in excess of inflation plus the appropriate “growth factor” referred to in clause (a) above; (c) any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase for a property class, extension of an expiring tax or a tax policy change directly causing a net tax revenue gain; and (d) except for refinancing bonded indebtedness at a lower interest rate or adding new employees to existing pension plans, creation of any multiple fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. Elections on such matters may only be held on the same day as a state general election, at the governmental unit’s regular biennial election or on the first Tuesday in November of odd numbered years, and must be conducted in accordance with procedures described in TABOR.

Revenue collected, kept or spent in violation of the provisions of TABOR must be refunded, with interest. TABOR requires a governmental unit to create an emergency reserve of 3% of its fiscal year spending (excluding bonded debt service) in 1995 and subsequent years. TABOR provides that “[w]hen [a governmental unit’s] annual revenue is less than annual payments on general obligation bonds, pensions and final court judgments, the [voter approval requirement for mill levy and other tax increases referred to in clause (c) of the preceding paragraph and the voter approval requirement for spending and real property tax revenue increases referred to in clauses (a) and (b) of the preceding paragraph] shall be suspended to provide for the deficiency.” The preferred interpretation of TABOR shall, by its terms, be the one that reasonably restrains most the growth of government.

As required by TABOR, the issuance of the Bonds was authorized at the 2018 Election.

De-Brucing. At the 2014 Election, voters of the District approved an election question allowing the District to collect and expend each year all revenues without regard to the revenue and spending limitations of TABOR.

DEBT STRUCTURE

The following is a discussion of the District’s authority to incur general obligation indebtedness and other financial obligations and the amount of such obligations presently outstanding.

Debt Restrictions

Pursuant to the Indentures, the District may issue Additional Bonds subject to certain conditions, as more particularly described in “THE SERIES 2023 SENIOR BONDS – Certain Senior Indenture Provisions - Additional Bonds” and “THE SERIES 2023B₍₂₎ SUBORDINATE BONDS – Certain Subordinate Indenture Provisions - Additional Bonds.” The issuance of Additional Bonds is also restricted by: (a) State statutes which restrict the amount of debt issuable by special districts; (b) elections held within the District; and (c) Service Plan debt limitations. Each restriction is described below and in “– General Obligation Debt - Outstanding and Authorized but Unissued Debt” below.

Statutory Debt Limit. The District is subject to a statutory limitation established pursuant to § 32-1-1101(6), C.R.S. Such limitation provides that, with specific exceptions, the total principal amount of

general obligation debt issued by a special district shall not at the time of issuance exceed the greater of \$2 million or 50% of the district's assessed valuation. Since, upon issuance of the Bonds, the general obligation indebtedness of the District represented by the Bonds will exceed 50% of the District's assessed valuation, the District has determined to restrict the sale of the Bonds to "financial institutions or institutional investors" as such terms are defined in § 32-1-103(6.5), C.R.S., to fit into an exception to the statutory debt limitation permitted by § 32-1-1101(6), C.R.S.

Required Elections. Various State constitutional and statutory provisions require voter approval prior to the incurrence of general obligation indebtedness by the District. Among such provisions, Article X, Section 20 of the Colorado Constitution requires that, except for refinancing bonded debt at a lower interest rate, the District must have voter approval in advance for the creation of any multiple fiscal year direct or indirect district debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. See "FINANCIAL INFORMATION – Constitutional Amendment Limiting Taxes and Spending." The District obtained the voters' approval at the 2018 Election to issue the Bonds.

Service Plan Debt Limitations. The Service Plan limits the total issuance of general obligation debt for Districts No. 1-3 to an aggregate amount of \$87,000,000, subject to certain conditions. The Service Plan defines "Debt" as bonds or other obligations for the payment of which any District has promised to impose an ad valorem property tax mill levy. In 2019, District No. 1 issued \$22,120,000 of general obligation bonds and in 2021, District No. 2 issued \$25,482,000 of general obligation debt leaving \$39,398,000 in remaining general obligation debt authorization under the Service Plan. The aggregate principal amount of the Bonds together with the principal amount of the outstanding District No. 1 bonds and District No. 2 bonds will not exceed the foregoing Service Plan limitation.

