



Megan J. Murphy
Shareholder

303-858-1800
mmurphy@wbapc.com

November 6, 2024

VIA EMAIL

Town of Castle Rock
Mr. Michael Hyman, Town Attorney
MHyman@crgov.com

**Re: Lanterns Metropolitan District No. 1
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. 1 (the “**District**”). The District intends to issue its Limited Tax General Obligation Refunding and Improvement Bonds, Series 2024 (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 November 19, 2024.

Please let me know if you have any questions.

Sincerely,

WHITE BEAR ANKELE TANAKA & WALDRON

A handwritten signature in blue ink that reads "Megan J. Murphy". The signature is written in a cursive style.

Megan J. Murphy
Shareholder

LANTERNS METROPOLITAN DISTRICT NO. 1
LIMITED TAX GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS,
SERIES 2024

TERM SHEET – AS OF November 5, 2024

FOR DISTRICT USE ONLY
PROSPECTIVE INVESTORS SHOULD REVIEW THE BOND DOCUMENTS

Delivery Date: December 11, 2024

Sources:

Par Amount:	\$27,735,000 (estimated)
Net Premium/Discount:	\$ 1,063,108 (estimated)
Funds on Hand:	<u>\$ 2,843,444 (estimated)</u>
Total:	\$31,641,552 (estimated)

Uses:

Project Fund:	\$ 6,000,000 (estimated)
Refunding Escrow:	\$25,041,528 (estimated)
Cost of Issuance:	<u>\$ 595,487 (estimated)</u>
Total:	\$31,641,552 (estimated)

Structure:

Final Maturity: December 1, 2054

Interest Rate/Yield: 4.34% (estimated as of the current market)

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-BQ

Optional Redemption: Estimated 12/1/2029 at a 103 premium declining to par (actual redemption provisions determined at pricing)

Credit Rating: AA Insured/BBB Underlying (estimated)

Senior Pledged Revenue Senior Pledge Revenue consists of: (i) the current debt service mill levy up to 63.6 mills, subject to adjustments (the “Required Mill Levy”) and (ii) specific ownership taxes generated from the Required Mill Levy. The bonds will discharge on 12/2/2054.

Subordinate Debt: Subordinate bonds may be issued provided that they pay debt service annually only after all payments on senior bonds. It is anticipated that subordinate bonds will be issued at the time of senior bond issuance.

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Trustee: UMB Bank
Title 32 qual.: Investment Grade Rated
Title 11 exemption: Investment Grade Rated

This Preliminary Official Statement 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 Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement 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.

NEW ISSUE
BOOK-ENTRY-ONLY

INSURED RATING: _____ “_”
INSURANCE: _____
UNDERLYING RATING: _____ “_”
(See “MISCELLANEOUS—Ratings”)

[BALLARD TO CONFIRM] In the opinion of Ballard Spahr LLP, Denver, Colorado, Bond Counsel, interest on the Bonds is excludable from gross income for purposes of federal income tax, under existing laws as of the date of delivery of the Bonds and 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 imposed on individuals; however, such interest is taken into account in determining the adjusted financial statement income of applicable corporations for purposes of computing the alternative minimum tax imposed on such corporations. 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, 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. See “TAX MATTERS.”

\$[PAR]*
LANTERNS METROPOLITAN DISTRICT NO. 1
In the Town of Castle Rock, Douglas County, Colorado
Limited Tax General Obligation Refunding and Improvement Bonds
Series 2024

Dated: Date of Delivery

Due: December 1, as shown below

Lanterns Metropolitan District No. 1, in the Town of Castle Rock, Douglas County, Colorado (the “District”) is issuing its Limited Tax General Obligation Refunding and Improvement Bonds, Series 2024 (the “Bonds”), pursuant to an Indenture of Trust to be dated [INDENTURE DATE], 2024 (the “Indenture”) between the District and UMB Bank, n.a., Denver, Colorado, as trustee (the “Trustee”). The Trustee will also act as Registrar and Paying Agent for the Bonds. DTC will act as securities depository 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 Official Statement are defined in the Introduction herein or in “APPENDIX B—SELECTED DEFINITIONS” hereto.

The Bonds are limited tax general obligations of the District secured by and payable solely from and to the extent of the “Pledged Revenue,” consisting of the moneys derived from the following sources: (a) all Property Tax Revenues (generally defined as all moneys derived from imposition by the District of the Required Mill Levy); (b) all Specific Ownership Tax Revenues; and (c) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Bond Fund. The Bonds will also be secured by the Reserve Fund in the amount of the Reserve Requirement (\$ _____), which will be satisfied by the provision of a Reserve Policy in the amount of the Reserve Requirement to be issued concurrently with the delivery of the Bonds.

The Bonds are being issued in denominations of \$5,000 or any integral multiple of \$1,000 in excess thereof, as fully registered bonds. Interest on the Bonds is payable semiannually to the extent of Pledged Revenue available therefor on June 1 and December 1 each year, commencing [June 1, 2025], at the rates set forth below.

Maturity Schedule*

Maturity Date (December 1)*	Principal Amount*	Interest Rate	Yield	CUSIP®.1	Maturity Date (December 1)*	Principal Amount*	Interest Rate	Yield	CUSIP®.1
2025					2030				
2026					2031				
2027					2032				
2028					2033				
2029					2034				

\$ _____* _ . _ % Term Bond due December 1, 2039* Price _ . _ % CUSIP® _____ 1
\$ _____* _ . _ % Term Bond due December 1, 2044* Price _ . _ % CUSIP® _____ 1
\$ _____* _ . _ % Term Bond due December 1, 2049* Price _ . _ % CUSIP® _____ 1
\$ _____* _ . _ % Term Bond due December 1, 2054* Price _ . _ % CUSIP® _____ 1

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by _____.

[INSERT INSURER LOGO]

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity at the prices and upon the terms set forth in the Indenture as described in this Official Statement.

Proceeds from the sale of the Bonds will be used for the purposes of: (a) refunding the District’s Refunded Bonds (defined herein); and (b) paying the costs of issuing the Bonds and refunding the Refunded Bonds, including the premium for the Insurance Policy and the Reserve Policy. See “USE OF PROCEEDS AND DEBT SERVICE REQUIREMENTS—Application of Bond Proceeds.”

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision and should give particular attention to the section entitled “INVESTMENT CONSIDERATIONS.”

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 Ballard Spahr LLP, Denver, Colorado, as Bond Counsel, and the satisfaction of certain other conditions. Certain matters will be passed upon by White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado, as General Counsel to the District, and by Kline Alvarado Veio, P.C., Denver, Colorado, as counsel to the Underwriter. Kutak Rock LLP is serving as Disclosure Counsel to the District and, in such capacity, has assisted in the preparation of this Official Statement. [_____] has acted as Municipal Advisor to the District in connection with the Bonds. The Bonds are expected to be available for delivery through the facilities of DTC on or about [_____] 2024*.

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This Official Statement is dated _____, 2024.

* Preliminary; subject to change.

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1 Neither the District, the Trustee, nor the Underwriter takes responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of owners of the Bonds. 4877-0087-8316.1

**LANTERNS METROPOLITAN DISTRICT NO. 1
IN THE TOWN OF CASTLE ROCK
DOUGLAS COUNTY, COLORADO**

Board of Directors

Ben Both, President
Tim Westbrook, Treasurer
Christopher Osler, Secretary
Reginald Carveth, Director
David Zirinsky, Director

District [Manager and] Accountant

CliftonLarsonAllen, LLP
Greenwood Village, Colorado

General Counsel to the District

White Bear Ankele Tanaka & Waldron
Professional Corporation
Centennial, Colorado

Bond Counsel

Ballard Spahr, LLP
Denver, Colorado

Disclosure Counsel

Kutak Rock, LLP
Denver, Colorado

Counsel to Underwriter

Kline Alvarado Veio, P.C.
Denver, Colorado

Underwriter

Piper Sandler & Co.
Denver, Colorado

Trustee

UMB Bank, n.a.
Denver, Colorado

Municipal Advisor

[_____]
[Denver, Colorado]

No dealer, salesman or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the District or the Underwriter. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The Underwriter has provided the following sentence for inclusion within this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Investors must be willing and able to conduct an independent investigation of the risks attendant to ownership of the Bonds. Neither the contents of this Official Statement nor any prior or subsequent communications from the District or any of its officers, directors, employees or agents constitute legal, tax, accounting or regulatory advice. Before purchasing, prospective investors should consult with their own legal counsel and business and tax advisors to determine the consequences of an investment in the Bonds and should make an independent evaluation of the investment.

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Neither the Securities and Exchange Commission nor any securities regulatory authority of any state has approved or disapproved the Bonds or this Official Statement. Any representation to the contrary is unlawful.

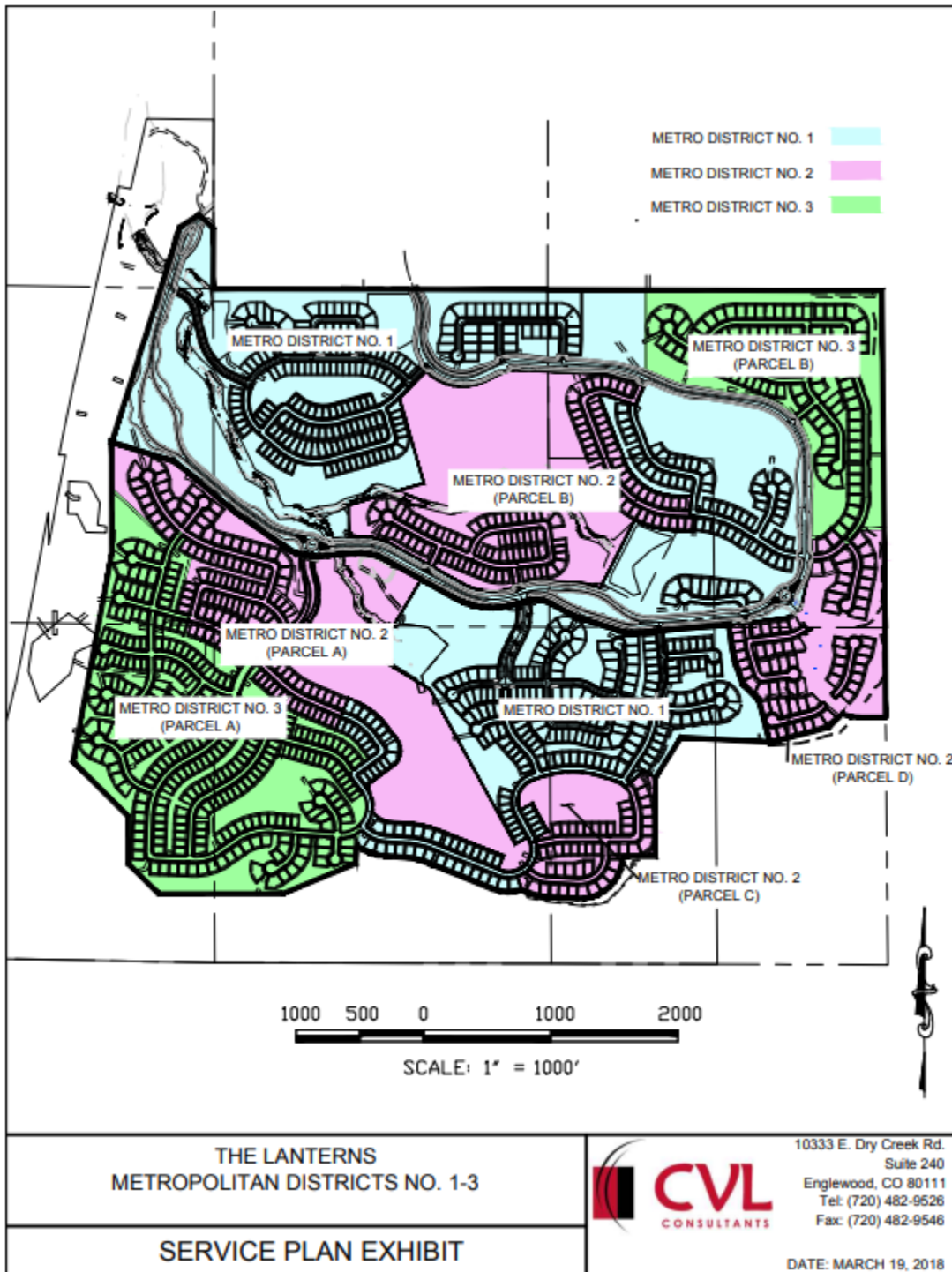
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DISTRICT NOS. 1-3 MAP¹

[Is there a different map that is preferred?]



¹ Only property within the boundaries of the District will generate revenue pledged to the payment of the Bonds.

REGIONAL VICINITY MAP



District Vicinity

INTRODUCTION

This Official Statement is furnished by Lanterns Metropolitan District No. 1 (the “District”), in the Town of Castle Rock (the “Town”), in Douglas County (the “County”), Colorado (the “State”) to provide certain information concerning the offering of its \$[PAR]* Limited Tax General Obligation Refunding and Improvement Bonds, Series 2024 (the “Bonds”). The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The information set forth in this Official Statement has been obtained from the District and from other sources believed to be reliable but is not guaranteed as to accuracy or completeness. This Official Statement, 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 “INVESTMENT CONSIDERATIONS.”

Any capitalized terms not defined herein have the respective meanings set forth in APPENDIX B 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 Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein.

The District..... The District was formed as “Lanterns Metropolitan District” pursuant to an order and decree for the organization entered by the District Court in and for the County on February 3, 2024 and recorded on February 26,2004. Organization of the District was preceded by the approval by the County of the Service Plan (defined below). The creation of the District was approved by the eligible electors of such District voting at the election held November 4, 2003 (the “2003 Election”). Pursuant to an Order Granting Petition For Name Change dated September 12, 2014 and recorded on September 15, 2014, the District’s name was changed to “Lanterns Metropolitan District No. 1.”

The District was organized as a special district pursuant to a service plan approved by the Town, on October 13, 2002. Such service plan was replaced in its entirety by a first amended and restated service plan which was approved by the Town on September 16, 2014, which was further 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 (the “Service Plan”), for the purpose of financing and constructing park and recreation, sanitation (including sanitary sewer, storm drainage and surface and flood control), streets (including lighting and signalization), television relay and translation, transportation, water, fire

* Preliminary; subject to change.

protection and emergency medical, safety, security and mosquito control services (collectively, the “Public Improvements”), within and without the boundaries of the District, for the use and benefit of the future taxpayers and inhabitants of the District. See “THE DISTRICT—Organization and Description” and “—Service Plan Authorizations and Limitations.”

In addition to amending and restating District’s prior service plans, the Service Plan amends and restates the service plan for Lanterns Metropolitan District No. 2 (“District No. 2”), the service plan for Lanterns Metropolitan District No. 3 (“District No. 3”), 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. 2, District No. 3, District No. 4 and District No. 5 are referred to in the Limited Offering Memorandum, collectively, as the “Districts.” The District, District No. 2 and District No. 3 are collectively referred to herein as “District Nos. 1-3” and District No. 4 and District No. 5 are referred to herein as “District Nos. 4-5.”

District Nos. 1-3 financed the construction and acquisition of all or a part of the Public Improvements within their respective boundaries. District Nos. 4-5 were organized to provide operations and maintenance services to the property within the Service Area (defined below) and are not authorized to issue debt without an amendment to the Service Plan.

The Districts encompass approximately 605-acres of property (the “Service Area”) generally located south of Crystal Valley Parkway and east of Interstate-25 in the Town. The District contains approximately 271 acres, District No. 2 contains approximately 192 acres and District No. 3 contains approximately 141 acres.

Only property within the District will generate ad valorem property tax revenues to repay the Bonds. The Bonds are not obligations of District Nos. 2-5. Discussion of the other District Nos. 2-5 is provided for informational purposes only.

See “THE DISTRICT” and the preceding “DISTRICT NOS. 1-3 MAP” and “REGIONAL VICINITY MAP.”

The District has a current estimated population of [____], based upon [____] homes constructed as of [____], 2024, and an assumed population of 2.83 persons per household (based on household estimates for the Town prepared by the State Demography Office). See “THE DISTRICT—Development Within the District.”

According to the County Assessor, as of August 20, 2024, the 2024 preliminary certified assessed valuations for the District is \$24,676,910, which is subject to change prior to the December 10, 2024 final certification date. See “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Taxes” and “—Ad Valorem Property Tax Data” and “THE DISTRICT.”

Development Within the District.....

[Toll Brothers to update/revise/expand] [The property within the District consists of an approximately [271]-acre residential subdivision which has been under development and construction since [2020], and is comprised of [476] single-family detached residences in two distinct communities, with [223] single-family homes in an active adult community for residents 55 years of age and older; and [253] homes in a single-family residential community. Both the active adult community and the single-family residential community 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 property also features 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. Of the anticipated [476] single-family residences, [358] have been completed as of June 30, 2024, have been sold to individual homeowners and are occupied. The remaining [118] single-family residences are expected to be substantially completed by [____2025]. [The numbers have 6 units being constructed in 2026 and 7 units in 2030. What is the delay? Numbers reflect only 372 units, not 476]

Purpose.....

Proceeds from the sale of the Bonds will be used for the purposes of: (a) refunding the District’s Refunded Bonds (defined herein); and (b) paying the costs of issuing the Bonds and refunding the Refunded Bonds, including the premium for the Insurance Policy and the Reserve Policy. See “USE OF PROCEEDS AND DEBT SERVICE REQUIREMENTS—Application of Bond Proceeds.”

Authority for Issuance

The Bonds are issued in full conformity with the constitution and laws of the State, including Title 11, Article 57, Part 2, C.R.S. (the “Supplemental Public Securities Act”) and Parts 11 and 13 of the Special District Act (Title 32, Article 1, C.R.S.); 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”); pursuant to the Indenture of Trust to be dated as of the date of issuance of the Bonds (the “Indenture”) between the District and UMB Bank, n.a., Denver, Colorado, as trustee (the “Trustee”).

At an election held on November 6, 2018 (the “2018 Election”), the District’s eligible electors voting at such election approved indebtedness in the amount of \$870,000,000, in the aggregate, to finance certain categories of Public Improvements. The District’s eligible electors also approved, among other things, an additional \$870,000,000 of indebtedness to refund certain existing debt of the District. The Service Plan limits the total issuance of general obligation debt for District Nos. 1-3 to an aggregate amount of \$87,000,000. See “THE DISTRICT—Service Plan Authorizations and Limitations.” See also “DEBT STRUCTURE—General Obligation Debt—Voter Authorized but Unissued Debt and Outstanding General Obligation Debt” and “—Service Plan Debt Limits.”