General Obligation Debt

Outstanding and Authorized but Unissued Debt. At the 2018 Election, the District's qualified electors voting at such election approved indebtedness of \$870,000,000 in the aggregate for debt issued to finance certain categories of Public Improvements such as sewers, streets, park and recreation, water and sanitation. Such electors also approved indebtedness of \$870,000,000 for refunding purposes. However, as discussed above, the Service Plan limits Districts No. 1-3 to an aggregate amount of \$87,000,000, subject to certain conditions. In 2019, District No. 1 issued \$22,120,000 of general obligation bonds and in 2021, District No. 2 issued \$25,482,000 of general obligation debt leaving \$39,398,000 in remaining general obligation debt authorization under the Service Plan. The aggregate principal amount of the Bonds together with the principal amount of the outstanding District No. 1 bonds and District No. 2 bonds will not exceed the foregoing Service Plan limitation. The District plans to apply the debt represented by the Bonds to the debt authorized at the 2018 Election and by the Service Plan.

Upon the issuance of the Bonds, the District will have approximately \$_____* in remaining general obligation indebtedness authorized by the 2018 Election but not yet issued by the District for the purpose of financing Public Improvements, which authorization is limited to funding specific subcategories of Public Improvements as provided in the 2018 Election ballot, and \$_____* in remaining indebtedness authorized by the Service Plan. The District will also have \$870,000,000 in authorized but unissued general obligation indebtedness for refunding purposes.

Revenue and Other Financial Obligations

The District also has the authority to issue revenue obligations payable from the net revenue of District's facilities, to enter into obligations which do not extend beyond the current fiscal year, and to incur

* Preliminary, subject to change.

certain other obligations. Other than described in the agreements described in “THE DISTRICT – Material Contracts,” no such obligations are currently outstanding.

ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Limited Offering Memorandum contains general information concerning historic economic and demographic conditions in and surrounding Douglas County. It is intended only to provide prospective investors with general information regarding the District’s community. The information was obtained from the sources indicated and is limited to the time periods indicated. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future. The District makes no representation as to the accuracy or completeness of data obtained from parties other than the District.

Population

The following table sets forth population statistics for the Town, the County, the Denver-Aurora Core Based Statistical Area (“Denver-Aurora CBSA”) and the State. The Denver-Aurora CBSA is comprised of six metro counties and four bordering counties: Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson and Park. Between 2010 and 2020, the population of the Town increased approximately 51.7% and the population of the County increased 25.4%. During the same time period, the populations of the Denver-Aurora CBSA and the State increased 16.5% and 14.8%, respectively.

Population

Year	Town of Castle Rock	Percent Change	Douglas County	Percent Change	Denver- Aurora CBSA	Percent Change	Colorado	Percent Change
1980	3,921	--	25,153	--	1,450,768	--	2,889,735	--
1990	8,708	122.1%	60,391	140.1%	1,650,489	13.8%	3,294,394	14.0%
2000 ⁽¹⁾	20,224	132.2	175,766	191.0	2,196,957	33.1	4,301,261	30.6
2010	48,231	138.5	285,465	62.4	2,543,482	15.8	5,029,196	16.9
2020	73,158	51.7	357,978	25.4	2,963,821	16.5	5,773,714	14.8
2021	76,954	--	369,286	--	2,974,547	--	5,814,707	--

⁽¹⁾ Denver-Aurora CBSA population adjusted to reflect the 2001 creation of the City and County of Broomfield.

Sources: United States Department of Commerce, Bureau of the Census (1980-2020), and Colorado State Demography Office (2021 estimates, which are subject to periodic revisions, and 2000 Denver-Aurora CBSA number).

Income

The following table sets forth the annual per capita personal income levels for the residents of Douglas County, the Denver-Aurora CBSA, the State and the United States. Per capita personal income levels in Douglas County have consistently exceeded Denver-Aurora CBSA, State and national levels during the period shown.

Per Capita Personal Income

Year ⁽¹⁾	Douglas County	Denver-Aurora CBSA	Colorado	United States
2017	\$71,101	\$60,632	\$55,251	\$51,550
2018	76,125	64,477	58,453	53,786
2019	77,986	68,591	62,124	56,250
2020	81,637	71,728	65,352	59,763
2021	87,841	78,150	70,715	64,117
2022	n/a	n/a	74,167	65,423

⁽¹⁾ Figures for Douglas County and the Denver-Aurora CBSA updated November 16, 2022. Figures for the State and the United States updated March 31, 2023. All figures are subject to periodic revisions.

Source: United States Department of Commerce, Bureau of Economic Analysis.

Employment

The following two tables set forth the number of individuals employed within selected Douglas County industries and Denver-Aurora CBSA industries that are covered by unemployment insurance. In 2022, the largest employment sector in Douglas County was retail trade (comprising approximately 12.7% of the county's work force), followed, in order, by professional and technical services; health care and social assistance; accommodation and food services; and finance and insurance. For the twelve-month period ended December 31, 2022, total average employment in the county increased 3.7% as compared to the same period ending December 31, 2021, while total average weekly wages increased 4.1% during the same time period.

Average Number of Employees Within Selected Industries – Douglas County

Industry	2018	2019	2020	2021	2022	2023 ⁽²⁾
Accommodation and Food Services	12,654	13,144	11,546	12,836	13,678	13,884
Administrative and Waste Services	5,702	5,977	5,855	6,156	6,205	5,594
Agriculture, Forestry, Fishing, Hunting	207	224	222	248	263	253
Arts, Entertainment and Recreation	3,645	3,851	3,032	3,083	3,851	3,100
Construction	8,868	9,285	9,733	10,845	10,997	10,844
Educational Services	11,095	11,382	10,856	10,989	11,175	11,606
Finance and Insurance	9,761	12,782	12,766	13,173	12,595	12,352
Government	3,434	3,542	3,391	3,494	3,777	3,737
Health Care and Social Assistance	13,335	13,929	14,086	14,827	15,501	15,679
Information	6,788	5,534	5,317	5,243	5,134	5,051
Management of Companies/Enterprises	3,373	3,568	3,512	3,638	3,908	4,206
Manufacturing	2,058	2,012	2,081	2,177	2,355	2,396
Mining	250	291	235	208	191	142
Non-Classifiable	11	12	26	39	51	39
Other Services	4,089	4,154	3,920	4,226	4,433	4,605
Professional and Technical Services	13,082	13,428	13,840	15,765	17,128	17,759
Real Estate, Rental and Leasing	1,911	2,022	2,020	2,122	2,191	2,333
Retail Trade	18,706	18,633	17,673	18,041	17,773	17,661
Transportation and Warehousing	1,844	1,910	2,122	2,413	2,512	2,889
Utilities	454	473	482	505	522	537
Wholesale Trade	<u>4,416</u>	<u>4,635</u>	<u>4,875</u>	<u>5,136</u>	<u>5,953</u>	<u>5,614</u>
Total ⁽¹⁾	<u>125,683</u>	<u>130,787</u>	<u>127,591</u>	<u>135,163</u>	<u>140,193</u>	<u>140,281</u>

⁽¹⁾ Figures may not equal totals when added due to the rounding of averages or the inclusion in the total figure of employees that were not disclosed in individual classifications.

⁽²⁾ Figures are averaged through the first quarter of 2023.

Source: State of Colorado, Department of Labor and Employment, Labor Market Information, Quarterly Census of Employment and Wages (QCEW).

In 2022, the largest employment sector in the Denver-Aurora CBSA was health care and social assistance (comprising approximately 12.2% of the metro area’s work force), followed in order by professional and technical services, accommodation and food services, retail trade, and educational services. For the twelve-month period ending December 31, 2022, total average employment in the Denver-Aurora CBSA increased by approximately 4.8% as compared to the same period ending December 31, 2021.

Average Number of Employees Within Selected Industries – Denver-Aurora CBSA

<u>Industry</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023⁽²⁾</u>
Accommodation and Food Services	142,568	144,777	111,871	124,453	139,924	139,888
Administrative and Waste Services	98,902	100,750	91,081	95,917	100,893	96,305
Agriculture, Forestry, Fishing, Hunting	3,616	4,164	4,436	4,743	4,335	3,542
Arts, Entertainment and Recreation	29,975	32,065	22,827	26,168	30,491	29,263
Construction	99,219	102,079	100,672	101,561	105,030	102,432
Educational Services	108,700	111,885	108,109	107,869	111,338	113,975
Finance and Insurance	78,518	78,320	78,237	79,799	80,971	78,931
Government	73,588	74,322	73,823	73,285	74,475	75,377
Health Care and Social Assistance	181,494	185,801	181,129	186,992	190,774	195,450
Information	51,051	51,705	51,884	53,283	55,109	54,500
Management of Companies/Enterprises	33,288	34,308	33,887	34,748	35,937	36,355
Manufacturing	70,004	70,997	69,354	70,204	71,774	70,382
Mining	10,314	10,916	8,883	8,188	8,135	8,065
Non-Classifiable	98	133	129	173	275	135
Other Services	46,066	47,263	42,663	44,789	47,737	48,977
Professional and Technical Services	140,168	147,103	149,456	160,278	175,622	181,299
Real Estate, Rental and Leasing	29,819	31,532	30,384	32,375	34,065	33,699
Retail Trade	139,552	138,864	132,282	136,947	136,864	136,823
Transportation and Warehousing	64,451	69,406	72,725	74,830	79,193	80,450
Utilities	5,745	5,887	6,037	6,186	6,431	6,719
Wholesale Trade	<u>73,263</u>	<u>74,394</u>	<u>72,945</u>	<u>74,020</u>	<u>78,318</u>	<u>78,275</u>
Total ⁽¹⁾	<u>1,482,398</u>	<u>1,518,254</u>	<u>1,444,289</u>	<u>1,498,191</u>	<u>1,569,810</u>	<u>1,573,032</u>