[The issuance of the certain of the Bonds constitutes a refinancing of District indebtedness at a lower interest rate and therefore, under Article X, Section 20 of the Colorado Constitution, no allocation of voted debt authorization from the elections is required with respect to the Bonds. For more information about the District’s ability to incur indebtedness, see “DEBT STRUCTURE—Debt Restrictions” and “—General Obligation Debt.”]

**Security and Sources of
Payment for the Bonds**

The Bonds are limited tax general obligations of the District secured by and payable solely from and to the extent of the following sources of revenue (collectively, the “Pledged Revenue”): (a) all Property Tax Revenues (generally defined as ad valorem property taxes derived from the District’s imposition of the Required Mill Levy); (b) all Specific Ownership Tax Revenues; and (c) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Bond Fund.

Pursuant to the Indenture, the District has covenanted to levy on all of the taxable property of the District the “Required Mill Levy,” generally meaning, (a) subject to paragraph (b) below, 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 in an amount necessary to generate Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the Bonds as the same become due and payable (less any amount thereof for which amounts are then on deposit in the Bond Fund), and replenishing the Reserve Fund to the Reserve Requirement or repaying the Bond Insurer for draws on the Reserve Policy, as applicable, but not in excess of 63.6 mills; provided, however, 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, the maximum mill levy of 63.6 mills provided in the Indenture will 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 mill levy, as adjusted, 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; (b) notwithstanding anything in the Indenture to the contrary, in no event may the Required Mill Levy be established at a mill levy which would 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 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, the Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

See “THE BONDS—Security for the Bonds—*Specific Ownership Tax*” for a description of the Specific Ownership Tax.

The Bonds will also be secured by the Reserve Fund in the amount of the Reserve Requirement (\$ _____*), which will be satisfied by the provision of the Reserve Policy in the amount of the Reserve Requirement to be issued concurrently with the delivery of the Bonds. See “BOND INSURANCE.”

THE BONDS ARE SOLELY THE OBLIGATIONS OF THE DISTRICT. UNDER NO CIRCUMSTANCES SHALL ANY OF THE BONDS BE CONSIDERED OR HELD TO BE AN INDEBTEDNESS, OBLIGATION OR LIABILITY OF THE TOWN, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE DISTRICT. IN ADDITION, UNDER NO CIRCUMSTANCES ARE THE BONDS TO BE CONSIDERED OR HELD TO BE AN INDEBTEDNESS, OBLIGATION OR LIABILITY OF ANY PROPERTY OWNERS.

**Additional Obligations;
Refunded Bonds**

The Indenture imposes limitations on the issuance of Additional Obligations, as such term is defined in the Indenture. See “THE BONDS—Certain Indenture Provisions—*Additional Obligations*” and APPENDIX B.

Refunded Bonds. For the purpose of, among other things, funding and reimbursing a portion of the costs of constructing and installing certain Public Improvements and refunding a portion of the District’s outstanding limited tax general obligation debt, the District previously issued its: (i) Limited Tax General Obligation Bonds, Series 2019A, in the aggregate principal amount of \$18,740,000 (the “2019A Senior Bonds”), presently outstanding (prior to application of proceeds of the Bonds) in the aggregate principal amount of \$[18,740,000][95,000 PAYMENT DUE 12/1/24]; (ii) Subordinate Limited Tax General Obligation Bonds, Series 2019B, in the total aggregate principal amount of \$2,051,000 (the “2019B Subordinate Bonds, presently outstanding (prior to application of proceeds of the Bonds) in the aggregate principal amount of \$2,051,000; and (iii) Junior Lien Limited Tax General Obligation Bonds, Series 2019C, issued to an affiliate of the Developer in the aggregate principal amount of \$1,329,000 (the “2019C Junior Lien Bonds”), presently outstanding (prior to application of proceeds of the Bonds) in the aggregate principal amount of \$1,329,000 (the “Series 2019C Bonds” and together with the Series 2019A Bonds and the Series 2019B Bonds, the “Refunded Bonds”). Bond proceeds will be applied to refund all of the Refunded Bonds, as more particularly described herein. See “USE OF PROCEEDS AND DEBT SERVICE REQUIREMENTS.”

**Interest Rates; Payment
Provisions.....**

The Bonds will bear interest at the rates 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 Bonds is payable semiannually to the extent of

* Preliminary; subject to change.

Pledged Revenue available therefor on June 1 and December 1 each year, commencing [June 1, 2025.]

Payments for the principal of and interest on the Bonds will be made as described in “APPENDIX F—BOOK-ENTRY-ONLY SYSTEM.”

Bond Insurance _____ (“___” or the “Bond Insurer”) has committed to issue, effective as of the date of issuance of the Bonds, a policy of insurance (the “Insurance Policy” or “Policy”) guaranteeing the payment, when due, of the principal of and interest on the Bonds. The insurance extends over the life of the issue and cannot be canceled by the Bond Insurer as further provided in the Policy. Payment under the Policy is subject to the conditions described in “BOND INSURANCE.” A specimen of the Insurance Policy is attached as APPENDIX G to this Official Statement. See “BOND INSURANCE.”

[The Bond Insurer is also expected to issue the Reserve Policy with respect to the Bond Reserve Fund.]

Prior Redemption..... The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described in “THE BONDS—Redemption.”

**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 through brokers and dealers who are, or who act through, participants in the DTC System (the “Participants”) in principal denominations of \$5,000 or any integral multiple of \$5,000 in excess thereof. Persons for whom 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 Indenture, 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, including the depository for the Bonds, if any, or its nominee. 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 so designated in writing by a Participant, the Beneficial Owner of such Bond. Except during a Bond Insurer Default, the Bond Insurer is to be deemed to be a Consent Party to the extent its consent is otherwise required for any matter or amendment in accordance with the terms of the Indenture.

Exchange and Transfer While the Bonds remain in book-entry-only form, transfer of ownership by Beneficial Owners may be made as described under the caption “APPENDIX F—BOOK-ENTRY-ONLY SYSTEM.”

Tax Status..... [BALLARD TO CONFIRM] In the opinion of Ballard Spahr LLP, Denver, Colorado, Bond Counsel, interest on the Bonds is excludable from gross income for purposes of federal income tax, under existing laws as of the date of delivery of the Bonds and 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 imposed on individuals; however, such interest is taken into account in determining the adjusted financial statement income of applicable corporations for purposes of computing the alternative minimum tax imposed on such corporations. 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, 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. See “TAX MATTERS.”

Professionals Involved in the Offering Ballard Spahr LLP, Denver, Colorado, Bond Counsel, has acted as Bond Counsel. Kutak Rock LLP serving as Disclosure Counsel to the District and, in such capacity, has assisted in the preparation of this Official Statement. Kline Alvarado Veio, P.C., Denver, Colorado, has acted as Counsel to the Underwriter. White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado, represents the District as its General Counsel. CliftonLarsonAllen, Greenwood Village, Colorado, serves as the District’s [manager and accountant]. [_____], has acted as the District’s Municipal Advisor. UMB Bank, n.a., Denver, Colorado, will act as the trustee, paying agent, and registrar for the Bonds. The District’s auditor is Haynie & Company, PC, Littleton, Colorado. Piper Sandler & Co., Denver, Colorado, will act as the underwriter for the Bonds (the “Underwriter”). See “MISCELLANEOUS—Underwriting.”

Continuing Disclosure Undertaking..... Pursuant to the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (“Rule 15c2-12”), the District has covenanted, for the benefit of the holders of the Bonds, to provide certain financial information and other operating data and notices of material events after the Bonds are issued. The form of the District’s Continuing Disclosure Agreement is attached as APPENDIX D to this Official Statement (the “Undertaking”).

Financial Statements..... 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. Appended hereto as APPENDIX A are the audited basic financial statements of the District as of and for the fiscal year ended December 31, 2023, being the most recent audited financial statements available for the District.

Pursuant to the Indenture, the District has covenanted to cause an annual audit to be performed each year notwithstanding any State law audit exemptions that may exist.

Offering and Delivery Information.....

The Bonds are offered when, as, and if issued by the District and accepted by Underwriter, subject to prior sale and the approving legal opinion of Bond Counsel, the form of which is set forth in APPENDIX E. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about [____], 2024*, against payment therefor.

Debt Ratios

The following are selected debt ratios of the District upon issuance and delivery of the Bonds.

2024 Preliminary Assessed Valuation ^{1, 2, *}	\$24,676,910
2024 Preliminary Statutory “Actual” Valuation ^{1, 2, *}	\$324,338,202
General Obligation Debt Outstanding Upon Issuance of the Bonds ^{1, *}	\$[27,735,000]
Estimated Population ³	[1,074]
District Debt as a Ratio of:	
2024 Preliminary Assessed Valuation ^{2, *}	112.39%
2024 Preliminary Statutory “Actual” Valuation ^{2, *}	8.55%
Debt Per Capita *	[\$25,824]
Estimated Overlapping General Obligation Debt ¹	721,769
Sum of District and Overlapping Debt ^{1, *}	\$[28,456,769]
District and Overlapping Debt as a Ratio of:	
2024 Preliminary Assessed Valuation ^{2, *}	115.32%
2024 Preliminary Statutory “Actual” Valuation ^{2, *}	8.77%
Debt Per Capita *	[\$26,496]

¹ For definitions of and descriptions of the methodology used in computing assessed valuation, statutory “actual” value, general obligation debt outstanding, and estimated overlapping general obligation debt, see “DISTRICT FINANCIAL INFORMATION” and “DEBT STRUCTURE.”

² Preliminary assessed and “actual” valuations are as of August 20, 2024, which are subject to change prior to the December 10, 2024 final certification date.

³ Based on publicly available information, the District has an estimated population of [1,074], which is based on 358 certificates of participation reported as of June 30, 2024 and an assumed three residents per home (based on household estimates for the Town prepared by the State Demography Office).

Sources: County Assessor’s Office, the District and individual overlapping entities

* Preliminary; subject to change.

Additional Information ALL OF THE SUMMARIES OF THE STATUTES, INDENTURE, RESOLUTIONS, OPINIONS, CONTRACTS, AND OTHER AGREEMENTS DESCRIBED IN THIS OFFICIAL STATEMENT ARE SUBJECT TO THE ACTUAL PROVISIONS OF SUCH DOCUMENTS. The summaries of any such documents contained herein do not purport to be complete statements thereof, 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: Lanterns Metropolitan District No. 1, c/o White Bear Ankele Tanaka & Waldron Professional Corporation, 2154 East Commons Avenue, Suite 2000, Centennial, Colorado 80122, Telephone: (303) 858-1800; or Piper Sandler & Co., 1144 15th Street, Suite 2050, Denver, Colorado 80202, Telephone: (303) 908-1208.

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INVESTMENT CONSIDERATIONS

PROSPECTIVE INVESTORS IN THE BONDS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT AND SHOULD GIVE PARTICULAR CONSIDERATION TO THE FOLLOWING INVESTMENT CONSIDERATIONS IN CONNECTION WITH THE PURCHASE OF THE BONDS.

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.

[KUTAK TO REVIEW IN NEXT DRAFT]

General

The purchase of the Bonds involves certain investment considerations, which are discussed throughout this Official Statement, and each prospective investor should make an independent evaluation of all information presented in this Official Statement in order to make an informed investment decision. The Bonds should only be purchased by investors who can bear the continuing risk of an investment in the Bonds. Particular attention should be given to the investment considerations described below, which, among others, could affect the payment of debt service on the Bonds when due. Without taking into consideration information set forth in the section entitled “BOND INSURANCE,” which provides additional security in connection with the timely payment of the principal of and interest on the Bonds, particular attention should be given to the factors described below which, among others, could affect the payment of debt service on the Bonds.

Limited Pledged Revenue Sources; No Mortgage or Guaranty Securing Any Bonds

The Bonds are secured solely from and to the extent of the Pledged Revenue, 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 District’s ability to retire the indebtedness created by the issuance of the Bonds is dependent, in part, upon the maintenance of an adequate tax base from which the District can collect sufficient property tax revenue from the imposition of the Required Mill Levy. See “—Risk of Reductions in Assessed Value; Assessed Valuation Procedures and Factors; Market Value of Land” below.

In the event that the revenue derived from the Required Mill Levy, and the other components of the Pledged Revenue is insufficient to pay the scheduled principal of and/or interest on the Bonds when due, 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. During this period of accrual, so long as the District is enforcing collection of the Pledged Revenue, the District will not be in default on the payment of such principal and interest under the 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 Required Mill Levy and collect the revenue derived from such levy and the other components of the Pledged Revenue to the extent permitted under the Service Plan and other applicable law). In addition, 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, it is possible that all Bonds may be

deemed defeased. See “THE BONDS—Certain Indenture Provisions—*Events of Default*” and “—*Remedies on Occurrence of Event of Default*.”

The 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 real estate or other property within the District or assets of the District (other than the Pledged Revenue and the funds and accounts pledged to the Bonds in the Indenture). The Bonds are also not obligations of any property owners in the District and are not secured by any property or assets owned by any such property owners.

No Acceleration; No Payment Default

The Indenture provides that acceleration of the Bonds is not an available remedy for any Event of Default under the Indenture. In addition, prior to the Conversion Date, the District’s failure to pay principal and interest on the Bonds when due does not constitute an Event of Default under the Indenture so long as the District is otherwise in compliance with the Indenture covenants and other provisions relating to the Pledged Revenue. See “THE BONDS—Certain Indenture Provisions—*Events of Default*” and “—*Remedies on Occurrence of Event of Default*.”

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 could subject the owners of the Bonds to judicial discretion and interpretation of their rights under existing constitutional law, statutory law, and judicial decisions, including specifically the federal bankruptcy code (the “Bankruptcy Code”). Consequently, any enforcement proceedings may entail risks of delay, and/or limitation or modification of their rights as otherwise provided under the Indenture and the Bonds. However, in addition to other legal requirements in the Federal and State laws pertaining to municipal bankruptcy, under State law, the District can seek protection from its creditors under the Bankruptcy Code only if the District can demonstrate that, in order to meet their financial obligations as they come due, the District would be required to certify a property tax mill levy of 100 mills or more. 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, including, but not limited to, specific performance; 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.

Additional Obligations

The District may issue Additional Obligations (as such term is defined in the Indenture, see APPENDIX B), without the consent of the Consent Parties of the Bonds, subject to the satisfaction of certain conditions set forth in the Indenture, as described in “THE BONDS—Certain Indenture Provisions—*Additional Obligations*.” The District’s issuance of Additional Obligations is also subject to the limitations of the District’s Service Plan and electoral authorizations. The issuance of Additional Obligations would potentially dilute the security available for the Bonds and could delay or prevent the District from achieving a Debt to Assessed Ratio of 50% or less.

Risk Related to Bond Insurance for Bonds

In the event of default of the payment of the scheduled principal of or interest on the Bonds when the same become due, the Trustee, on behalf of any Owner of the Bonds, will have a claim under the Policy for such defaulted payments. The Indenture provides that, the Bond Insurer is to be deemed to be the sole Owner of Bonds for the purpose of exercising any voting right or privilege or given any consent or direction or taking any other action that the holders of the Bonds are entitled to take pursuant to the Indenture pertaining to (a) defaults and remedies, (b) the duties and obligations of the Trustee, and (c) any amendments, supplements, consents or waivers. See “THE BONDS—Certain Indenture Provisions—*Provisions Relating to the Insurance Policy and Certain Rights of the Bond Insurer.*” As a result, the Bond Insurer will control the actions of all Owners with respect to which a majority consent of the Owners is required, such as the exercise of remedies under the Indenture.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its ability to pay claims. The Bond Insurer’s financial strength and ability to pay claims is reliant upon a number of factors which could change over time, including, without limitation, underwriting standards, claims experience, and conditions affecting the economy generally. No assurance is given that the long-term ratings of the Bond Insurer or the underlying rating on the Bonds will not be subject to downgrade or CreditWatch negative designations and such events could adversely affect the market price or liquidity of the Bonds. See “MISCELLANEOUS—Ratings.”

The obligations of the Bond Insurer are unsecured contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Underwriter have made independent investigation into Bond Insurer’s financial strength or ability to pay claims and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given.

Prospective investors in the Bonds should conduct their own investigation of such matters. See “BOND INSURANCE” herein for further information regarding the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Potential Negative Consequences of Public Health Emergencies

Regional, national or global public health emergencies, such as the outbreak of COVID-19, could have materially adverse regional, national or global economic and social impacts causing, among other things, the promulgation of local or state orders limiting certain activities, extreme fluctuations in financial markets and contraction in available liquidity, prohibitions of gatherings and public meetings in such places as entertainment venues, extensive job losses and declines in business activity across important sectors of the economy, impacts on supply chain and availability of resources, declines in business and consumer confidence and/or changes in business and consumer behaviors that negatively impact economic conditions or cause an economic recession. If such an event should occur, the District cannot predict the extent to which its operations or financial condition may decline nor the amount of increased costs, if any, that may be incurred by the District associated with its administrative and operations functions. A public health emergency may impact future payment of property taxes, including the economic impacts on property owners and their willingness and ability to timely pay property taxes. The occurrence of any one or more of the foregoing events could have a materially adverse impact on the ability of the District to timely pay debt service on the Bonds.

Risk of Reductions in Assessed Value; Assessed Valuation Procedures and Factors; Market Value of Land

The owners of the Bonds are dependent upon the assessed value of property within the District providing an adequate tax base from which ad valorem tax revenues are collected for the payment of debt service on the Bonds. The assessed value of property within the District is determined by multiplying the “actual value” of the property by an assessment rate, and the “actual value” of the property is determined by the County Assessor, all as more particularly described under “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Taxes.” Assessed valuations may be affected by a number of factors beyond the control of the District. For example, property owners are allowed each year by State law to challenge the valuations of their property, and no assurance can be given that owners of property in the District will not do so. Should the actions of property owners result in lower assessed valuations of property in the District, the security for the Bonds would be diminished, increasing the risk of nonpayment. Regardless of the actions of property owners, the values of homes may be reduced if market prices decline due to economic factors. See also “—Foreclosures” below. Furthermore, property used for tax-exempt purposes, which could include multi-family projects owned by charitable or not-for-profit organizations (none are currently located within the District), is not currently subject to taxation.

No assurance is given that any particular methodology presently used by the County Assessor to determine the actual value of property will continue to be used in the future. Any change in the methodology by which 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.

Changes have occurred and may occur in the future in the method of calculating assessed valuation in the State, including changes in the residential assessment ratio and the actual valuation of property, or in the amount of property tax revenue that may be retained by local governments. For a discussion of changes to the method of calculating the assessed valuation of property in the State, the imposition of property tax limit on revenues of local governments, and potential impacts on the revenues of the District, see “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Taxes—*Assessment of Property*.” No assurance can be given that recent or future legislation and/or ballot initiatives approved by the State’s voters will not further affect the assessment ratios, calculation of assessed valuation of property in the District, or the amount of property tax revenues that can be retained by the District.