⁽¹⁾ Figures may not equal totals when added due to the rounding of averages or the inclusion in the total figure of employees that were not disclosed in individual classifications.

⁽²⁾ Figures are averaged through the first quarter of 2023.

Source: State of Colorado, Department of Labor and Employment, Labor Market Information, Quarterly Census of Employment and Wages (QCEW).

The following table presents information on employment within the County, the Denver-Aurora CBSA, the State and the United States for the period indicated. The annual unemployment figures indicate average rates for the entire year and do not reflect monthly or seasonal trends. The unemployment rate for

the County has consistently been lower than the rate for the Denver-Aurora CBSA, the State and the United States during the period shown.

Labor Force and Percent Unemployed

Year	Douglas County ⁽¹⁾		Denver-Aurora CBSA ⁽¹⁾		Colorado ⁽¹⁾		United States
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2018	190,120	2.6%	1,625,120	2.9%	3,054,347	3.0%	3.9%
2019	196,099	2.3	1,655,419	2.6	3,105,584	2.7	3.7
2020	196,251	5.3	1,651,058	7.0	3,088,995	6.8	8.1
2021	202,593	4.1	1,697,958	5.5	3,158,144	5.4	5.3
2022	207,841	2.5	1,725,664	3.0	3,200,625	3.0	3.6
<u>Month of July</u>							
2022	208,121	2.5%	1,725,804	2.8%	3,207,188	2.9%	3.5%
2023	212,026	3.2	1,754,720	3.4	3,263,952	3.5	3.5

⁽¹⁾ Figures for the County, the Denver-Aurora CBSA and the State are not seasonally adjusted.

Sources: State of Colorado, Department of Labor and Employment, Labor Market Information, Labor Force Data and United States Department of Labor, Bureau of Labor Statistics.

Major Employers

The following table provides a brief description of selected major private employers located within the County. No independent investigation of the stability or financial condition of the employers listed hereafter has been conducted and, therefore, no representation can be made that such employers will continue to maintain their status as major employers in the County.

Largest Private Employers in Douglas County

Name of Employer	Product or Service	Estimated Number of Employees ⁽¹⁾
Charles Schwab	Financial services	3,450
DISH Network	Satellite television and equipment	2,500
Centura Health ⁽²⁾	Healthcare	1,970
HealthONE: Sky Ridge Medical Center	Healthcare	1,470
Kiewit Companies	Construction services	1,400
VISA Debit Processing Services	Financial services	1,180
Lockheed Martin Corporation	Aerospace/Defense related systems	1,010
Specialized Loan Servicing LLC	Financial services	820
Wind Crest	Assisted living	750
IHS Markit	Indexed technical data	720

⁽¹⁾ Revised June 2022.

⁽²⁾ Centura Health includes Castle Rock Adventist Hospital and Parker Adventist Hospital.

Source: Development Research Partners as provided by Metro Denver Economic Development Corporation.

A brief description of selected major employers located within the Town and their approximate number of employees is listed below. No independent investigation of the stability or financial condition

of the employers listed hereafter has been conducted and, therefore, no representation can be made that such employers will continue to maintain their status as major employers in the Town.

Selected Major Employers in the Town of Castle Rock

Name of Employer	Product or Service	Estimated Number of Employees ⁽¹⁾
Douglas County School District Re.1	Public education	6,069 ⁽²⁾⁽³⁾
Douglas County	Government	1,453 ⁽²⁾⁽⁴⁾
Town of Castle Rock	Government	604 ⁽⁵⁾
Castle Rock Adventist Hospital	Healthcare	250 to 499
Castle Rock Homes	Real estate	250 to 499
Elite Surface Infrastructure	Concrete contractors	250 to 499
WalMart Supercenter	General merchandise retail	250 to 499
Castle Pines Golf Club	Recreation	100 to 249
Kohl's	Department store	100 to 249

(1) Figures are as of March 2023, unless otherwise indicated.

(2) Figure is for all employees, including employees working outside the Town of Castle Rock.

(3) Figure taken from the employer's June 30, 2022 Annual Comprehensive Financial Report; includes only full-time employees.

(4) Figure taken from the employer's December 31, 2022 Annual Comprehensive Financial Report; includes only full-time employees.

(5) Figure taken from the employer's December 31, 2021 Annual Comprehensive Financial Report; includes only full-time employees.

Sources: Data Axle as posted by State of Colorado, Department of Labor and Employment, Labor Market Information; and individual employers.

Building Activity

The following two tables provide a history of building permits issued for residential and commercial construction in the Town and in the unincorporated portions of the County for the years indicated.

Building Permit Issuances for New Structures in the Town of Castle Rock

Year	Single Family		Multi-Family ⁽¹⁾		Commercial ⁽²⁾	
	Permits	Value	Permits	Value	Permits	Value
2018	1,028	\$304,165,959	372	\$41,317,324	58	\$51,919,998
2019	901	272,981,745	23	3,801,979	44	45,658,744
2020	1,060	325,293,051	293	51,892,305	59	52,471,985
2021	1,169	378,739,709	538	64,917,976	70	54,709,076
2022	686	276,818,535	352	79,525,496	77	117,925,732
2023 ⁽³⁾	228	n/a	200	n/a	12	36,561,900

(1) Includes duplexes, townhomes, condominiums and apartments.

(2) This category is all inclusive and may include permits issued for religious buildings and public schools.

(3) Figures are for permits issued from January 1 through July 31, 2023.

Source: Town of Castle Rock Development Services Department, Building Division.

Building Permit Issuances in Unincorporated Douglas County

Year	New Residential		New Multi-Family ⁽¹⁾		Commercial ⁽²⁾	
	Permits	Value	Permits	Value	Permits	Value
2018	1,007	\$324,216,679	155	\$28,923,706	340	\$277,001,574
2019	970	296,896,076	298	42,251,354	330	182,444,753
2020	969	308,765,238	152	36,325,996	266	140,085,634
2021	1,321	428,079,718	283	83,790,699	277	135,856,591
2022	1,096	353,920,875	457	133,598,720	394	158,141,385
2023 ⁽³⁾	441	152,781,564	124	43,144,413	178	109,643,107

⁽¹⁾ Includes apartments, condominiums, duplexes and townhouses.
⁽²⁾ Includes permits for tenant finish and improvement, and alterations.
⁽³⁾ Figures are for January 1 through July 31, 2023.
Source: Douglas County Building Division.

Foreclosure Activity

The following table presents historical information on foreclosure filings. Such information represents the number of foreclosures filed, but does not take into account the number of foreclosures that were filed and subsequently redeemed or withdrawn.

History of Foreclosures – Douglas County

Year	Number of Foreclosures Filed	Percent Change
2018	279	--
2019	242	(13.3)%
2020	98	(59.5)
2021	46	(53.1)
2022	199	332.6
2023 ⁽¹⁾	69	--

⁽¹⁾ Figures are for foreclosures filed from January 1 through July 31, 2023.
Sources: Colorado Division of Housing (2018 to 2020 figures) and the Douglas County Public Trustee’s Office (2021 to 2023 figures).

LEGAL MATTERS

Sovereign Immunity

The Governmental Immunity Act, Title 24, Article 10, Part 1, Colorado Revised Statutes, as amended (the “Governmental Immunity Act”), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the District, for injuries which lie in tort or could lie in tort.