While, as described herein, the Required Mill Levy includes certain adjustment language that is intended to require the District to increase the Required Mill Levy if necessary to offset the loss of tax revenue which occur due to certain changes in law, it is possible that this language will not account for every conceivable change of law which could occur. The District has concluded that the Service Plan permits the District to adjust the Required Mill Levy for the changes to assessment rates and actual values described herein. However, the foregoing could change if recent legislative changes are subject to judicial interpretation and there is no assurance that future legislation and/or initiatives will not result in changes that cannot be offset by the District’s adjustment of the Required Mill Levy. See “THE BONDS—Security for the Bonds.”

Foreclosures

The District’s ability to collect property tax revenue for timely payment of the Bonds depends, among other things, upon the maintenance of an adequate tax base from which the District can collect sufficient property tax revenue from the imposition of the Required Mill Levy, as applicable. In the State, the foreclosure process begins when the lender informs the borrower of a default in payment. At least 30 days after the borrower is notified of such default and at least 30 days before filing a Notice of Election

and Demand (“NED”), the lender must send the borrower a notice containing, among other things, information related to the Colorado Foreclosure Hotline, which provides mortgage modification filing assistance and counseling at no charge. Following a review of the documents by the public trustee of the county, the NED must be recorded with the county clerk and recorder no later than 10 days following the receipt of such notice. Once the NED is recorded, the property is officially in foreclosure. Such filing can be “cured” or “withdrawn” before the home is sold at auction, meaning that not all foreclosure filings result in a final foreclosure sale. Currently, the period between the recording date of the NED and the foreclosure sale at auction in the State is not less than 110 days and not more than 125 days by law, but in some cases, this period may actually last much longer.

Property owned by a lending institution as a result of foreclosure is typically resold in the market at a depressed price, resulting in a decrease in assessed valuation of the foreclosed property. In addition, a home foreclosure may have an immediate and/or long-term effect of depressing home prices in the surrounding area. 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 District. 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 assessed valuation within the District. See also “APPENDIX C—ECONOMIC AND DEMOGRAPHIC INFORMATION—Foreclosure Activity.”

Enforcement of Tax Collection by County

The duty to pay property taxes does not constitute a personal obligation of the property owners within the District. 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 District. See “—Risk of Reductions in Assessed Value; Assessed Valuation Procedures and Factors; Market Value of Land” above and “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Taxes.”

Taxpayers

Property taxes on land are not personal obligations of any property owner within the District. No party has guaranteed the payment of principal of or interest on the Bonds, and no financial information

regarding any property owner is provided in this Official Statement. No representation is made with respect to the ability of any property owner to pay property taxes levied within the District's boundaries.

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 and 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.

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 and to the District's operations. 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.

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 Indenture does not provide for any adjustment to the interest rate 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, or Bond Counsel is obligated to pay or reimburse an 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 Service 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. See also "TAX MATTERS."

Changes in Federal and State Tax Law

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress or in the Colorado General Assembly that, if enacted into law, could alter or amend one or more of the federal tax matters, or state tax matters, respectively, described above including, without limitation, the excludability from gross income of interest on the Bonds, adversely affect the market price or marketability of the Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the Bonds. Purchasers of the Bonds should consult their tax advisors regarding any potential proposed or pending legislation, regulatory initiatives or litigation.

In addition, there are certain tax-related risks with respect to the Bonds. See “—Risk of Internal Revenue Service Audit” above.

Potential Environmental Matters

Wildfire; Disaster Risk. In recent years, the State has experienced numerous significant wildfires. According to the Rocky Mountain Area Coordination Center, in 2020 (latest data available), more than 625,000 acres were burned by wildfires throughout the State. According to the Colorado Department of Public Safety, the three largest fires (measured by acreage) in State history occurred in 2020. Recent destructive fires include the Black Forest Fire in El Paso County in 2013, in which approximately 14,000 acres were burned and nearly 500 homes were destroyed. On December 30, 2021, the Marshall Fire burned approximately 6,000 acres and destroyed over 1,000 homes and businesses, making it the most destructive fire in State history. The Marshall Fire was located in a suburban area centered in Superior, Colorado, between Boulder, Colorado and Denver, Colorado.

According to the Colorado State Forest Service’s Wildfire Risk Public Viewer web site accessed on [____], 2024, [the District is located in an urban area with lowest fire risk]. However, the District is also located in close proximity to Barr Lake State Park, which has a low to moderate intensity fire risk and which may increase the risk of fire danger.

No assurance can be given as to whether any future wildfire or other disaster will impact any portion of the District. The occurrence of wildfires in or adjacent to the District could have an adverse effect, among other matters, on the availability of property insurance. In the event a fire or other natural or man-made disaster destroys all or any portion of the District, the Pledged Revenue could be materially negatively impacted. There can be no assurance that a casualty loss will be covered by any insurance of property owners, that any insurance company will fulfill its obligation to provide insurance proceeds, or that any insurance proceeds will be sufficient to rebuild any damaged property. There is no assurance that property owners will rebuild damaged or destroyed properties or, if they do, the timeframe in which they will rebuild.

Climate Change. Climate change, including change caused by human activities, may have material adverse effects on the District. As greenhouse gas emissions continue to accumulate in the atmosphere, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as drought, wildfires, floods and heat waves. The future fiscal impact of climate change on the District is difficult to predict, but it could be significant, and it could have a material adverse effect on the receipt of Pledged Revenue.

Drought. From time to time, the State experiences droughts. According to the U.S. Drought Monitor, the County is currently experiencing no drought conditions, abnormally dry conditions, and moderate drought conditions. There can be no assurance that drought conditions will not persist or that

they will not reappear in the future. The persistence or reappearance of drought conditions may materially adversely the receipt of Pledged Revenue.

Cybersecurity

The District is aware of the threat of cyberattacks and maintains cyber insurance coverage. The District relies on computer systems and technologies to conduct many of its operations. Despite security measures, the District, like other public and private entities, may be vulnerable to cyber-attacks by third parties. Any such attack could compromise systems and the information therein, resulting in a disruption in the operations of the District. [The District contracts with Colorado Special District Property and Liability Pool for cybersecurity insurance.] [*District to provide proof of insurance as applicable-Cybersecurity is not specifically listed on the COI*] See also “DISTRICT FINANCIAL INFORMATION—Risk Management.”

THE BONDS

Description

The Bonds will be issued in the principal amounts, will be dated and will mature as indicated on the cover page of this Official Statement. For a complete statement of the details and conditions of the Bond issue, reference is made to the Indenture, a copy of which is available from the Underwriter prior to delivery of the Bonds. See “INTRODUCTION—Additional Information.”

Sources of Payment

The Bonds are limited tax general obligations of the District secured by and payable solely from and to the extent of the “Pledged Revenue,” consisting of the moneys derived from the following sources: (a) all Property Tax Revenues (generally defined as ad valorem property taxes derived from the District’s imposition of the Required Mill Levy); (b) all Specific Ownership Tax Revenues; and (c) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Bond Fund. See “—Security for the Bonds” below.

The Bonds will also be secured by the Reserve Fund in the amount of the Reserve Requirement (\$_____*), which will be satisfied by the provision of a Reserve Policy in the amount of the Reserve Requirement to be issued concurrently with the delivery of the Bonds. See “BOND INSURANCE—[_____].”

See “APPENDIX B—SELECTED DEFINITIONS” for definitions of the capitalized terms used above and otherwise throughout this Official Statement.

Authorized Denominations of the Bonds

The Bonds are being issued in “Authorized Denominations,” defined in the Indenture to mean the amount of \$5,000 or any integral multiple of \$5,000 in excess thereof.

* Preliminary; subject to change.

Payment of Principal and Interest

The Bonds will bear interest at the rates 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 Pledged Revenue available therefor on June 1 and December 1 each year (each an “Interest Payment Date”), commencing [June 1, 2025].

To the extent principal of any Bond is not paid when due, such principal is to remain Outstanding until paid. To the extent interest on any Bond is not paid when due, such interest is to compound semiannually on each Interest Payment Date, at the rate then borne by the Bond; provided however, that notwithstanding anything in the Indenture to the contrary, the District is not to be obligated to pay more than the amount permitted by law in repayment of the Bonds, including all payments of principal, premium if any, and interest, and all 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 Bonds are payable in lawful money of the United States of America to the Owner of each Bond upon maturity or prior redemption and presentation at the designated office of the Trustee. The interest on any Bond is payable to the person in whose name such 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 Interest Payment Date; provided that any such interest not so timely paid or duly provided for is to cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and is to 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 is to be fixed by the Trustee whenever moneys become available for payment of the unpaid interest, and notice of the Special Record Date is to be given to the Owners of the 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.

Payments for the principal of and interest on the Bonds are to be made as described in “APPENDIX F—BOOK-ENTRY-ONLY SYSTEM.”

Redemption

Optional Redemption. Optional redemption provisions will be as set forth in the final Official Statement.

Mandatory Sinking Fund Redemption. The Bonds maturing on December 1, 2039* also are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2035*, and on each December 1 thereafter prior to the maturity date of such Bonds, upon payment of par and accrued interest, without redemption premium, in the annual amounts set forth below:

Year of Redemption*	Redemption Amount*
2035	
2036	
2037	
2038	
2039 ¹	

¹ Final maturity, not a sinking fund redemption.

The Bonds maturing on December 1, 2044* also are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2040*, and on each December 1 thereafter prior to the maturity date of such Bonds, upon payment of par and accrued interest, without redemption premium, in the annual amounts set forth below:

Year of Redemption*	Redemption Amount*
2040	
2041	
2042	
2043	
2044 ¹	

¹ Final maturity, not a sinking fund redemption.

The Bonds maturing on December 1, 2049* also are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2045*, and on each December 1 thereafter prior to the maturity date of such Bonds, upon payment of par and accrued interest, without redemption premium, in the annual amounts set forth below:

Year of Redemption*	Redemption Amount*
2045	
2046	
2047	
2048	
2049 ¹	

¹ Final maturity, not a sinking fund redemption.

* Preliminary; subject to change.

The Bonds maturing on December 1, 2044* also are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2050*, and on each December 1 thereafter prior to the maturity date of such Bonds, upon payment of par and accrued interest, without redemption premium, in the annual amounts set forth below:

Year of Redemption*	Redemption Amount*
2050	
2051	
2052	
2053	
2054 ¹	

¹ Final maturity, not a sinking fund redemption.

On or before 45 days prior to each sinking fund installment date as set forth above, the Trustee is to select for redemption, by lot in such manner as the Trustee may determine, from the Outstanding Bonds, 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 is to be reduced by the principal amount of any Bonds 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 is to 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 Bond Fund to pay the full amount due in accordance with the foregoing on any sinking fund installment date, the Trustee is to redeem as many Bonds as possible on such date in integral multiples of \$1,000, and any redemption amount for which funds are not available to redeem Bonds is to be added to the redemption amount for the immediately succeeding sinking fund installment date.

Redemption Procedure and Notice. If less than all of the Bonds within a maturity are to be redeemed on any prior redemption date, the Bonds to be redeemed are to be selected by lot prior to the date fixed for redemption, in such manner as the Trustee determines. The Bonds is to be redeemed only in integral multiples of \$1,000. In the event a Bond is of a denomination larger than \$1,000, a portion of such Bond may be redeemed, but only in the principal amount of \$1,000 or any integral multiple thereof. Such Bond is to be treated for the purpose of redemption as that number of Bonds which results from dividing the principal amount of such Bond by \$1,000. In the event a portion of any Bond is redeemed, the Trustee is to, without charge to the Owner of such Bond, authenticate and deliver a replacement Bond or Bonds for the unredeemed portion thereof.

In the event any of the Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the 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 20 days prior to the redemption date to the Owner of each 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 or in the case of DTC Book-entry bonds via electronic transmission. Failure to give such notice by mailing to any Owner or by electronic means to DTC or its successors, or any defect therein, does not affect the validity of any proceeding for the redemption of other Bonds as to which no such failure or defect exists. The redemption of the 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 is specifically

* Preliminary; subject to change.

subject to the deposit of funds by the District. All 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 Bonds

Property Tax Revenues. The Indenture defines “Property Tax Revenues” to mean all moneys derived from imposition by the District of the Required Mill Levy in accordance with the provisions of the Indenture. Property Tax Revenues are net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County. (For the avoidance of doubt, Property Tax Revenues do not include specific ownership tax revenues.) The definition of Required Mill Levy is set forth below. The 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 Required Mill Levy for ad valorem property taxes to the Board of County Commissioners in an amount sufficient to pay, along with other legally available revenues, the principal of and interest on the Bonds. The Indenture provides that in the event any ad valorem taxes are not paid when due, the District is to diligently cooperate with the appropriate county treasurer to enforce the lien of such unpaid taxes against the property for which the taxes are owed. See “—Covenant to Impose the Required Mill Levy” below and “INVESTMENT CONSIDERATIONS—Enforcement of Tax Collection by County.”

Definition of Required Mill Levy. The Indenture defines “Required Mill Levy” to mean:

(a) subject to paragraph (b) below, 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 in an amount necessary to generate Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the Bonds as the same become due and payable (less any amount thereof for which amounts are then on deposit in the Bond Fund), and replenishing the Reserve Fund to the Reserve Requirement or repaying the Bond Insurer for draws on the Reserve Policy, as applicable, but not in excess of 63.6 mills; provided, however, 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, the maximum mill levy of 63.6 mills provided in the Indenture will 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 mill levy, as adjusted, 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. is deemed to be a change in the method of calculating assessed valuation;

(b) notwithstanding anything in the Indenture to the contrary, in no event may the Required Mill Levy be established at a mill levy which would 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 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, the Required Mill Levy is to be reduced to the point that such maximum tax increase is not exceeded.

Determination of Adjusted Mill Levy. Pursuant to the definition of Required Mill Levy set forth above, the maximum mill levy of 63.600 mills is required to be adjusted by the District for changes occurring in the method of calculating assessed valuation since January 1, 2018 and has adjusted to 71.236 mills. See “THE DISTRICT—Service Plan Authorizations and Limitations.”

Covenant To Impose the Required Mill Levy. For the purpose of paying the principal of, premium if any, and interest on the Bonds and, if necessary, replenishing the Reserve Fund to the Reserve Requirement (or repaying the Bond Insurer for draws on the Reserve Policy), the Board is to annually determine and certify to the Board of County Commissioners for the County, in each of the years 2024 through 2053*, inclusive (for tax collection in years 2025 through 2054*, inclusive), and in any year thereafter in which the Bonds remain Outstanding, in addition to all other taxes, the Required Mill Levy. Nothing in the Indenture is to be construed to require the District to levy an ad valorem property tax for payment of the Bonds and, if necessary, replenishing the Reserve Fund to the Reserve Requirement (or repaying the Bond Insurer for draws on the Reserve Policy), in excess of the Required Mill Levy. When collected, the taxes levied for the foregoing purposes are to be deposited with the Trustee in accordance with the provisions of the Indenture.

The Indenture further provides that it is to be 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 Indenture with reference to the levying and collection of taxes; and the Board is to levy, certify, and collect said taxes in the manner provided by law for the purposes described above.

Specific Ownership Tax Revenue. “Specific Ownership Tax Revenues” is defined in the Indenture to mean the specific ownership taxes 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 Required Mill Levy in accordance with the provisions of the 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. All motor vehicles in the State—which includes trucks, cars, trailers, and certain special mobile machinery (including self-propelled construction equipment)—are divided into classes, and specific ownership taxes are imposed based on the particular class of the motor vehicle. For example, specific ownership tax is currently imposed on passenger vehicles 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 Revenues received by the District and payable to the Trustee in accordance with the Indenture.

Only the portion of the specific ownership tax that is collected as a result of the imposition of the Required Mill Levy is pledged to the payment of the Bonds. The portion of the specific ownership tax that is collected as the result of the mill levy imposed by the District for operations and maintenance is anticipated to be applied to operational costs of the District and is not pledged to the Bonds. See “DISTRICT FINANCIAL INFORMATION—Specific Ownership Taxes.”

Certain Indenture Provisions

The following is a description of certain provisions of the Indenture and is subject in all respects to the more specific provisions of the Indenture. See “APPENDIX B—SELECTED DEFINITIONS” for definitions of certain capitalized terms used below and elsewhere in this Official Statement.

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

* Preliminary; subject to change.

- (a) the Bond Fund;
- (b) the Project Fund;
- (c) the Reserve Fund; and
- (d) the Costs of Issuance Fund.

Application of Pledged Revenue. The District is to transfer all amounts comprising Pledged Revenue to the Trustee as soon as may be practicable after the receipt thereof and in no event later than the 15th day of the calendar month immediately succeeding the calendar month in which such revenue is received by the District; provided, however, that in the event that the total amount of Pledged Revenue received by the District in a calendar month is less than \$50,000, the Pledged Revenue received in such calendar month may instead be remitted to the Trustee no later than the 15th day of the calendar month immediately succeeding the calendar quarter in which such revenue is received by the District (i.e., no later than April 15th for Pledged Revenue received in January, February or March, no later than July 15th for Pledged Revenue received in April, May or June, no later than October 15th for Pledged Revenue received in July, August or September, and no later than January 15th for Pledged Revenue received in October, November or December). IN NO EVENT IS THE DISTRICT PERMITTED TO APPLY ANY PORTION OF THE PLEDGED REVENUE TO ANY OTHER PURPOSE, OR TO WITHHOLD ANY PORTION OF THE PLEDGED REVENUE. The Trustee is to credit all Pledged Revenue as received in the following order of priority (excluding the Pledged Revenue described in clause (c) of the definition thereof, which is to be deposited directly to the Bond Fund). For purposes of the following, (a) when credits to more than one fund, account, or purpose are required at any single priority level, such credits shall rank *pari passu* with each other and, in the event that Pledged Revenue is not sufficient to fully fund all amounts required at any single priority level, credits shall be made *pro rata*, in accordance with the relative amounts required to be deposited to such funds or accounts; and (b) when credits are required to go to funds or accounts which are not held by the Trustee under the Indenture, the Trustee may rely upon the written instructions of the District with respect to the appropriate funds or accounts to which such credits are to be made.

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

SECOND, to the credit of the Bond Fund, the amounts required by the Indenture and described in “—*Bond Fund*” below, and to the credit of any other similar fund or account established for the current payment of the principal of, premium if any, and interest on any Parity Bonds, the amounts required by the resolution or other enactment authorizing issuance of the Parity Bonds for the then current Bond Year;

THIRD, to the Bond Insurer, any Policy Costs then owing to it in connection with the Reserve Policy, in accordance with the Indenture, and to the credit of any other similar fund or account established to secure payment of the principal of, premium if any, and interest on any Parity Bonds (or to the provider of any other reserve policy securing such Parity Bonds), the amounts required by the resolution or other enactment authorizing issuance of the Parity Bonds; and

FOURTH, to the District, for credit 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, any Pledged Revenue received for the remainder of the Bond Year after the payments and accumulations set forth above (which revenues, upon disbursement to or at the direction of the District in accordance with this clause FIFTH in the Indenture, are to be released from the lien of the Indenture and are to thereafter no longer constitute “Pledged Revenue” under the Indenture).

In the event that any Pledged Revenue is available to be disbursed in accordance with clause FOURTH above, the District will, in making its determination as to the application of such amounts, take into account that State law places certain restrictions upon the use of any moneys representing ad valorem property tax revenue from a debt service mill levy, and any then existing pledge or encumbrance on such revenues. For purposes of determining the nature of the Pledged Revenue available for disbursement pursuant to FOURTH above, the Pledged Revenue applied in FIRST through THIRD above shall be deemed to be funded, first, from Property Tax Revenues resulting from imposition of the Required Mill Levy, and second, from Specific Ownership Tax Revenues resulting from imposition of the Required Mill Levy.

The District covenants that all property tax revenue collected by the District from a debt service mill levy, or so much thereof as is needed, is to first, be designated as Property Tax Revenues in any Bond Year to pay annual debt service on the Bonds and any Parity Bonds and to fund such funds and accounts as are required in accordance with the terms of the Indenture and the resolution, indenture or other enactment authorizing such Parity Bonds (including to replenish the Reserve Fund to the Reserve Requirement and any similar fund or account securing Parity Bonds to the Parity Bonds Reserve Requirement, if needed), and only after the funding of such payments and accumulations required in such Bond Year can property tax revenue be applied to pay Subordinate Obligations. The debt service property tax levy imposed for the payment of Subordinate Obligations is to be deemed reduced to the number of mills (if any) available for payment of such Subordinate Obligations in any Bond Year after first providing for the full payment and accumulation of all amounts due on the Bonds and any Parity Bonds in such Bond Year.

Bond Fund. There is to be credited to the Bond Fund each Bond Year an amount of Pledged Revenue which, when combined with other legally available moneys in the Bond Fund (not including moneys deposited thereto from other funds pursuant to the terms of the Indenture), will be sufficient to pay the principal of, premium if any, and interest on the Bonds which has or will become due in the Bond Year in which the credit is made, including as a result of mandatory sinking fund redemption in accordance with the Indenture.

Moneys in the Bond Fund (including any moneys transferred thereto from other funds pursuant to the terms of the Indenture) are to be used by the Trustee solely to pay the principal of, premium if any, and interest on the Bonds, in the following order of priority.

FIRST, to the payment of interest due in connection with the Bonds (including without limitation current interest, accrued and payable but unpaid interest, and interest due as a result of compounding, if any); and

SECOND, to the extent any moneys are remaining in the Bond Fund after the payment of such interest, to the payment of the principal of and premium, if any, on the Bonds, whether due at maturity or upon prior redemption.

In the event that available moneys in the Bond Fund (including any moneys transferred thereto from other funds pursuant to the terms of the Indenture) are insufficient for the payment of the principal of, premium if any, and interest due on the Bonds on any due date, the Trustee is to apply such amounts on such due date as follows:

FIRST, the Trustee is to pay such amounts as are available, proportionally in accordance with the amount of interest due on each Bond; and

SECOND, the Trustee is to apply any remaining amounts to the payment of the principal of and premium, if any, on as many Bonds as can be paid with such remaining amounts, such payments to be in increments of \$1,000 or any integral multiple thereof, plus any premium. Bonds

or portions thereof to be redeemed pursuant to such partial payment shall be selected by lot from the Bonds the principal of which is due and owing on the due date.

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

Project Fund. The Project Fund is to be maintained by the Trustee in accordance with the terms of the Indenture. So long as no Event of Default has occurred and be continuing, amounts in the Project Fund are to be released by the Trustee to the District in accordance with requisitions submitted to the Trustee in substantially the form set forth in Exhibit B of the Indenture, signed by the District Representative and certifying that all amounts drawn will be applied to the payment of the Project Costs. The Trustee may rely conclusively on any such requisition and is not be required to make any independent investigation in connection therewith. The execution of any requisition by the District Representative constitutes, unto the Trustee, an irrevocable determination that all conditions precedent to the payments requested have been completed.

Upon the receipt by the Trustee of a resolution of the District determining that all Project Costs have been paid, any balance remaining in the Project Fund is to be credited to the Bond Fund. The Project Fund terminates at such time as no further moneys remain therein.

Reserve Fund; Reserve Policy Provisions. On the date of issuance of the Bonds, there is to be deposited into the Reserve Fund the Reserve Policy, in satisfaction of the Reserve Requirement. Moneys in the Reserve Fund (comprised of amounts drawn on the Reserve Policy) are to be used solely for the purpose of paying the principal of and interest on the Bonds to the extent the moneys in the Bond Fund are insufficient for such purpose. The Trustee is to transfer moneys from the Reserve Fund to the Bond Fund (from amounts drawn on the Reserve Policy) to pay the principal of or interest on the Bonds to the extent moneys on deposit in the Bond Fund are insufficient therefor on any Interest Payment Date. Under no circumstances is the District obligated to replace the Reserve Policy with cash to fund the Reserve Requirement.

[BELOW TO BE CONFORMED TO RESERVE POLICY COMMITMENT]

The District is to repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Bond Insurer and is to pay interest thereon from the date of payment by the Bond Insurer at the Reserve Policy Late Payment Rate. "Reserve Policy Late Payment Rate" means the lesser of (x) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 5%, and (ii) the then-applicable highest rate of interest on the Bonds and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Reserve Policy Late Payment Rate is to be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate is to be the publicly announced prime or base lending rate of such national bank as the Bond Insurer is to specify. If the interest provisions are to result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created in the Indenture, including the electoral authorization of the Election, then all sums in excess of those lawfully collectible as interest for the period in question are to, without further agreement or notice between or by any party thereto, be applied as additional interest for any later periods of time when amounts are outstanding thereunder to the extent that interest otherwise due thereunder for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess is to be applied upon principal immediately upon receipt of such moneys by the Bond Insurer, with the same force and effect as if the District had specifically designated such extra sums to be so applied and the Bond Insurer had agreed to accept such extra payment(s)

as additional interest for such later periods. In no event is any agreed-to or actual exaction as consideration for the indebtedness created in the Indenture to exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

Repayment of Policy Costs at the Reserve Policy Late Payment Rate is to commence in the first month following each draw, and each such monthly payment is to be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

The District is to repay any draws under the Reserve Policy and pay all other Policy Costs required as set forth above solely from the Pledged Revenue as Pledged Revenue is available therefor in accordance with the Indenture.

Amounts in respect of Policy Costs paid to the Bond Insurer are to be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Bond Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy. The obligation to pay Policy Costs is to be secured by a valid lien on the Trust Estate (subject only to the priority of payment provisions set forth under the Indenture).

All cash and investments in the Reserve Fund is to be transferred to the Bond Fund for payment of debt service on Bonds before any drawing may be made on the Reserve Policy or any other credit instrument credited to the Reserve Fund in lieu of cash (herein, a "Credit Facility"). Payment of any Policy Costs are to be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage are to be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities are to be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. Repayment of all Policy Costs and the replenishment of the Reserve Fund are to be made on a *pari passu* basis with payments and replenishments required to be made under the Indenture with respect to reserve funds, if any, securing any outstanding parity obligations. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

If the District fails to pay any Policy Costs in accordance with the requirements of the Indenture, the Bond Insurer is to be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the Bonds or (ii) remedies which would adversely affect owners of the Bonds.

The Indenture is not to be discharged until all Policy Costs owing to the Bond Insurer are to have been paid in full. The District's obligation to pay such amounts is to expressly survive payment in full of the Bonds.

The District is to include any Policy Costs then due and owing the Bond Insurer in the calculation of the Additional Obligations and the Required Mill Levy under the Indenture.

The Trustee is to ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of the Indenture and provide notice to the Bond Insurer in accordance with the terms of the Reserve Policy at least five Business Days prior to each date upon which interest or principal is due on the Bonds. Where deposits are required to be made by the District with the Trustee to the Bond Fund for the

Bonds more often than semi-annually, the Trustee is to give notice to the Bond Insurer of any failure of the District to make timely payment in full of such deposits within two Business Days of the date due.

Costs of Issuance Fund. The Costs of Issuance Fund is to be maintained by the Trustee. All moneys on deposit in the Costs of Issuance Fund are to be applied by the Trustee at the direction of the District in accordance with the closing memorandum prepared by the Underwriter, which summarizes the approved costs of issuance, to the payment of costs in connection with the issuance of the Bonds including, without limitation, printing costs, CUSIP fees, regulatory fees, the fees and expenses of bond counsel, general counsel, underwriter's counsel and other counsel, the fees and expenses of the District's accountant, manager, special consultants, and other professionals, and the costs of the Trustee, and other costs and expenses of the District relating to the issuance of the Bonds. The Trustee may rely conclusively on any such direction and is not to be required to make any independent investigation in connection therewith. Any amounts remaining in the Costs of Issuance Fund on the date that is 90 days after the date of issuance of the Bonds are to be transferred by the Trustee into the Bond Fund.

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

- (a) The District will maintain its existence and shall not merge or otherwise alter its corporate structure in any manner or to any extent as might reduce the security provided for the payment of the 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.
 - (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 best commercially reasonable efforts to have such audit report completed no later than September 30 of each calendar year. 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 the audit will be filed and recorded in the places, time, and manner provided by law.
 - (c) The District will carry general liability, public officials liability, and such other forms of insurance coverage on insurable District property upon the terms and conditions, and in such amount, 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 is to 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 that any amount of the Pledged Revenue is released to the District as provided in FOURTH of the section of the Indenture described in "*Application of Pledged Revenue*" 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 Obligations. The District is not to incur any additional debt or other financial obligation having a lien upon the Pledged Revenue superior to the lien thereof of the Bonds.

Any Additional Obligations secured by a lien on ad valorem property taxes of the District and/or a lien on any Pledged Revenues are to be issued as either Parity Bonds or Subordinate Obligations. The District is not to issue or incur any other Additional Obligations except as provided in the Indenture with respect to Parity Bonds and with respect to Subordinate Obligations, unless such issuance is consented to by the Consent Parties with respect to a majority in aggregate principal amount of the Bonds then Outstanding.

Parity Bonds. The District may issue Additional Obligations constituting Parity Bonds without the consent of the Consent Parties and the Bond Insurer if each of the following conditions is met as of the date of issuance of such Additional Obligations:

(a) no Event of Default is to have occurred and be continuing and no amounts of principal or interest on the Bonds or any other Parity Bonds are due but unpaid, unless: (i) such Event of Default or failure to pay principal or interest on the Bonds will be cured upon issuance of the Parity Bonds, or (ii) the conditions of clause (e)(ii) below are satisfied;

(b) the amount on deposit in the Reserve Fund for the Bonds (including the amount satisfied by the Reserve Policy) is not less than the Reserve Requirement, and the amount on deposit in any similar fund established in connection with any other outstanding Parity Bonds is not less than the Parity Bonds Reserve Requirement, provided that if such deficiencies will be fully cured upon issuance of the Parity Bonds, this condition will be deemed to have been met;

(c) the Parity Bonds are to be secured by a reserve fund funded (with cash or a policy similar to the Reserve Policy, or any combination of cash and such a policy) on the date of issuance of the Parity Bonds, which thereafter is to be required to be maintained in the same manner as the Reserve Fund with respect to the Bonds, in the amount of (and not greater than) the applicable Parity Bonds Reserve Requirement;

(d) in the event that the Parity Bonds are secured by a lien on ad valorem property taxes of the District, then (i) the maximum ad valorem mill levy, if any, pledged to the payment of the Parity Bonds, together with the Required Mill Levy required to be imposed under the Indenture, is not to be higher than the maximum mill levy set forth in the definition of Required Mill Levy in the Indenture; and (ii) the resolution, indenture or other document pursuant to which the Parity Bonds are issued is to provide that any ad valorem property taxes imposed for the payment of such Parity Bonds are to be applied in the same manner and priority as provided in the Indenture, as described in “—*Application of Pledged Revenue*” above, with respect to the Pledged Revenue; and

(e) one of the following two conditions is to be satisfied: [BALLARD TO CONFIRM]

(i) upon issuance of the Parity Bonds, the Senior Debt to Assessed Ratio will be 50% or less; or

(ii) the proposed Parity Bonds will constitute Refunding Parity Bonds and, upon issuance of such Refunding Parity Bonds, the total of the District’s scheduled debt service on such Refunding Parity Bonds, the Bonds and any other Parity Bonds (to the extent to remain outstanding upon the issuance of such Refunding Parity Bonds) will not exceed in any year the total scheduled debt service on the Bonds and Parity Bonds outstanding immediately prior to the issuance of such Refunding Parity Bonds (excluding from such calculation of debt service any amount on deposit in a reserve fund anticipated to be available for payment of debt service at final maturity, as reasonably determined by the Board in good faith, such determination to be binding and final). For purposes of the

foregoing, the issuance of Refunding Parity Bonds that have a scheduled payment date in any year that is after the latest maturity date of the Bonds or Parity Bonds outstanding immediately prior to the issuance of the Refunding Parity Bonds are to be deemed to increase the District's Parity Bonds debt service and are not to be permitted by the Indenture.

Subordinate Obligations. The District may issue Additional Obligations constituting Subordinate Obligations without the consent of the Consent Parties and the terms of such Subordinate Obligations are to be as provided in the documents pursuant to which they are issued, provided that each of the following conditions is met as of the date of issuance of the Subordinate Obligations:

- (a) the aggregate number of mills which the District promises to impose for payment of all Subordinate Obligations (including the Subordinate Obligations proposed to be issued) does not exceed 63.6 mills (subject to adjustment as described in the definition of Required Mill Levy), less the Required Mill Levy required to be imposed hereunder and the mill levy required to be imposed for the payment of any Parity Bonds;
- (b) the failure to make a payment when due on the Subordinate Obligations is not to constitute an event of default thereunder; and
- (c) the Subordinate Obligations are to be payable as to both principal and interest only on an annual basis, on or after December 15 of each calendar year.

A written certificate by the President or Treasurer of the District that the conditions set forth in the Indenture are met is to conclusively determine the right of the District to authorize, issue, sell, and deliver Additional Obligations in accordance with the Indenture.

Except as described in the first paragraph above, nothing in the Indenture is to affect or restrict the right of the District to issue or incur additional debt or other financial obligations that are not Additional Obligations thereunder.

Notwithstanding any other provision contained in the Indenture, under no circumstances is the District to issue Additional Obligations in excess of that authorized by eligible electors of the District, if applicable, and the Service Plan, as the same may be amended from time to time. In addition, the District is not to issue any Additional Obligations requiring any electoral authorization for indebtedness approved at the 2018 Election until such time as the full amount of indebtedness represented by the Bonds has been allocated to such electoral authorization for indebtedness approved at the 2018 Election.

Events of Default. The occurrence of any one or more of the following events or the existence of any one or more of the following conditions is to constitute an Event of Default under the Indenture (whatever the reason for such event or condition and whether it is to 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 is to be no default or Event of Default under the Indenture except as provided in this section of the Indenture:

- (a) the District fails or refuses to impose the Required Mill Levy or apply the Pledged Revenue as required by the Indenture;
- (b) the District defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the District in the Indenture or the Bond Resolution, and fails to remedy the same after notice thereof pursuant to the 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 Bonds.

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

It is acknowledged that due to the limited nature of the Pledged Revenue, the failure to pay the principal of or interest on the Bonds when due does not, of itself, constitute an Event of Default under the Indenture.

The Trustee is to give to the Owners of all 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 Indenture required to take notice, or if notice of an Event of Default is given as provided in the 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 is to have been cured before the giving of such notice; provided that, the Trustee is to 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 described under clause (b) above is to constitute an Event of Default until actual notice of such default by electronic transmission or registered or certified mail is given by the Trustee, the Bond Insurer or by the Owners of not less than 25% in aggregate principal amount of all Bonds Outstanding to the District, and the District has had 30 days after receipt of such notice to correct said default or cause said default to be corrected, and has not 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 does 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 Trustee is to have the following rights and remedies which may be pursued:

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 is 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 is 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 Indenture to, the Trustee.

Suit for Judgment. The Trustee may proceed to protect and enforce its rights and the rights of the Owners under the Special District Act, the Bonds, the Bond Resolution, the Indenture, and any provision of law by such suit, action, or special proceedings as the Trustee, being advised by Counsel, is to deem appropriate.

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 is to in any manner or to any extent affect the lien of the Indenture or any rights, powers, or remedies of the Trustee under the Indenture, or any lien, rights, powers, and remedies of the Owners of the Bonds, but such lien, rights, powers, and remedies of the Trustee and of the Owners are to continue unimpaired as before.

If any Event of Default under clause (a) or (b) as described in “—*Events of Default*” above is to have occurred and if requested by the Owners of 25% in aggregate principal amount of the Bonds then Outstanding, the Trustee is obligated to exercise such one or more of the rights and powers conferred by this section of the Indenture as the Trustee, being advised by Counsel, is to deem most expedient in the interests of the Owners, subject to the Indenture; provided that the Trustee at its option is to be indemnified as provided in the Indenture. For purposes of the foregoing, so long as the Bond Insurer is not in default of its payment obligations under the Bond Insurance Policy, upon the occurrence and continuation of an Event of Default, the Bond Insurer is deemed to be the Owner of the Bonds insured by the Bond Insurance Policy.

Notwithstanding anything in the Indenture to the contrary, acceleration of the Bonds is not to be an available remedy for an Event of Default.

So long as the Bond Insurer is not then in default of its payment obligations under the Bond Insurance Policy, it is to be deemed to be the sole holder of the Bonds for all purposes and has the right to control and direct the enforcement of all rights and remedies granted to the Owners of the Bonds or the Trustee for the benefit of such Owners under the Indenture upon an Event of Default. Except as provided in the preceding sentence, the Consent Parties of a majority in aggregate principal amount of the Bonds then Outstanding 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 Indenture, or for the appointment of a receiver, and any other proceedings of the Indenture; provided that such direction is in accordance with the provisions thereof; and provided further that at its option the Trustee is to be indemnified as provided in in the Indenture.