The Governmental Immunity Act provides that sovereign immunity does not apply to injuries occurring as a result of certain specified actions or conditions. In general, public entities will be held liable for willful and wanton acts or omissions or willful and wanton acts or omissions of its public employees which occurred during the performance of their duties and within the scope of their employment. However, if a plaintiff can meet the burden of proof required to show that any one of the exceptions specified in the Governmental Immunity Act applies, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which was not willful and

wanton, and which occur during the performance of their duties and within the scope of their employment. The maximum amounts that may be recovered under the Governmental Immunity Act, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of \$350,000 for claims accruing before January 1, 2018, the sum of \$387,000 for claims accruing on or after January 1, 2018 and before January 1, 2022; or the sum of \$424,000 for claims accruing on or after January 1, 2022 and before January 1, 2026; or (b) for an injury to two or more persons in any single occurrence, the sum of \$990,000 for claims accruing before January 1, 2018, except in such instance, no person may recover in excess of \$350,000; the sum of \$1,093,000 for claims accruing on or after January 1, 2018, and before January 1, 2022, except in such instance, no person may recover in excess of \$387,000; or the sum of \$1,195,000 for claims accruing on or after January 1, 2022 and before January 1, 2026, except in such instance, no person may recover in excess of \$424,000. The Governmental Immunity Act also provides for increases in those amounts every four years pursuant to a formula based on the Denver-Boulder-Greeley Consumer Price Index. The District may not be held liable either directly or by indemnification for punitive or exemplary damages. In the event that the District is required to levy an ad valorem property tax to discharge a settlement or judgment, such tax may not exceed a total of ten mills per annum for all outstanding settlements or judgments.

The District may be subject to civil liability and may not be able to claim sovereign immunity for actions founded upon various federal laws. Examples of such civil liability include, but are not limited to, suits filed pursuant to 42 U.S.C. Section 1983, alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the District may be enjoined from engaging in anti-competitive practices which violate the antitrust laws. However, the Governmental Immunity Act provides that it applies to any action brought against a public entity or a public employee in any Colorado State court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

Legal Representation

Legal matters relating to the issuance of the Bonds, as well as the treatment of interest on the Bonds for purposes of federal and State income taxation, are subject to the approving legal opinions of Kutak Rock LLP, Denver, Colorado, as Bond Counsel. Such opinions will be dated as of and delivered at closing in substantially the forms set forth in APPENDIX E. Butler Snow LLP, Denver, Colorado, has assisted the District in preparation of this Limited Offering Memorandum in its capacity as Special Counsel to the District. Certain legal matters pertaining to the organization and operation of the District will be passed upon by its general counsel White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado. Certain legal matters will be passed upon by Gilmore & Bell, P.C., Salt Lake City, Utah, as counsel to the Underwriter.

Pending and Threatened Litigation Involving the District

In connection with the issuance of the Bonds, General Counsel to the District is expected to render an opinion stating that, to the best of their actual knowledge, there is no action, suit, or proceeding pending in which the District is a party, nor is there any inquiry or investigation pending against the District by any governmental agency, public agency, or authority which, if determined adversely to the District, would have a material adverse effect upon the District's ability to comply with its obligations under the Indentures and the other financing documents.

Indenture to Constitute Contract

The Indentures provide that it constitutes a contract among the District, the Trustee and the Owners of the Bonds, and that they will remain in full force and effect until the Bonds are no longer Outstanding.

TAX MATTERS

Federal Tax Matters

The Internal Revenue Code of 1986, as amended (the “Code”), contains a number of restrictions and requirements that apply to the Bonds including, without limitation, (i) investment restrictions, (ii) requirements for periodic payments of arbitrage profits to the United States, and (iii) rules regarding the proper use of the proceeds of the Bonds and the facilities financed or refinanced with such proceeds. The District has covenanted to comply with all of the restrictions and requirements of the Code that must be satisfied in order for the interest on the Bonds to be and remain excludable from the gross income of the owners thereof for federal income tax purposes (the “Tax Covenants”).

In the opinion of Kutak Rock LLP, Denver, Colorado, Bond Counsel, interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of the certifications of the District and continuing compliance, by the District and other owners of the Public Improvements, with the requirements of the Code. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax.

In rendering its opinion, Bond Counsel will rely on, and will assume the accuracy of, certain representations and certifications, and compliance by the District with certain covenants, including the Tax Covenants. Bond Counsel will not independently verify the accuracy of the District’s representations and certifications. In addition, Bond Counsel has not been engaged, and will not undertake, to monitor compliance with the Tax Covenants or to inform any person as to whether the Tax Covenants are being complied with; nor has Bond Counsel undertaken to determine or to inform any person whether any actions taken or not taken, or events occurring or not occurring, after the date of issuance of the Bonds may affect the federal tax status of the interest on the Bonds. Failure to comply with certain of the Tax Covenants could result in the inclusion of the interest on the Bonds in the gross income of the owners for federal income tax purposes, retroactive to the date of issuance of the Bonds.