No Owner of any Bond is to have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder, unless (a) a default has occurred of which the Trustee has been notified as provided in the Indenture, or of which under that section of the Indenture it is deemed to have notice; (b) such default is to have become an Event of Default; (c) the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding, and, so long as no Bond Insurer Default exists, the Bond Insurer, are to have made written request to the Trustee and are to have offered reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit, or proceedings in their own name, and are to have also offered to the Trustee indemnity as provided in the Indenture; and (d) the Trustee is to thereafter fail or refuse to exercise the powers granted in the Indenture, or to institute such action, suit, or proceeding in its own name; 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 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 Bonds are to have any

right in any manner whatsoever to affect, disturb, or prejudice the lien of the Indenture by his, her, its, or their action, or to enforce any right thereunder except in the manner therein provided and that all proceedings at law or in equity are to be instituted, had, and maintained in the manner therein provided and for the equal benefit of the Owners of all Bonds then Outstanding.

The Trustee may in its discretion waive any Event of Default under the Indenture and its consequences, and is to do so upon the written request of the Consent Parties with respect to a majority in aggregate principal amount of all the Bonds then Outstanding; provided however, that there is not to be waived without the consent of the Consent Parties with respect to 100% of the Bonds then Outstanding as to which the Event of Default exists any Event of Default under clause (a) or (b) described in “—*Events of Default*” above; and provided further, that so long as no Bond Insurer Default exists, neither the Trustee nor any other person is to waive any Event of Default without the Bond Insurer’s prior written consent. In case of any such waiver, or in case any proceedings taken by the Trustee on account of any such default is to have been discontinued or abandoned or determined adversely to the Trustee, then in every such case the District, the Trustee, and the Owners are to be restored to their former positions and rights under the Indenture respectively, but no such waiver or rescission is to extend to any subsequent or other default, or impair any right consequent thereon.

Supplemental Indentures Not Requiring Consent. Subject to the provisions of the Indenture, the District and the Trustee may, without the consent of or notice to the Consent Parties, enter into such indentures supplemental thereto, which supplemental indentures are to 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 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 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 Bonds; (b) to subject additional revenues, properties, or collateral to the Indenture; (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 Indenture under the Trust Indenture Act of 1939.

Supplemental Indentures Requiring Consent. Except for supplemental indentures delivered pursuant to the Indenture as described above in “—*Supplemental Indentures Not Requiring Consent*,” and subject to the provisions of the Indenture, either (a) the Consent Parties with respect to not less than a majority (or for modifications of provisions of the 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 Bonds then Outstanding; or (b) the Bond Insurer, acting alone, are to 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 are to 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 Indenture; provided however, that without the consent of the Consent Parties with respect to all the Outstanding Bonds affected thereby and the Bond Insurer, nothing in the Indenture contained is to permit, or be construed as permitting: (i) a change in the terms of the maturity of any Outstanding Bond, in the principal amount of any Outstanding 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 Bonds when due; (iii) a privilege or priority of any Bond or any interest payment over any other Bond or interest payment; or (iv) a reduction in the percentage in principal amount of the Outstanding Bonds, the consent of whose Owners or Consent Parties is required for any such supplemental indenture.

Discharge of Lien.

Discharge of the Lien of the Indenture. If the District is to pay or cause to be paid to the Trustee, for the Owners of the Bonds, the principal of and interest to become due thereon at the times and in the manner stipulated in the Indenture, and if the District is to keep, perform, and observe all and singular the covenants and promises in the Bonds and in the 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 Indenture to be paid is to have been paid, then these presents and the estate and rights granted by the Indenture are to cease, terminate, and be void, and thereupon the Trustee is to cancel and discharge the lien of the Indenture, and execute and deliver to the District such instruments in writing as is to be required to satisfy the lien thereof, and assign and deliver to the District any property at the time subject to the lien of the Indenture which may then be in its possession, and deliver any amounts required to be paid to the District under the 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 Bonds.

Any Bond is to, prior to the maturity or prior redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the Indenture if, for the purpose of paying such Bond (i) there is to have been deposited with the Trustee an amount sufficient, without investment, to pay the principal of, premium if any, and interest on such Bond as the same becomes due at maturity or upon one or more designated prior redemption dates, or (ii) there is to 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 Bond, as the same becomes due at maturity or upon one or more designated prior redemption dates. The Federal Securities in any such escrow is not be subject to redemption or prepayment at the option of the issuer, and is to become due at or prior to the respective times on which the proceeds thereof is to 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 is to 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 Indenture, nor principal or interest payments on any such Federal Securities are to be withdrawn or used for any purpose other than, and are to be held in trust for, the payment of the principal of and interest on the Bonds; provided however, that any cash received from such principal or interest payments on such Federal Securities, if not then needed for such purpose, is to, to the extent practicable, be reinvested subject to the provisions of the Indenture in Federal Securities maturing at the times and in amounts sufficient to pay, when due, the principal of and interest on the Bonds.

Prior to the investment or reinvestment of such moneys or such Federal Securities as provided in the Indenture, the Trustee is to receive and may rely upon: (a) an opinion of Bond Counsel experienced in matters arising under Section 103 of the Code, that such investment or reinvestment does not adversely affect the exclusion from gross income, for federal income tax purposes, of the interest on the Bonds; and (b) 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 Bonds when due.

The release of the obligations of the District under the Indenture are to 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 Indenture and all its reasonable expenses, charges, and other disbursements incurred in the administration of the trust thereby created, the exercise of its powers, and the performance of its duties under the Indenture.

Notwithstanding the foregoing, in the event that the principal of and/or interest due on the Bonds is to be paid by the Bond Insurer pursuant to the Insurance Policy, such Bonds are to remain Outstanding for all purposes, are not to be deemed to be defeased or otherwise satisfied, and are not to be considered paid by the District.

Continuing Role As Bond Registrar and Paying Agent. Notwithstanding the defeasance of the Bonds prior to maturity and the discharge of the Indenture as provided in the Indenture, the Trustee is to continue to fulfill its obligations as bond registrar and paying agent under the Indenture until the Bonds are fully paid, satisfied, and discharged.

Selected Provisions Relating to the Insurance Policy and Certain Rights of the Bond Insurer. In consideration of the Bond Insurer's issuance of the Insurance Policy, notwithstanding any other conflicting provisions of the Indenture, so long as no Bond Insurer Default exists, the following provisions are to apply.

[TO COME]

Bond Insurer Consent. [TO COME]

BOND INSURANCE

Set forth below is a brief summary of certain information concerning the Bond Insurer and the terms of the Insurance Policy. Information with respect to the Bond Insurer and the Insurance Policy has been supplied to the District by the Bond Insurer. The following discussion does not purport to be complete and is qualified in its entirety by reference to the Insurance Policy.

[INSERT INSURANCE LANGUAGE ON RECEIPT]

USE OF PROCEEDS AND DEBT SERVICE REQUIREMENTS

Application of Bond Proceeds

General. Proceeds from the sale of the Bonds will be used for the purposes of: (a) refunding the District's Refunded Bonds (described below); and (b) paying the costs of issuing the Bonds and refunding the Refunded Bonds, including the premium for the Insurance Policy and the Reserve Policy.

The Project. [TO COME]

The Refunding Project. A portion of the proceeds from the Bonds will be applied, on the date of issuance of the Bonds, to refund all of the District's previously issued: (a) Limited Tax General Obligation Bonds, Series 2019A, in the aggregate principal amount of \$18,740,000 (the "2019A Senior Bonds"), presently outstanding (prior to application of proceeds of the Bonds) in the aggregate principal amount of \$[18,740,000][95,000 PAYMENT DUE 12/1/24]; (b) Subordinate Limited Tax General Obligation Bonds, Series 2019B, in the total aggregate principal amount of \$2,051,000 (the "2019B Subordinate Bonds", presently outstanding (prior to application of proceeds of the Bonds) in the aggregate principal amount of \$2,051,000; and (c) Junior Lien Limited Tax General Obligation Bonds, Series 2019C, issued to an affiliate of the Developer in the aggregate principal amount of \$1,329,000 (the "2019C Junior Lien Bonds"), presently outstanding (prior to application of proceeds of the Bonds) in the aggregate principal amount of \$1,329,000. Collectively, the Series 2019A Bond, the Series 2019B Bond and the Series 2019C Bonds are referred to herein as the "Refunded Bonds."

The Series 2019A Bonds bear interest at the rate of 5.000% per annum and are presently subject to redemption at the option of the District for the period beginning September 1, 2024, and ending August 31, 2025, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date plus a redemption premium equal to 3.00% of the principal amount redeemed.

The Series 2019B bear interest at the rate of 7.750% per annum and are presently subject to redemption at the option of the District for the period beginning September 1, 2024, and ending August 31, 2025, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date plus a redemption premium equal to 3.00% of the principal amount redeemed.

The Series 2019C Bonds bear interest at the rate of 10.000% per annum, and are presently subject to redemption at the option of the District for the period beginning September 1, 2024, and ending August 31, 2025, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date plus a redemption premium equal to 3.00% of the principal amount redeemed.

[KUTAK TO REVIEW/REVISE ESCROW LANGUAGE] Upon issuance of the Bonds, a portion of the net proceeds of the Bonds will be deposited into an Escrow Account (the “Escrow Account”) created pursuant to an Escrow Agreement (the “Escrow Agreement”) between the District and UMB Bank, n.a., Denver, Colorado, as escrow agent (the “Escrow Agent”). The moneys in the Escrow Account will be applied by the Escrow Agent to the acquisition of direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America (“Federal Securities”). The maturing principal of and interest on the Federal Securities when due, together with any cash held in the Escrow Account, will be sufficient to redeem, on [_____] 1, 2024 the Series _____ Bonds and [_____] 2024 the Series _____ Bonds.

[A firm of certified public accountants will deliver a report verifying (a) the adequacy of the amount of the sum of the maturing principal of and interest on the Federal Securities when due and the cash on deposit in the Escrow Account to redeem on the applicable redemption date the outstanding Series _____ Bonds and Series _____ Bonds and to pay the interest on the Series _____ Bonds and Series _____ Bonds as the same become due prior to such date and (b) certain computations supporting the conclusion of Bond Counsel that the Bonds are not “arbitrage bonds” within the meaning of Section 148 of the Tax Code and the regulations promulgated thereunder.]

[The remaining portion of the net proceeds of the Bonds will be applied to redeem the Series _____ Bonds on the date of closing.]

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

Sources:

Bonds Par Amount.....
Net Original Issue Premium/Discount.....
Other Sources of Funds ¹.....
Total.....

Uses:

Deposit to Project Fund.....
Deposit to Escrow Account.....
Costs of issuance, including underwriting discount, ²
Insurance Policy premium, Reserve Policy premium,
rating fees and contingency.....
Total.....

¹ Reflects amounts held by the District in the funds and accounts for [_____].

² See "MISCELLANEOUS—Underwriting."

Source: The Underwriter

[Remainder of Page Intentionally Left Blank]

Debt Service Requirements

Set forth in the following table are the debt service requirements for the Bonds.

TABLE I
Debt Service Requirements ^{*,1}

Year	Principal	Interest	Annual Total
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
Total			

¹ Assumes no optional redemptions prior to maturity. Figures have been rounded.
Source: The Underwriter

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

* Preliminary; subject to change.

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 October 13, 2002. Such service plan was replaced in its entirety by a first amended and restated service plan which was approved by the Town on September 16, 2014, which was further 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 (the "Service Plan"). In addition to amending and restating District's prior service plans, the Service Plan amends and restates the service plan for Lanterns Metropolitan District No. 2 ("District No. 2"), the service plan for Lanterns Metropolitan District No. 3 ("District No. 3"), 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. 2, District No. 3, District No. 4 and District No. 5 are referred to in the Limited Offering Memorandum, collectively, as the "Districts." The District, District No. 2 and District No. 3 are collectively referred to herein as "District Nos. 1-3" and District No. 4 and District No. 5 are referred to herein as "District Nos. 4-5." 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, 2003 (the "2003 Election"). The order and decree creating the District was entered by the Douglas County District Court on February 3, 2004 and recorded on February 26, 2004. The District was originally named Lanterns Metropolitan District but, pursuant to an Order Granting Petition For Name Change dated September 12, 2014 and recorded at reception No. 2014052845, the Lanterns Metropolitan District changed its name to Lanterns Metropolitan District No. 1.

The Districts encompass approximately 605 acres of property (the "Service Area") generally located south of Crystal Valley Parkway and east of Interstate-25 in the Town, in Douglas County (the "County"), State of Colorado (the "State"). See "REGIONAL VICINITY MAP" at the beginning of this Official Statement. The District contains approximately 271 acres, District No. 2 contains approximately 192 acres and District 3 contains approximately 141 acres. See "DISTRICT NOS. 1-3 MAP" at the beginning of this Official Statement.

It is expected that District Nos. 1-3 financed the construction and acquisition of all or a part of the Public Improvements within their respective boundaries. The District Nos. 4-5 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 District has a current estimated population of [_____] (based upon [_____] homes constructed as of [_____] , 2024 and an assumed population of [_____] persons per household). See "—Development Within the District" below.

According to the County Assessor, as of August 20, 2024, the 2024 preliminary certified assessed valuations for the District is \$24,676,910, which is subject to change prior to the December 10, 2024 final

certification date. See “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Taxes” and “—Ad Valorem Property Tax Data.”

Only property within the District will generate ad valorem property tax revenues to repay the Bonds. The Bonds are not obligations of any other Lanterns District, other than the District. Discussion of the other Lanterns Districts is provided for informational purposes only.

District Powers

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

Generally, pursuant to the Special District Act, the District has 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 District and all construction, installation, operation, and maintenance of improvements; 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 District; to furnish services and facilities within and without the boundaries of the 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 District and to accept gifts and conveyances made to the District; to adopt, amend and enforce bylaws and rules and regulations not in conflict with the Constitution of the State for carrying on the business, objects, and affairs of the Board; to enter into contracts with public utilities, cooperative electric associations, and municipalities for the purpose of providing street lighting service; to erect and maintain, in providing safety protection services, traffic and safety controls and devices on streets and highways; and to have and exercise all rights and powers necessary in, incidental to or implied from the specific powers granted to the District. As permitted by the Service Plan, the District also has the power to provide covenant enforcement and safety services.

The District also has the power, subject to constitutional, statutory, and Service Plan limitations, to certify a levy for the collection of ad valorem taxes against all taxable property of the District. See “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Taxes.”

Inclusion and Exclusion of Property. Subject to compliance with statutory procedures and the Service Plan (with respect to inclusions), the Board may order the inclusion or exclusion of real property to or from the District, as the case may be, thereby modifying the boundaries of the District. Such included or excluded property becomes or remains obligated to the same extent as all other property within the District for the payment of then-outstanding District indebtedness and subsequent refundings thereof. Boundary changes resulting from property included into or excluded from the District prior to the first day of May of each year are reflected in the District’s assessed valuation and are subject to the ad valorem property tax levy of the District for that assessment year. With a certain statutory exception, inclusions or exclusions that occur after May 1 are considered in the following assessment year.

Since its organization, the District has undergone both inclusions and exclusions to get to its current size of approximately 271 acres. It is not expected that any additional property will be included or excluded with respect to the District.

Consolidation With Other District. Two or more special districts may consolidate into a single district upon the approval of a district court and of the electors of each of the consolidating special districts. 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. See also “—Service Plan Authorizations and Limitations.”

Dissolution of the District. The Special District Act allows a special district board of directors to file a dissolution petition with a 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 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. See also “—Service Plan Authorizations and Limitations” below.

Service Plan Authorizations and 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. District No. 1 owns and operates storm water improvements within the boundaries of District Nos. 1-3.

The Service Plan limits the total issuance of general obligation debt for District Nos. 1-3 to an aggregate amount of \$87,000,000, subject to certain conditions. District No. 1 previously issued is Limited Tax General Obligation Bonds, Series 2019A in the principal amount of \$18,740,000; Subordinate Limited Tax General Obligation Bonds, Series 2019B in the principal amount of \$2,051,000; and its Junior Lien Limited Tax General Obligation Bonds, Series 2019C in the principal amount of \$1,329,000 on July 31, 2019 (collectively, the “District No. 1 Bonds”). District No. 2 issued its Limited Tax General Obligation Bonds, Series 2021A(3) in the principal amount of \$25,482,000 on August 19, 2021 (the “District No. 2 Bonds”). District No. 3 issued its Limited Tax General Obligation Bonds, Series 2023A-1 in the principal amount of \$9,100,000; Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2023A-2 with a value at issuance of \$5,461,792.65 and value at current interest conversion date of \$8,145,000; and its Subordinate Limited Tax General Obligation Bonds, Series 2023B in the principal amount of \$2,175,000 (collectively, the “District No. 3 Bonds”). The District No. 1 Bonds, District No. 2 Bonds, and District No. 3 Bonds count against the total debt issuance limitation. The Service Plan defines “Debt” as bonds or other obligations for the payment of which the District has promised to impose an ad valorem property tax mill levy.

In addition, the Service Plan prohibits the Districts from imposing a Debt service mill levy for more than for 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: (a) a majority of the Board imposing the mill levy are residents of such District; and (b) 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 imposed its first debt service mill levy in 2019. 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 2053.

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 63.6 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 74.6 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 Service Plan does not limit the amount or the term of the ad valorem property taxes that may be imposed by the District for administrative, operation and maintenance purposes.

Pursuant to the Service Plan, the District was 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 was 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 did not construct any Public Improvements.

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 board of directors (previously defined as the “Board”) which, pursuant to State law, are to consist of a minimum of five board members and a maximum of seven members. The members must be eligible electors of the applicable district as defined by State law and are elected to alternating four-year terms of office at successive biennial elections. However, pursuant to State law, 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 are filled by appointment of the remaining directors, the 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 statute, 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 2003 Election, the eligible voters of the District voted to waive the statutory term limits, and therefore the District’s directors are not subject to such limitations.

The directors hold regular meetings and special meetings as needed. Each director is entitled to one vote on all questions before the Board when a quorum is present. Current directors may receive a maximum compensation of \$2,400 per year, not to exceed \$100 per meeting attended. With the exception of this compensation, directors may not receive compensation from the District as employees of the District. Members of the Board are not currently compensated for attending Board meetings. The present directors, their positions on the Board, principal occupations, and terms are as follows:

Board of Directors

Name	Office	Occupation ¹	Years of Service	Term Expires (May)
Ben Both	President	Real Estate Developer	[]	2025
Tim Westbrook	Treasurer	Real Estate Developer	[]	2027
Christopher Osler	Secretary	Real Estate Developer	[]	2025
Reginald Carveth	Director	Real Estate Developer	[]	2027
Eric Lehman	Director	Real Estate Developer	[]	2025

¹ According to District officials, it is anticipated that the Board will transition to property owners and residents of the District as each regular election is held in May 2025, May 2027, etc.

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 which are proposed or pending before the Board. Additionally, no contract for work or material including a contract for services, regardless of the amount, is to be entered into between the District and a Board member, 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 Board member 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, none of the Board members have disclosed any potential or existing financial, personal or private interests relating to the issuance or delivery of the Bonds or the expenditure of the proceeds thereof.

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 Board of Directors with the assistance of CliftonLarsonAllen, LLP, Greenwood Village, Colorado, which serves as the District’s [manager and] accountant, and White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado, which serves as the District’s general counsel.

Material Agreements of the District

The Special District Act authorizes the District to enter into agreements and contracts affecting their affairs. According to the District’s general counsel, the District is not a party to any agreements which materially affect the District’s financial status or operations, other than the agreements described below. Copies of these agreements are available from the District as provided in “INTRODUCTION—Additional Information.”

Infrastructure Acquisition and Reimbursement Agreement. On July 8, 2019, the District entered into an Infrastructure Acquisition and Reimbursement Agreement with the Developer, (the “Acquisition and Reimbursement Agreement”).

As set forth in the Acquisition and Reimbursement Agreement, the District and the Developer determined the terms and conditions under which the District may coordinate the: (a) the reimbursement of the Developer for the “Certified District Eligible Costs” (meaning any and all costs of any kind related to the provision of the Public Improvements that may be lawfully funded by the District under the Special District Act and the Service Plan with respect to which the District has issued an Acceptance Resolution) incurred by the Developer for Public Infrastructure that is being dedicated to other governmental entities;

and (b) acquisition of certain Public Infrastructure that is to be owned by the District, and to pay the Certified District Eligible Costs thereof.

Following receipt of a completed Application for Acceptance of District Eligible Costs and Public Infrastructure, within a reasonable period of time thereafter:

(a) The District's engineer shall review the invoices and other material presented to substantiate the District Eligible Costs and shall issue a cost certification in form and substance reasonably acceptable to the District declaring the total amount of District Eligible Costs associated with the Public Infrastructure proposed for acquisition and/or reimbursement, and that such costs are reasonable and appropriate for the type of Public Infrastructure being constructed (the "Engineer's Cost Certification").

(b) The District's accountant shall also review the Engineer's Cost Certification (if applicable) and invoices and other material presented to verify payment and substantiate the District Eligible Costs and issue a cost certification declaring the total amount of District Eligible Costs associated with the public infrastructure proposed for acquisition and/or reimbursement (the "Accountant's Cost Certification").

(c) Upon receipt of a satisfactory Accountant's Cost Certification, Engineer's Cost Certification, and Engineer's Design Certification, if applicable, and within a reasonable time thereafter, the District shall accept the District Eligible Costs, and 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 Reimbursement 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 "Acceptance Resolution").

Pursuant to the Acquisition and Reimbursement Agreement, the District is to be deemed to have incurred an obligation thereunder to reimburse the Developer for Certified District Eligible Costs upon the issuance of an Acceptance Resolution. With respect to any Certified District Eligible Costs, excluding funds advanced (as set forth in the Acquisition and Reimbursement Agreement) accepted in accordance with the Acquisition and Reimbursement Agreement, such Certified District Eligible Costs shall bear simple interest at a rate of 8.00% per annum from the effective date of the related Acceptance Resolution. With respect to any Certified District Eligible Costs for funds advanced, simple interest shall accrue at the rate of 8.00% per annum on each advance payment from the date of deposit into the District's account or from the date of the direct payment. However, acceptance by the District of Certified District Eligible Costs does not guarantee that the District does or shall in the future have the financial ability to pay the Certified District Eligible Costs in part or in full.

[The District anticipates issuing bonds, loans or other obligations in the summer or fall of 2019, and shall use the proceeds of such bonds, loans or other obligations to reimburse the Developer for the Certified District Eligible Costs concurrently with or as soon as possible following closing of the bonds, loans or other obligations. In the event that the District has not issued bonds, loans or other obligations in an amount sufficient to reimburse the Developer under the Acquisition and Reimbursement Agreement by December 31, 2019, then as soon as possible thereafter, the District, at the request of the Developer, shall exercise commercially reasonable efforts to issue a promissory note or other privately placed debt instrument to the Developer for the Certified District Eligible Costs which have not been previously reimbursed with the proceeds of the bonds, loans or other obligations (a "Reimbursement Obligation").]

[To the extent the bonds, loans or other obligations have not been issued, the District may, in its sole discretion, make payments to the Developer from available funds after the payment of the District's annual debt service, operations, maintenance and administrative expenses, subject to any Service Plan limits, electoral authorization, or debt instrument restriction or condition. The obligations of the District in

the Acquisition and Reimbursement Agreement are subject to annual appropriation and shall not be deemed to be multiple fiscal year obligations for the purposes of TABOR, and may not exceed amounts permitted by the District’s electoral authorization and Service Plan.]

The District’s obligations under the Acquisition and Reimbursement Agreement shall terminate at the earlier of the repayment in full of the Certified District Eligible Costs or 20 years from the execution date thereof.

As of October 7, 2024, pursuant to the Amended and Restated Cost Allocation Agreement a total of \$61,777,047.64 in Certified District Eligible Costs have been accepted by District Nos. 1-3 and reimbursed to the Developer.

Funding and Reimbursement Agreement (Operations and Maintenance). The District and the Developer entered into a Funding and Reimbursement Agreement on July 8, 2019 (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 8.0% 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, 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 December 31, 2020, after which point the Developer may agree to renew its obligation to provide future loans. 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. 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.

[DISTRICT TO CONFIRM BALANCE] As of October 31, 2024 there is \$382,358.52 (\$274,647.70 in principal and \$107,935.82 in interest) outstanding under the Funding and Reimbursement Agreement, including Prior Costs.

Amended and Restated Cost Allocation Agreement. [TO COME IN NEXT DRAFT]

Development Within the District

[Developer to respond] [The property within the District consists of an approximately [271]-acre residential subdivision which has been under development and construction since [2020], and is comprised of [476] single-family detached residences in two distinct communities, with [223] single-family homes in an active adult community for residents 55 years of age and older; and [253] homes in a single-family residential community. Both the active adult community and the single-family residential community 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 property also features 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. Of the anticipated [476] single-family residences, [358] have been completed as of June 30, 2024, have been sold to individual homeowners and are occupied. The remaining [118] single-family residences are expected to be completed by [_____].

[*Montaine*. The property within the District is a portion of an approximately 848-acre master planned residential community known as Montaine (“Montaine”). It is anticipated that 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. No information is available as to the status of completion of the entire Montaine development.] [CONFIRM LANTERNS 2 AND 3 ARE OTHER DISTRICTS COMPRISING MONTAINE]

Other Services Available Within the District

Residents of the District are provided a wide range of services by various entities other than the District. The District receives police protection, fire protection, and water and wastewater from the Town, natural gas services from Black Hills Energy and electrical services from Intermountain Rural Electric Association. The District is served by Douglas County School District RE-1.

DISTRICT FINANCIAL INFORMATION

The Bonds are payable from, among other sources, revenues resulting from certain ad valorem property taxes imposed by the District. Certain information pertaining to such ad valorem property taxes and other Pledged Revenue as well as other financial information of the District is set forth below. Not all ad valorem property taxes and fees that are or may be imposed by the District as described herein are pledged to the payment of the Bonds. For a complete description of revenues pledged to the payment of the Bonds, see “THE BONDS—Security for the Bonds.”

Ad Valorem Property Taxes

The District’s Board has the power, subject to constitutional and statutory guidelines, to certify a levy for collection of ad valorem taxes against all taxable property within the District. Property taxes are uniformly levied against the assessed valuation of 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. The District’s ability to impose ad valorem property taxes is subject to, among other limitations, the limitations set forth in the Service Plan. See “THE DISTRICT—Service Plan Authorizations and Limitations.”

Reimbursed Property Tax Reduction for Senior Citizens, Disabled Veterans, and Surviving Spouses. Article X, Section 3.5 of the State Constitution grants a property tax reduction to qualified senior citizens, qualified disabled veterans and qualified surviving spouses of US armed forces service members who died in the line of duty or veterans whose death resulted from a service-related injury or disease. Generally, the reduction (a) reduces property taxes for qualified senior citizens and qualified disabled veterans by exempting 50% of the first \$200,000 of actual value of residential property from property taxation; (b) requires that the State reimburse all local governments for any decrease in property tax revenue resulting from the reduction; and (c) excludes the State reimbursement to local governments from the revenue and spending limits established under Article X, Section 20 of the State Constitution In addition,

for property tax years 2025 and 2026, the assessed value of owner-occupied senior primary residences for those who have previously qualified for the existing senior homestead exemption but are currently ineligible is reduced with the State reimbursing local governments for any decrease in property tax revenue resulting from the reduction.

Property Subject to Taxation. Both real and personal property located within the boundaries of the District, unless exempt, are subject to taxation by the District. Exempt property generally includes property of the United States of America; property of the State and its political subdivisions; public libraries; public school property; charitable property; religious property; irrigation ditches, canals and flumes; household furnishings; personal effects; 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; agricultural equipment which is used on the farm or ranch in the production of agricultural products; and nonprofit cemeteries.

Assessment of Property. All taxable property is listed, appraised and valued for assessment as of January 1 of each year by the county assessor. The “actual” value, with certain exceptions, is determined by the county assessor annually based on a biennially recalculated “level of value” set on January 1 of each odd-numbered year. The “level of value” is ascertained for each two-year reassessment period from manuals and associated data prepared and published by the State property tax administrator for the eighteen-month period ending on the June 30 immediately prior to the beginning of each two-year reassessment period. For example, “actual” values for the 2023 levy/2024 collection year are based on market data obtained from the period January 1, 2021–June 30, 2022. “Level of value” calculation does not change for even-numbered years. The classes of property the “actual” value of which is not determined by a level of value include oil and gas leaseholds and lands, producing mines and other lands producing nonmetallic minerals.

The assessed value of taxable property is then determined by multiplying the “actual” value (determined as described in the immediately preceding paragraph) times an assessment ratio.

Gallagher Amendment Repeal. The assessment ratio of residential property previously changed from year to year based on a constitutionally mandated requirement to keep the ratio of the assessed value of commercial property to residential property at the same level as it was in the assessment year commencing January 1, 1985 (the “Gallagher Amendment”). The Gallagher Amendment required that statewide residential assessed values be approximately 45% of the total assessed value in the State with commercial and other assessed values making up the other 55% of the assessed values in the State. In order to maintain this 45% to 55% ratio, the commercial assessment rate was established at 29% of the actual value of commercial property (including vacant land and undeveloped lots) and the residential assessment rate fluctuated. The residential assessment ratio (which is a percentage of the “actual” value of property as determined by the county assessor) had been 7.96% since the 2003 assessment year; however, the residential rate changed to 7.20% for assessment years 2017 and 2018 (collection years 2018 and 2019) and further reduced to 7.15% for assessment years 2019 and 2020 (collection years 2020 and 2021).

In 2020, voters in Colorado approved a constitutional amendment to repeal the Gallagher Amendment (the “Gallagher Amendment Repeal”). As a result, assessment ratios are frozen at their current levels until the next assessment year for which the Colorado General Assembly adjusts one or more of the assessment ratios. The Gallagher Amendment Repeal still permits the Colorado General Assembly to adjust any assessment ratio in a downward fashion but no longer obligates a downward residential assessment ratio (an upward adjustment may require a state-wide vote under the State Constitution).

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Current Assessment Ratios. Since 2020, the General Assembly has enacted property tax legislation, among other things, creating new property classes and adjusting the assessment ratios for various property classes. The below table sets forth information regarding the current assessment ratios for residential and commercial property classes in the State.

	2022	2023		2024		2025		2026		2027 and Future Years	
Type of Property	2022 Assessment Rate	2023 Assessment Rate	2023 Actual Value Adjustment	2024 Assessment Rate	2024 Actual Value Adjustment	2025 Assessment Rate ¹	2025 Actual Value Adjustment	2026 Assessment Rate ¹	2026 Actual Value Adjustment	Assessment Rate ¹	Actual Value Adjustment
Residential											
Multi-Family	6.8%	6.7%	-\$55,000	6.7%	-\$55,000	6.15% (growth rate > 5%) ²	-- ³	6.7% (growth rate > 5%) ²	- lesser of 10% of actual value or \$70,000 ^{3,4}	6.7% (growth rate > 5%) ²	- lesser of 10% of actual value or \$70,000 ^{3,4}
						6.25% (growth rate ≤ 5%) ²		6.8% (growth rate ≤ 5%) ²		6.8% (growth rate ≤ 5%) ²	
All Other Residential	6.95%	6.7%	-\$55,000	6.7%	-\$55,000	6.15% (growth rate > 5%) ²	-- ³	6.7% (growth rate > 5%) ²	- lesser of 10% of actual value or \$70,000 ^{3,4}	6.7% (growth rate > 5%) ²	- lesser of 10% of actual value or \$70,000 ^{3,4}
						6.25% (growth rate ≤ 5%) ²		6.8% (growth rate ≤ 5%) ²		6.8% (growth rate ≤ 5%) ²	
Non-Residential											
Lodging	29%	27.9%	-\$30,000	27.9%	-\$30,000	27%	--	25%	--	25%	--
Renewable Energy	26.4%	26.4%	--	26.4%	--	27%	--	26%	--	25%	--
Agricultural	26.4%	26.4%	--	26.4%	--	27%	--	25%	--	25%	--
Vacant Land	29%	27.9%	--	27.9%	--	27%	--	26%	--	25%	--
Commercial	29%	27.9%	-\$30,000	27.9%	-\$30,000	27%	--	25%	--	25%	--
Industrial	29%	27.9%	--	27.9%	--	27%	--	26%	--	25%	--
<i>Footnotes on following page.</i>											

¹ This table reflects the residential assessment rate for purposes of a mill levy imposed by a local governmental entity only. Legislation passed in 2024 created different residential assessment rates for purposes of a mill levy imposed by a school district.

² The applicable residential ratio for 2025 and 2026 will be determined by a statewide actual growth rate.

³ For property tax years 2025-2026, if there are sufficient excess state revenues, the valuation for assessment for qualified senior primary residential real property is reduced. See “—Reimbursed Property Tax Reduction for Senior Citizens, Disabled Veterans, and Surviving Spouses.”

⁴ The amount of \$70,000 is to be increased for inflation in the first year of each subsequent reassessment cycle.

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Certain local governments are eligible for reimbursement for reductions in property tax revenue resulting from the temporary reductions in the assessment rates described above. However, because the District is required to adjust its Required Mill Levy in the event of changes in the method of calculating assessed valuation, as described herein, it is not anticipated that the District will have a reduction in property tax revenue from the above-described changes in assessment rates.

Property Tax Limit. In addition to the above-described assessment ratios, local governments are also subject to an annual limit (the “Property Tax Limit”) on property tax revenue for a given property tax year (the “Qualified Property Tax Revenue”). To prevent the Qualified Property Tax Revenue from exceeding the Property Tax Limit, the local governmental entity is required to either (a) enact a temporary property tax credit or (b) temporarily reduce the mill levy imposed by the local governmental entity. In the event the local governmental entity does not comply with either (a) or (b), then it is required to refund any Qualified Property Tax Revenue in excess of the Property Tax Limit.

The Property Tax Limit is generally calculated as the Base Amount of the Qualified Property Tax Revenue increased by the total of the Growth Rate Percentage and then increased by the Carryover Amount. The “Base Amount” means the amount of Qualified Property Tax Revenue collected and lawfully retained from whichever property tax year in a previous reassessment cycle was the property tax year for which the District collected and lawfully retained the most property tax revenue. “Carryover Amount” generally means the difference between the Base Amount that was applicable for the most recent reassessment cycle increased by the Growth Rate Percentage for that reassessment cycle, and the Qualified Property Tax Revenue from the year with the greatest Qualified Property Tax Revenue from the most recent reassessment cycle. “Growth Rate Percentage” means 5.25% multiplied by the number of property tax years in the current reassessment cycle.

Qualified Property Tax Revenue is exclusive of property tax revenue from certain sources, including, among other things, new construction, annexed property, revenue attributable to the expiration of a tax increment financing area, revenue from producing mines or lands or leaseholds producing oil or gas, revenue for the payment of bonds or other contractual obligations that have both been approved by a majority of the local governmental entity’s voters voting thereon and are outstanding as of November 5, 2024, revenue for the payment of bonds and other contractual obligations issued in accordance with existing voted authorization of a local governmental entity approved by a majority of the local governmental entity’s voters voting thereon as of November 5, 2024, revenue attributable to specific ownership taxes, and revenue attributable to new mills approved by voters in an election occurring on or after November 5, 2024.

The legislation enacting the Property Tax Limit stated that none of its provisions impair the existing voted authorization of a local governmental entity approved by a majority of its voters voting thereon in accordance with section 20 of article X of the Colorado constitution as of November 5, 2024 or impair the obligations of any bonds or other forms of indebtedness that are outstanding as of November 5, 2024 or the refunding thereof. Accordingly, the District’s prior voted authorization is not impaired nor is its ability to issue refunding bonds, including its authorization to issue general obligation debt, such as the Bonds, to impose a property tax mill levy to pay the same and to retain all revenues received by the District notwithstanding the revenue limitations imposed by Section 29-1-303 C.R.S. and TABOR. See “—Constitutional Amendment Limiting Taxes and Spending” below for a discussion of the revenue limitations of TABOR. A local governmental entity’s governing body is authorized to submit to the local governmental entity’s electors the question of whether the entity may waive the Property Tax Limit for a single property tax year, a specified number of property tax years, or all future property tax years.

The Bonds are being issued in accordance with existing voted authorization of the District and as refunding bonds, as described in “DEBT STRUCTURE—Authorized but Unissued Debt.” Accordingly, it is anticipated that repayment of the Bonds will not be subject to the Property Tax Limit and that the property

tax revenue generated from the Required Mill Levy will not be included in the calculation of the Property Tax Limit. However, property tax revenue produced by the District's operations mill levy may be included in the Property Tax Limit unless the District obtains subsequent voter approval to waive the Property Tax Limit.