Certain requirements and procedures contained or referred to in the Indentures and certain other documents executed in connection with the issuance of the Bonds may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted in the future if a legal opinion is rendered at the time to the effect that such action will not cause the interest on the Bonds to be included in the gross income of the owners for federal income tax purposes. The opinion of Bond Counsel rendered in connection with the initial issuance of the Bonds will not address any such actions.

Original Issue Discount. Certain of the Bonds may be offered at a discount (“original issue discount”) equal generally to the difference between the public offering price and the principal amount. For federal income tax purposes, original issue discount on a Bond accrues periodically over the term of such Bond as interest, with the same tax exemption and alternative minimum tax status as stated interest. The accrual of original issue discount increases the bondholder’s tax basis in the Bond for determining taxable gain or loss upon sale or redemption prior to maturity. Bondholders should consult their tax advisers for an explanation of the accrual rules.

Original Issue Premium. Certain of the Bonds may be offered at a premium (“original issue premium”) over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Bond through reductions in the bondholder’s tax basis for the Bond for determining taxable gain or loss upon sale or redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Bondholders should consult their tax advisers for an explanation of the amortization rules.

Bond Counsel expresses no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Backup Withholding. A person making payments of tax-exempt interest to a bondholder is generally required to make an information report of the payments to the Internal Revenue Service (the “IRS”) and to perform “backup withholding” from the interest if the bondholder does not provide an IRS Form W-9 to the payor. “Backup withholding” means that the payor withholds tax from the interest payments at the backup withholding rate, currently 24%. Form W-9 states the bondholder’s taxpayer identification number or basis of exemption from backup withholding.

If a holder purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the account, as generally can be expected, there should be no backup withholding from the interest on the Bond.

If backup withholding occurs, it does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the bondholder's federal income tax once the required information is furnished to the IRS.

State of Colorado Tax Matters

In the opinion of Bond Counsel, under existing law, to the extent that interest on the Bonds is excludable from gross income for federal income tax purposes, such interest is also excludable from gross income for State of Colorado income tax purposes and from the calculation of State of Colorado alternative minimum taxable income. Bond Counsel will express no opinion regarding other state or local tax consequences arising with respect to the Bonds, including whether interest on the Bonds is exempt from taxation under the laws of any jurisdiction other than the State of Colorado.

General

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete; holders of the Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

See Appendix E hereto for the proposed Forms of Bond Counsel Opinions.

MISCELLANEOUS

Rating

No rating has been or will be applied for with respect to this financing.

Registration of Bonds

Registration or qualification of the offer and sale of the Bonds (as distinguished from registration of the ownership of the Bonds) is not required under the federal Securities Act of 1933, as amended, the Colorado Securities Act, as amended, or the Colorado Municipal Bond Supervision Act, as amended, pursuant to exemptions from registration provided in such acts. THE DISTRICT ASSUMES NO

RESPONSIBILITY FOR QUALIFICATION OR REGISTRATION OF THE BONDS FOR SALE UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THE BONDS MAY BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED.

The “Colorado Municipal Bond Supervision Act,” Article 59 of Title 11, C.R.S., generally provides for the Colorado Securities Commissioner (the “Commissioner”) to regulate and monitor the issuance of municipal securities by special districts and certain other entities. Among other things, the act requires that all bonds, debentures or other obligations (defined in the act as “bonds”) issued by a special district must first be registered with the Commissioner unless exempt under the act. The Bonds qualify for an exemption from registration because the Bonds are being issued in authorized denominations of not less than \$500,000.

Interest of Certain Persons Named in this Limited Offering Memorandum

The legal fees to be paid to Bond Counsel and counsel to the Underwriter are contingent upon the sale and delivery of the Bonds.

Undertaking to Provide Ongoing Disclosure

The Underwriter has determined that the Bonds are exempt from the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (the “Rule”). The District and the Developer have, however, agreed to obtain and to provide certain information to the Trustee on a quarterly and annual basis for dissemination to the public through the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (EMMA), as more particularly provided in the Continuing Disclosure Agreement, a form of which is attached as APPENDIX D to this Limited Offering Memorandum. A failure by the District to comply with the requirements of the Continuing Disclosure Agreement will not constitute an Event of Default under the Indentures (although Bond Owners will have any available remedy at law or in equity for failure by the District to comply with its provisions).

The District has not previously entered into any continuing disclosure undertakings pursuant to the Rule.

Underwriting

The Series 2023A-1 Senior Bonds are being sold by the District for a purchase price equal to \$_____ (which is equal to the aggregate par amount of the Series 2023A-1 Senior Bonds of \$_____, plus/less an original issue premium/discount of \$_____, less an Underwriter’s discount of \$_____), the Series 2023A-2 Senior Bonds are being sold by the District for a purchase price equal to \$_____ (which is equal to the aggregate par amount of the Series 2023A-2 Senior Bonds of \$_____, plus/less an original issue premium/discount of \$_____, less an Underwriter’s discount of \$_____) and the Series 2023B₍₂₎ Subordinate Bonds are being sold by the District for a purchase price equal to \$_____ (which is equal to the aggregate par amount of the Series 2023B₍₂₎ Subordinate Bonds of \$_____, plus/less an original issue premium/discount of \$_____, less an Underwriter’s discount of \$_____) pursuant to a purchase contract. See “USE OF PROCEEDS AND DEBT SERVICE REQUIREMENTS – Application of Bond Proceeds.” Expenses associated with the issuance of the Bonds are being paid by the District from proceeds of the issue. The right of the Underwriter to receive compensation in connection with this issue is contingent upon the actual sale and delivery of the Bonds. The Underwriter has initially offered the Bonds at the prices or yields set forth on the cover page of this Limited Offering Memorandum. Such prices or yields, as the case may be, may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other investment banking firms in offering the Bonds.

Municipal Advisor

North Slope Capital Advisors is acting as municipal advisor (the “Municipal Advisor”) to the District in connection with the issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Limited Offering Memorandum. The Municipal Advisor will act as an independent advisory firm and will not be engaged in underwriting or distributing the Bonds.

Additional Information

Copies of statutes, resolutions, opinions, contracts, agreements, financial and statistical data and other related reports and documents described in this Limited Offering Memorandum are either publicly available or available upon request and the payment of a reasonable copying, mailing and handling charge from the sources noted in the “INTRODUCTION” hereto.

Limited Offering Memorandum Certification

The preparation of this Limited Offering Memorandum and its distribution has been authorized by the Board. This Limited Offering Memorandum is hereby duly approved by the Board as of the date on the cover page hereof. This Limited Offering Memorandum is not to be construed as an agreement or contract between the District and the purchasers or owners of any Bond.

LANTERNS METROPOLITAN DISTRICT NO. 3

By: _____
President

**LANTERNS METROPOLITAN DISTRICT NO. 3
CERTIFICATE CONCERNING DISTRICT FINANCING**

Section 11.02.110 of the Town of Castle Rock Municipal Code (the “Code”) provides:

“A District shall not issue any indebtedness or refinance any outstanding indebtedness without first submitting the proposed financing to the Town for review and comment. The submission shall include the dollar amount of the issue, the interest rate and other financing costs, the type of revenues pledged to repayment, including the amount of the mill levy pledged, and a description of the credit enhancements, together with any preliminary official statement or other prospectus for the debt issue. The submission shall be accompanied by a certification of the Board that the proposed issuance or refinance of indebtedness is authorized by and in compliance with the service plan for the District. The Town Council shall review such proposed financing at a regular meeting within thirty (30) days of receipt of the required submittal and forward any comments to the Board within ten (10) days of such meeting. The approval or authorization of the Town Council for the proposed financing is not required under this Section, unless required under the express terms of the service plan or intergovernmental agreement. The Town Council at the request of the Board or of its own initiative may waive the review, in its discretion. Upon request, an officer of the Town shall certify to the Board or its underwriter when compliance with this Section has been met. The failure of a District to substantially comply with this Section shall empower the Town Council to impose the sanctions authorized in Section 11.02.230 of this Chapter.”


The Lanterns Metropolitan District No. 3 (the “District”) intends to issue its Limited Tax General Obligation Bonds, Series 2023A-1, Convertible Capital Appreciation Limited Tax General Obligation Bonds, Series 2023A-2, and Subordinate Limited Tax General Obligation Bonds, Series 2023B (collectively, the “Bonds”).

The Board of Directors of the District submits this Certificate Concerning District Financing certifying, to the best of its actual knowledge, that the proposed issuance of the Bonds is authorized by and in compliance with the Service Plan for the District.

Certified to the Town of Castle Rock this 1st day of September, 2023.

DISTRICT:

**LANTERNS METROPOLITAN DISTRICT
NO. 3**, a quasi-municipal corporation and
political subdivision of the State of Colorado

By: 
Reggie Carveth (Sep 2, 2023 10:49 MDT)

Officer of the District