Assessment Appeals. Beginning in May of each year, each county assessor hears taxpayers' objections to property valuations, and the county board of equalization hears assessment appeals. The assessor is required to complete the assessment roll of all taxable property no later than August 25 each year. The abstract of assessment prepared therefrom is reviewed by the State property tax administrator. Assessments are also subject to review at various stages by the State board of equalization, the State board of assessment appeals and the State courts. Therefore, the District's assessed valuation may be subject to modification as a result of the review of such entities. In the instance of the erroneous levy of taxes, an abatement or refund must be authorized by the board of county commissioners. 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 following the year in which the taxes were levied. Refunded or abated taxes are prorated among all taxing jurisdictions which levied a tax against the property.

Taxation Procedure. The assessed valuation and statutory "actual" valuation of taxable property within the District is required to be certified by the County Assessor to the District no later than August 25 each year. Such value is subject to recertification by the County Assessor prior to December 10. The Board then determines a rate of levy which, when levied upon such certified assessed valuation, and together with other legally available revenues, will raise the amount required annually by the District for its General Fund to defray its expenditures during the ensuing fiscal year. In determining the rate of levy, the Board must take into consideration the limitations on certain increases in property tax revenues as described in "—Constitutional Amendment Limiting Taxes and Spending" and "—Budget and Appropriation Procedure" below. The Board of the District must certify the District's levy to the County no later than December 15.

Upon receipt of the tax levy certification of the District and other taxing entities within the County, the Board of County Commissioners levies against the assessed valuation of all taxable property within the County the applicable property taxes. Such levies are certified by the Board of County Commissioners to the County Assessor, who thereupon delivers the tax list and warrant to the County Treasurer for the collection of taxes.

Property Tax Collections. Taxes levied in one year are collected in the succeeding year. Taxes certified in 2023, for example, are being collected in 2024. Taxes are due on January 1 in the year of collection; however, they may be paid in either one installment (not later than the last day of April) or two equal installments (not later than the last day of February and June 15) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of 1% per month until paid. Unpaid amounts become delinquent, and interest thereon will accrue from March 1 (with respect to the first installment) and June 16 (with respect to the second installment) until the date of payment, provided that if the full amount of taxes is to be paid in a single payment, such amount will become delinquent on May 1 and will accrue interest thereon from such date until paid. The county treasurer collects current and delinquent property taxes, as well as any interest, penalties, and other requirements and remits the amounts collected on behalf of the District to the County on a monthly basis.

All taxes levied on real and personal property, together with any interest and penalties prescribed by law, as well as other costs of collection, until paid, constitute a perpetual lien on and against the taxed property. Such lien is on parity with the liens of other general taxes. It is the county treasurer's duty to enforce the collection of delinquent real property taxes by sale of the tax lien on such realty in December of the collection year and of delinquent personal property taxes by the distraint, seizure and sale of such property at any time after October 1 of the collection year. There can be no assurance, however, that the

value of taxes, penalty interest and costs due on the property can be recovered by the county treasurer. Further, the county treasurer may set a minimum total amount below which competitive bids will not be accepted, in which event property for which acceptable bids are not received will be set off to the County. Taxes on real and personal property may be determined to be uncollectible after a period of six years from the date of becoming delinquent and canceled by the board of county commissioners.

Ad Valorem Property Tax Data

The District’s assessed valuation, mill levies and ad valorem property tax collections from levy year 2019 to date are set forth in the following tables. See “—Ad Valorem Property Taxes” above for a description of the assessment ratios for taxable property used in each of such years. See also “—Constitutional Amendment Limiting Taxes and Spending” below.

TABLE II
History of the District’s Assessed Valuation, “Actual” Valuation and Mill Levies

Levy/Collection Year	Assessed Valuation	General Fund Mill Levy	Debt Service Fund Mill Levy	Total Mill Levy
2019/2020	\$ 13,760	11.077	64.044	75.121
2020/2021	2,463,200	11.077	64.044	75.121
2021/2022	9,189,540	11.077	64.044	75.121
2022/2023	14,735,810	11.183	64.660	75.843
2023/2024	23,412,510	12.320	71.236	83.556
2024/2025 ^{1, 2}	24,676,910	n/a	n/a	n/a

¹ Preliminary assessed valuation is as of August 23, 2024, which is subject to change prior to the December 10, 2024 final certification date. See “—Ad Valorem Property Taxes.”

² Mill levies for the 2024 levy year, for the collection of ad valorem property taxes in 2025, are to be certified in December 2024.

Sources: Colorado Department of Local Affairs, Division of Property Taxation, Annual Reports, 2019-2023; and the County Assessor’s Office

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TABLE III
History of the District’s Property Tax Collections

Levy/Collection Year	Taxes Levied	Taxes Collected ¹	Tax Collections as Percent of Tax Levied
2019/2020	\$ 1,034	\$ 1,013	97.97%
2020/2021	185,038	185,039	100.00
2021/2022	690,327	667,204	96.65 ²
2022/2023	1,117,608	1,094,263	97.91
2023/2024 ³	1,956,256	1,936,706	99.00

¹ Figures include current taxes.

² Property tax collections lower due to [_____].

³ Property tax collections through July 31, 2024.

Sources: Colorado Department of Local Affairs, Division of Property Taxation, Annual Reports, 2019-2023; District December 31, 2020 through December 31, 2023 audits, and the District

The following table sets forth the preliminary 2024 assessed and statutory “actual” valuations of specific classes of property within the District, as certified by the County Assessor on August 23, 2024, which are subject to change prior to the December 10, 2024 final certification date. See “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Taxes.” As shown below, residential properties comprise the majority of property in the District.

TABLE IV
Preliminary 2024 Assessed and “Actual” Valuation of Classes of Property in the District¹

Class	Assessed Valuation	Percent of Assessed Valuation	“Actual” Valuation	Percent of “Actual” Valuation
Residential	\$20,799,440	84.29%	\$310,440,670	95.72%
Vacant Land	2,679,930	10.86	9,605,348	2.96
Commercial	1,042,740	4.23	3,737,447	1.15
State Assessed	154,500	0.62	553,669	0.17
Natural Resources	<u>300</u>	<u>0.00</u>	<u>1,068</u>	<u>0.00</u>
Total	<u>\$24,676,910</u>	<u>100.00%</u>	<u>\$324,338,202</u>	<u>100.00%</u>

¹ Preliminary assessed and “actual” valuations are as of August 20, 2024 and are subject to change prior to the December 10, 2024 final certification date. See “—Ad Valorem Property Taxes” above.

Source: County Assessor’s Office

2023 Largest Taxpayers in the District. Set forth in the following table are the taxpayers within the District for the 2023 levy year (2024 collection year), as provided by the County Assessor’s Office. Largest taxpayer information for the 2024 levy year (2025 collection year) is not available from the County Assessor until after the final certification in December 2024. No independent investigation has been made of and no representation is made herein as to the financial condition of any taxpayer listed below or that such taxpayer will continue to maintain its status as a taxpayer in the District. The total tax bill for each of the properties within the District is dependent upon the mill levies of other taxing entities which overlap such property. See “—*Overlapping Mill Levies*” below.

TABLE V
2023 Largest Taxpayers Within the District

Name	2023 Assessed Valuation	Percent of Total Assessed Valuation ¹
Toll Southwest LLC	\$2,134,160	9.11%
GH Colorado LLC	1,093,810	4.67
Regency at Montaine Community Association Inc.	949,830	4.06
Vista at Montaine Community Association Inc.	241,720	1.03
Homeowner	88,110	0.38
Homeowner	83,930	0.36
Homeowner	83,640	0.36
Homeowner	81,060	0.35
Homeowner	80,700	0.34
Homeowner	<u>79,340</u>	<u>0.34</u>
	<u>\$4,916,300</u>	<u>21.00%</u>

¹ Largest taxpayer information for the 2024 levy year (2025 collection year) is not available from the County Assessor until after the final certification in December 2024.

² Based on a District 2023 certified assessed valuation of \$23,412,510.

Source: County Assessor’s Office

Overlapping Mill Levies. Numerous entities located wholly or partially within the District are authorized to levy taxes on property located within such districts. According to the County Assessor, there are currently six entities overlapping all or a portion of the District. As a result, property owners within the District will be subject to the mill levies of such entities. The following table sets forth the total mill levy levied against taxpayers within the District in 2023 for collection in 2024. Mill levies for the 2024 levy year, for the collection of ad valorem property taxes in 2025, are to be certified in December 2024. Additional taxing entities may overlap the District in the future. See also “DEBT STRUCTURE—General Obligation Debt—*Estimated Overlapping General Obligation Debt.*”

TABLE VI
Total 2023 Mill Levies Within the District¹

Taxing Entity	Mill Levy
Castle Rock (Town)	0.920
Cedar Hill Cemetery Association	0.104
Douglas County	19.774
Douglas County School RE-1	45.934
Douglas County Soil Conservation	0.000
Douglas Public Library District	<u>3.513</u>
Total	70.245
District	<u>83.556</u>
Total Mill Levy	<u>153.801</u>

¹ One mill equals 1/10 of one cent. Mill levies certified in 2023 are for the collection of ad valorem property taxes in 2023. Mill levies for the 2024 levy year, for the collection of ad valorem property taxes in 2025, are to be certified in December 2024.
Sources: County Assessor’s office

Fees

The District does not currently impose any fees and is not currently anticipated to do so in the future.

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. The portion of the specific ownership tax that is collected as the result of the District’s operations and maintenance mill levy is anticipated to be applied to operation and maintenance costs of the District. The portion of specific ownership taxes that is collected as a result of the Required Mill Levy is pledged to the payment of the Bonds and is not available for other purposes. See “THE BONDS—Security for the Bonds—*Specific Ownership Tax Revenue.*”

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 certified a general fund mill levy of 12.320mills (for collection in 2024) for purposes of paying its administrative and operations expenses. To the extent revenues produced from such mill levies 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.

The District’s Funds, Accounting Policies and Financial Statements

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Such funds are segregated for the purpose of accounting for the operation of specific activities or attaining certain objectives. The District currently maintains two governmental funds: the General Fund to be the District’s primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund; a Debt Service Fund to provide for payments made for principal and interest on long-term general obligation debt of the District. The District also maintained a Capital Projects Fund until fiscal year end December 31, 2021, to provide for the infrastructure costs that were to be built for the benefit of the District.

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. The audited financial statements must be filed with the Board within six months after the end of the fiscal year and with the State Auditor thirty days thereafter. Failure to comply with this requirement to file an audit report may result in the withholding of property tax revenue by the County Treasurer pending compliance. [The District’s 2023 audit was performed by Haynie & Company, Littleton, Colorado and is appended hereto.] Such audited financial statements are the most current available for the District.

Historical Financial Information. Set forth hereafter is a comparative statement of revenues, expenses, and changes in fund balance for the District’s General Fund, Debt Service Fund and Capital Projects Fund. Such information should be read together with the financial statements and accompanying notes appended hereto. Preceding years’ financial statements may be obtained from the sources noted in “INTRODUCTION—Additional Information.” [*When will the 2023 audit be finalized?*]

[Please review/confirm figures in the 2023 Developer Advance line item for the General and Capital Projects Funds. The draft audit has the Capital Projects Fund going to zero, but does not total that way.]

TABLE VII
District General Fund Revenues, Expenditures and Changes in Fund Balance¹

	2019	2020	2021	2022	Unaudited 2023
Revenues:					
Property Taxes	\$ 68	\$ 149	\$27,285	\$ 98,383	\$161,349
Specific Ownership Tax	7	13	2,631	9,002	15,282
Net Investment Income	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,474</u>	<u>9,516</u>
Total Revenues	<u>75</u>	<u>162</u>	<u>29,916</u>	<u>108,859</u>	<u>186,147</u>
Expenditures:					
Accounting	25,492	36,277	27,104	23,164	26,278
Audit	--	4,800	4,900	5,400	5,900
County Treasurer's Fees	1	2	409	1,476	2,421
Election	3,658	1,790	--	4,192	4,264
Insurance and Dues	--	3,573	3,052	3,112	8,878
Legal	38,305	18,729	28,985	18,706	25,902
Management Fees	2,800	--	--	--	--
Miscellaneous	<u>--</u>	<u>92</u>	<u>1,412</u>	<u>600</u>	<u>947</u>
Total Expenditures	<u>70,256</u>	<u>65,263</u>	<u>65,862</u>	<u>56,650</u>	<u>74,590</u>
Excess of Revenues Over (Under) Expenditures	<u>(70,181)</u>	<u>(65,101)</u>	<u>(35,946)</u>	<u>52,209</u>	<u>111,557</u>
Other Financing Sources (Uses) Developer Advances	<u>84,473</u>	<u>74,452</u>	<u>50,852</u>	<u>5,030</u>	<u>(28,020)</u>
Net Change in Fund Balances	<u>14,292</u>	<u>9,351</u>	<u>14,906</u>	<u>57,239</u>	<u>83,537</u>
Fund Balances – Beginning of Year	<u>(16,395)</u>	<u>(2,103)</u>	<u>7,248</u>	<u>22,154</u>	<u>79,393</u>
Fund Balances – End of Year	<u>\$ (2,103)</u>	<u>\$ 7,248</u>	<u>\$22,154</u>	<u>\$ 79,393</u>	<u>\$162,930</u>

¹ Unaudited financial statements through December 31, 2023.

Sources: The District's audited financial statements for the years ended December 31, 2019-2022, and the District

[DISCUSS NEGATIVE AMOUNT OF DEVELOPER ADVANCE IN GF AND CAPITAL PROJECTS FUND TABLES?]

TABLE VIII
District Debt Service Fund Revenues, Expenditures and Changes in Fund Balance

	2019	2020	2021	2022	Unaudited 2023
Revenues:					
Property Taxes	\$ --	\$ 864	\$ 157,754	\$ 568,821	\$ 932,914
Specific Ownership Taxes	--	75	15,213	52,045	88,359
Net Investment Income	<u>26,041</u>	<u>17,846</u>	<u>286</u>	<u>27,574</u>	<u>113,472</u>
Total Revenues	<u>26,041</u>	<u>18,785</u>	<u>173,253</u>	<u>648,440</u>	<u>1,134,745</u>
Expenditures:					
County Treasurer's Fees	--	13	2,366	8,536	14,001
Paying Agent Fees	--	9,500	9,500	9,500	9,500
Bond Interest	<u>314,936</u>	<u>937,000</u>	<u>937,000</u>	<u>937,000</u>	<u>937,000</u>
Total Expenditures	<u>314,936</u>	<u>946,513</u>	<u>948,866</u>	<u>955,036</u>	<u>960,501</u>
Excess of Revenues Over (Under) Expenditures	(288,895)	(927,728)	(775,613)	(306,596)	174,244
Other Financing Sources (Uses)					
Transfer from Other Funds	<u>4,290,000</u>	<u>--</u>	<u>2,315</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	<u>4,001,105</u>	<u>(927,728)</u>	<u>(773,298)</u>	<u>(306,596)</u>	<u>174,244</u>
Fund Balances – Beginning of Year	<u>--</u>	<u>4,001,105</u>	<u>3,073,377</u>	<u>2,300,079</u>	<u>1,993,483</u>
Fund Balances – End of Year	<u>\$4,001,105</u>	<u>\$3,073,377</u>	<u>\$2,300,079</u>	<u>\$1,993,483</u>	<u>\$2,167,727</u>

¹ Unaudited financial statements through December 31, 2023.

Sources: The District's audited financial statements for the years ended December 31, 2019-2022, and the District

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TABLE IX
District Capital Projects Fund Revenues, Expenditures and Changes in Fund Balance

	2019	2020	2021	2022	Unaudited 2023
Revenues:					
Net Investment Income	\$ <u>68,911</u>	\$ <u>25,714</u>	\$ --	\$ --	\$ --
Total Revenues	<u>68,911</u>	<u>25,714</u>	--	--	--
Expenditures:					
General					
Accounting	5,846	5,895	--	--	--
Engineering	16,526	13,363	7,506	--	28,020
Intergovernmental - CCMD	509,234	1,762,157	--	--	--
Intergovernmental – Town of Castle Rock	1,629,858	79,603	--	--	--
Legal	900	484	--	--	--
Debt Service					
Bond Issue Costs	768,806	--	--	--	--
Capital Projects					
Capital Outlay	<u>7,618,796</u>	<u>5,948,192</u>	--	--	4,772,359
Total Expenditures	<u>10,549,966</u>	<u>7,809,694</u>	<u>7,506</u>	--	<u>4,800,379</u>
Excess of Revenues Over (Under)					
Expenditures	<u>(10,481,055)</u>	<u>(7,783,980)</u>	<u>(7,506)</u>	--	<u>(4,800,379)</u>
Other Financing Sources (Uses)					
Developer Advances	7,619,318	5,948,192	17,650	--	4,772,359
Repay Developer Advances	(7,618,796)	(5,948,192)	--	--	--
Transfers to Other Funds	(4,290,000)	--	(2,315)	--	--
Bond Proceeds	<u>22,547,207</u>	--	--	--	--
Total Other Financing Sources (Uses)	<u>18,257,729</u>	--	<u>15,335</u>	--	<u>4,772,359</u>
Net Change in Fund Balances	<u>7,776,674</u>	<u>(7,783,980)</u>	<u>7,829</u>	--	<u>(28,020)</u>
Fund Balances – Beginning of Year	<u>(523)</u>	<u>7,776,151</u>	<u>(7,829)</u>	--	--
Fund Balances – End of Year	<u>\$ 7,776,151</u>	<u>\$ (7,829)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (28,020)</u>

¹ Unaudited financial statements through December 31, 2023.

Sources: The District’s audited financial statements for the years ended December 31, 2019-2022, and the District

Budget and Appropriation Procedure

The District’s budget is prepared on a calendar year basis as required by Title 29, Article 1, Part 1, C.R.S. The budget 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 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 majority 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 adopted the District 2023 and 2024 budgets and appropriation resolutions pursuant to the procedures described above and timely filed such budgets with the State Division of Local Government. ***[Please confirm]***

Budgeted Financial Information. Set forth hereafter is a comparison of the District's 2023 and 2024 budgets, a comparison to the 2024 year-to-date actual figures for the District's General Fund and Debt Service Fund, as well as the proposed budget for 2025, which is subject to change pending Board approval. The last budget year for the Capital Projects Fund was 2023, with no budget for 2024; however there was activity in the Capital Projects Fund in 2024, so a limited presentation is presented herein. ***[Please confirm no Capital Projects Fund budget for 2025]***

[Please provide a copy of the 2025 draft budget]

TABLE X
District General Fund Budget Summary and Comparison

	2023 Budget (as adopted)	2024 Budget (as adopted)	2024 Year-to-Date (unaudited) ¹	2025 Budget (as proposed) ²
Revenues:				
Property Taxes	\$164,791	\$288,442	\$ 285,559	
Specific Ownership Tax	14,831	25,960	12,556	
Interest Income	1,800	10,000	10,305	
Other Revenue	<u> --</u>	<u> --</u>	<u> 9,396</u>	
Total Revenues	<u>181,422</u>	<u>324,402</u>	<u>317,816</u>	
Expenditures:				
Accounting	33,000	37,000	22,397	
Audit	5,800	6,500	--	
County Treasurer's Fee	2,472	4,327	4,286	
Insurance and Dues	4,000	4,000	37,972	
Legal Services	45,000	45,000	17,689	
Miscellaneous	500	500	1,549	
Election Expense	3,000	--	43	
Engineering	--	--	906	
Contingency	<u> 6,228</u>	<u> 5,173</u>	<u> --</u>	
Total Expenditures	<u>100,000</u>	<u>102,500</u>	<u> 84,842</u>	
Net Change in Fund Balance	<u> 81,422</u>	<u> 221,902</u>	<u> 232,974</u>	
Beginning Fund Balance	<u> 82,283</u>	<u> 164,565</u>	<u> 162,930</u>	
Ending Fund Balance	<u>\$163,705</u>	<u>\$386,467</u>	<u>\$395,904</u>	

¹ Unaudited year-to-date financial statements through July 31, 2024.

² The proposed budget for 2025, which is subject to change pending Board approval.

Sources: District 2023 and 2024 Budgets and the District

TABLE XI
District Debt Service Fund Budget Summary and Comparison¹

	2023 Budget (as adopted)	2024 Budget (as adopted)	2024 Year-to-Date (unaudited)²	2025 Budget (as proposed)
Revenues:				
Property Taxes	\$ 952,817	\$1,667,814	\$1,651,147	
Specific Ownership Tax	85,754	150,103	72,603	
Interest Income	<u>30,000</u>	<u>100,000</u>	<u>79,141</u>	
Total Revenues	<u>1,068,571</u>	<u>1,917,917</u>	<u>1,802,891</u>	
Expenditures:				
County Treasurer's Fee	14,292	25,017	24,782	
Paying Agent Fees	9,500	9,500	--	
Contingency	4,208	8,483	--	
Bond Interest	937,000	937,000	468,500	
Bond Principal	<u>--</u>	<u>95,000</u>	<u>--</u>	
Total Expenditures	<u>965,000</u>	<u>1,075,000</u>	<u>493,282</u>	
Net Change in Fund Balance	<u>103,571</u>	<u>1,822,917</u>	<u>1,309,609</u>	
Beginning Fund Balance	<u>1,973,909</u>	<u>2,171,262</u>	<u>2,167,726</u>	
Ending Fund Balance ³	<u>\$2,077,480</u>	<u>\$3,014,179</u>	<u>\$3,447,335</u>	

¹ Unaudited year-to-date financial statements through [____], 2024.

² The proposed budget for 2025, which is subject to change pending Board approval.

Sources: District 2023 and 2024 Budgets and the District

TABLE XII
District Capital Projects Fund Budget Summary and Comparison¹

	2023 Budget (as amended)	2024 Budget (as adopted)	2024 Year-to-Date (unaudited)²	2025 Budget (as proposed)³
Revenues:				
Developer Advance	\$5,259,488	\$ --	\$ --	
Total Revenues	<u>5,259,488</u>	<u>--</u>	<u>--</u>	
Transfers In:				
Transfers From Other Funds	<u>20,282</u>	--	--	
Developer Advance	<u>--</u>	<u>--</u>	<u>601,482</u>	
Total Funds Available	<u>5,279,770</u>		<u>601,482</u>	
Expenditures				
Capital Outlay	5,259,488	--	601,482	
Engineering	<u>20,282</u>	<u>--</u>	<u>--</u>	
Total Expenditures	<u>5,279,770</u>	<u>--</u>	<u>601,482</u>	
Beginning Fund Balance	<u>--</u>	<u>--</u>	<u>--</u>	
Ending Fund Balance ³	\$ <u>--</u>	\$ <u>--</u>	\$ <u>--</u>	

¹ The last budget year for the Capital Projects Fund was 2023, with no budget for 2024; however there was activity in the Capital Projects Fund in 2024, so a limited presentation is presented herein.

² Unaudited year-to-date financial statements through June 30, 2024.

³ The proposed budget for 2025, which is subject to change pending Board approval.

Sources: District 2023 and 2024 Budgets and the District

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 Article X, Section 20 of the State Constitution, the District is subject to tax revenue limitations as described below in “—Constitutional Amendment Limiting Taxes and Spending,” but have received voter approval to waive such limitations.

Management Discussion of Material Trends

[***Confirm on receipt of 2023 finalized audit***] [The independent auditor’s report attached hereto as APPENDIX A states that in the audited financial statements for the District for the year ended December 31, 2023, management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. According to auditor officials, the opinion on the basic financial statements is not affected by this missing information.]

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.”

Risk Management

The Board acts to protect the District against loss and liability by maintaining certain insurance coverages which the District’s Board believes to be adequate. Currently, the District maintains insurance through the Colorado Special District 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 other insurance coverages as an alternative to the traditional insurance market. Since 2001, CSDPLP has also offered workers’ compensation insurance. The District carries public entity liability coverage (which includes general liability, public officials liability, cybersecurity, and fiduciary liability, among others) through CSDPLP, and its current policy expires on December 31, 2024. There can be no assurance that the District will continue to maintain its current levels of coverage.

The Indenture requires that the District carry general liability, public officials’ liability, and such other forms of insurance on insurable District property upon the terms and conditions, and issued by recognized insurance companies, as in the judgment of the District will protect the District and its operations.

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 Article X, Section 20 of the Colorado Constitution. TABOR imposes various limits and new requirements on the State 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] will be suspended to provide for the deficiency.” The preferred interpretation of TABOR will, by its terms, be the one that reasonably restrains most the growth of government.

Revenue Retention and Spending Authorization (“De-Brucing”). At the 2003 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 Indenture, the District may issue Additional Obligations subject to certain conditions, as more particularly described in “THE BONDS—Certain Indenture Provisions—*Additional Obligations.*” In addition, the issuance of additional debt is restricted by: (a) State statutes that restrict the amount of debt issuable by special districts; (b) the availability of electoral authorization; and (c) the Service Plan, all as described below.

Statutory Debt Limit. The District is subject to a statutory general obligation debt limitation established pursuant to Section 32-1-1101(6), C.R.S. Said 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. 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. However, the Bonds are rated in one of the four highest rating categories by one or more nationally recognized organizations which regularly rate such obligations and, as a result, are permitted by Section 32-1-1101(6)(a)(I), C.R.S.

Required Elections. Various State constitutional and statutory provisions require voter approval prior to the incurrence of indebtedness by the District. Among such provisions, Article X, Section 20 of the State 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 “USE OF PROCEEDS AND DEBT SERVICE REQUIREMENTS—Application of Bond Proceeds” and “DISTRICT FINANCIAL INFORMATION—Constitutional Amendment Limiting Taxes and Spending.”

Service Plan Limitations. The District is not limited by the Service Plan as to the amount of debt they may issue. See “—General Obligation Debt—*Service Plan Debt Limits*” below.

General Obligation Debt

Elections. The District has held multiple elections since its formation to authorize the issuance of general obligation debt, the most recent of which was in 2000, and has previously issued bonds using a portion of this authorization. However, pursuant to Section 32-1-1101(2), C.R.S., all such electoral authorization for the issuance of indebtedness has expired.

Voter Authorized but Unissued Debt. As of the date of this Official Statement, the District has no remaining voter authorized but unissued debt as all authorized debt pursuant to various elections had expired. Because the issuance of the Bonds constitutes a refinancing of District indebtedness at a lower interest rate, under Article X, Section 20 of the Colorado Constitution, no electoral authorization is required with respect to the Bonds.

Service Plan Debt Limits. Regardless of the amount of voted authorization available to the District, the District is limited by its Service Plan as to the amount of debt it may issue. The Service Plan establishes an aggregate debt limit of \$87,000,000 for District Nos. 1-3 combined (exclusive of refundings). Prior to the date hereof, the District has issued debt in the aggregate principal amount of \$22,120,000 (in the form of the Refunded Bonds), District No. 2 issued debt in the aggregate principal amount \$25,482,000 and District No. 3 issued debt in the aggregate principal amount \$19,420,000, totaling \$67,022,000 combined debt for District Nos 1-3, leaving \$19,978,000 remaining general obligation debt authorization under the Service Plan.

After the issuance of the Bonds, the District Nos. 1-3 will have \$[_____] * in aggregate debt limit remaining under the Service Plan. The limitations of the Service Plan may be modified or amended only with the prior approval of the Town and as otherwise provided in the Special District Act.

Outstanding General Obligation Debt. Following the issuance of the Bonds (and the concurrent defeasance of the Refunded Bonds), the Bonds will constitute the District's only outstanding general obligation debt.

Estimated Overlapping General Obligation Debt. Certain public entities whose boundaries may be entirely within, coterminous with, or only partially within the District are also authorized to incur general obligation debt, and to the extent that properties within the District are also within such overlapping public entities, such properties will be liable for an allocable portion of such debt. For purposes of this Official Statement, the percentage of each entity's outstanding debt chargeable to District property owners 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 general obligation debt for which District property owners are responsible will also change. The District is not financially or legally obligated with regard to any of the indebtedness shown on the immediately following table. Although the District has attempted to obtain accurate information as to the outstanding debt of the entities which overlap the District, it does not warrant its completeness or accuracy as there is no central reporting entity which is responsible for compiling this information.

* Preliminary; subject to change.

TABLE XIII
Estimated Overlapping General Obligation Debt of the District

Overlapping Entity ¹	Outstanding General Obligation Debt	Net Outstanding General Obligation Debt Chargeable to Properties Within the District	
		Percent	Amount
Douglas County School District RE-1	\$310,405,000	0.23%	\$ <u>721,769</u>
Total			\$ <u>721,769</u>

¹ Other taxing entities overlap the District; however, such other entities do not currently have any outstanding general obligation debt, and therefore are not listed in this table. See “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Tax Data—Overlapping Mill Levies.”

Sources: County Assessor’s office and information obtained from individual entities

General Obligation Debt Ratios. Set forth in the following table are selected historical general obligation debt ratios for the District since the fiscal year ended December 31, 2019. See “INTRODUCTION—Debt Ratios” for general obligation debt ratios for the District upon issuance and delivery of the Bonds.

TABLE XIV
District Historical Debt Ratios

	Fiscal Years Ended December 31				
	2019	2020	2021	2022	2023
Debt Outstanding	\$22,120,000	\$22,120,000	\$22,120,000	\$22,120,000	\$22,120,000
Estimated Population within the District ¹	0	0	300	774	963
Debt Per Capita	n/a	n/a	\$73,733	\$28,579	\$22,970
Assessed Value of the District	\$13,760	\$2,463,200	\$9,189,540	\$14,735,810	\$23,412,510
Ratio of Debt to Assessed Value	106,755.81%	898.02%	240.71%	150.11%	94.48%
Personal Income Per Capita (Douglas County)	\$76,585	\$83,745	\$90,447	\$99,168	n/a
Ratio of Debt Per Capita to Personal Income Per Capita (Douglas County)	n/a	n/a	81.52%	28.82%	n/a

¹ Population estimate based on certificates of occupancy reported on required disclosure filings at each year end at three residents per home (based on household estimates for the Town prepared by the State Demography Office).

Sources: District’s Audited Financial Statements, 2019-2023; State of Colorado Division of Property Taxation, Annual Reports 2019-2023; Regional Economics Information System Bureau of Economic Analysis; and the District

Revenue and Other Financial Obligations

The District also has the authority to issue revenue obligations payable from the net revenue of District facilities, to enter into obligations which do not extend beyond the current fiscal year, and to incur certain other obligations. Other than the agreements described in “THE DISTRICT—District Material Agreements,” no such obligations are currently outstanding.

LEGAL MATTERS

Sovereign Immunity

The Colorado Governmental Immunity Act, Title 24, Article 10, C.R.S. (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 is waived by a public entity for injuries occurring as a result of certain specified actions or conditions, including the operation of a non-emergency motor vehicle owned or leased by the public entity; the operation of any public hospital, correctional facility or jail; a dangerous condition of any public building; certain dangerous conditions of a public highway, road or street; and the operation and maintenance of any public water facility, gas facility, sanitation facility, electrical facility, power facility or swimming facility by such public entity.

In such instances 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 are 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 \$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 after January 2026; and (b) for an injury to two or more persons in any single occurrence, 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 single 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 single person may recover in excess of \$424,000). These amounts increase every four years pursuant to a formula based on the Denver-Boulder-Greeley Consumer Price Index, with the first such increase occurring on January 1, 2018. The governing board of a public entity may increase any maximum amount that may be recovered from the public entity for certain types of injuries. However, a public entity may not be held liable either directly or by indemnification for punitive or exemplary damages unless the applicable entity voluntarily pays such damages in accordance with State law.

The District has not acted to increase the damages liability limitations in the Governmental Immunity Act. Suits against both the District and a public employee do not increase such maximum amounts which may be recovered. 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 10 mills per annum for all outstanding settlements or judgments.

The District may be subject to civil liability and damages including punitive or exemplary damages and it may not be able to claim sovereign immunity for actions founded upon various federal laws, or other actions filed in federal court. Examples of such civil liability include 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 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 incident to the authorization and issuance of the Bonds are subject to approval by Ballard Spahr LLP, Denver, Colorado, Bond Counsel. Kutak Rock LLP has been retained as Disclosure Counsel to the District and, in such capacity, has assisted the District in the preparation of this Official Statement. Certain legal matters will be passed upon for the District by White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado, as General Counsel to the District, and for the Underwriter by Kline Alvarado Veio, P.C., Denver, Colorado, as counsel to the Underwriter. Kutak Rock LLP represents the Underwriter from time to time on matters unrelated to the District or the Bonds. Kutak Rock LLP does not represent the Underwriter or any other party, except the District, in connection with the issuance of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction. In addition, the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

Pending and Threatened Litigation

District General Counsel Opinion. In connection with the issuance of the Bonds, General Counsel to the District is expected to render an opinion stating to the best of its 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 Bonds, the Indenture, or the transactions contemplated by the Bonds or the Bond Resolution.

District Certificate. In addition, it is anticipated that, in connection with the issuance of the Bonds, the District will execute a certificate generally stating that no litigation of any nature is now pending or, to the best of its knowledge, threatened against the District: (a) seeking to restrain or to enjoin the issuance or delivery of the Bonds or the Indenture or other financing documents or the levy or collection of any taxes to pay the principal of or interest on the Bonds; or in any manner questioning the authority or proceedings for the issuance of the Bonds or the levy or collection of said taxes, or affecting the validity of the Bonds, or the levy or collection of said taxes; and (b) 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 Indenture or other financing documents, or to consummate the transactions contemplated thereby.

Future Changes in Laws

Various State laws and constitutional provisions apply to the imposition, collection, and expenditure of ad valorem property taxes and the operation of the District. There is no assurance that there will not be any change in the interpretation of, or additions to applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the District and the imposition, collection, and expenditure of ad valorem property taxes.

Limitations on Remedies Available to Bondholders

The enforceability of the rights and remedies of the Owners, and the obligations incurred by the District in issuing the Bonds, are subject to the following: the federal bankruptcy code and applicable

bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers granted to it by the federal Constitution; and 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 a significant and legitimate public purpose. In addition to other legal requirements in the Federal and State laws pertaining to municipal bankruptcy, under State law, however, the District can seek protection from its creditors under the United States Bankruptcy Code only if the District can demonstrate that, in order to meet its financial obligations as they come due, the District would be required to certify a property tax mill levy of 100 mills or more. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Indenture To Constitute Contract

The Indenture provides that it constitutes a contract among the District, the Trustee, the Bond Insurer, and the Owners of the Bonds, and that it will remain in full force and effect until the Bonds are no longer Outstanding.

TAX MATTERS

[BALLARD TO REVIEW ENTIRE SECTION]

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 Ballard Spahr 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, and 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 imposed on individuals; however, such interest is taken into account in determining the "adjusted financial statement income" (as defined in Section 56A of the Code) of "applicable corporations" (as defined in Section 59 of the Code) for purposes of computing the alternative minimum tax imposed on such corporations.

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 Subordinate Indenture 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.

No Other Opinions. 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 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 sets forth 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 owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

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. Noncompliance with any of the federal income tax requirements set forth above

resulting in the interest on the Bonds being included in gross income for federal tax purposes would also cause such interest to be included in gross income for State of Colorado income tax purposes. 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 will not express any 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 F—FORM OF BOND COUNSEL OPINION” hereto for the proposed form of the Bond Counsel opinion.

MISCELLANEOUS

Ratings

_____ (“___”) is expected to assign an insured rating on the Bonds of “___” based upon the Policy to be issued by the Bond Insurer concurrently with the delivery of the Bonds. ___ has also assigned an underlying rating on the Bonds of “___” based upon its rating of the Bonds without regard to the delivery of the Policy. Such ratings reflect only the view of such rating agencies. Any explanation of the significance of the ratings should be obtained from _____.

Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal of the rating indicated above may have an adverse effect on the market price of the Bonds.

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 governmental 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 are

rated in one of its four highest rating categories by one or more nationally recognized organization which regularly rate obligations such as the Bonds, and accordingly, the Bonds are exempt from registration under such act.

Municipal Advisor

[_____], is acting as Municipal Advisor (the “Municipal Advisor”) to the District with respect to 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 Official Statement. The Municipal Advisor will act as an independent advisory firm and will not be engaged in underwriting or distributing the Bonds.

Continuing Disclosure Obligations

Pursuant to the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (“Rule 15c2-12”), the District has agreed for the benefit of the registered Owners and Beneficial Owners of the Bonds to provide certain financial information, other operating data and notices of material events after the issuance of the Bonds (the “Undertaking”). The form of the Continuing Disclosure Agreement is attached as APPENDIX B to this Official Statement.

A failure by the District to comply with the requirements of Rule 15c2-12 will not constitute an Event of Default under the Bond Resolution and the sole remedy in the event of any failure of the District to comply with such Undertaking is an action to compel performance. Regardless, any such failure of the District must be reported in accordance with Rule 15c2-12 and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

[Need copy of 5 year lookback report] The District entered into a Continuing Disclosure Agreement in connection with its issuance of the Refunded Bonds (the “2019 CDA”). With respect to the District’s reporting requirements under the 2019 CDA, during the previous five years, the District failed to [_____]. A notice of failure to file was filed on EMMA on [_____], 2024.

Interest of Certain Persons Named in This Official Statement

The legal fees to be paid to Bond Counsel, Disclosure Counsel and Underwriter’s Counsel are contingent upon the sale and delivery of the Bonds.

Independent Auditors

The audited financial statements of the District for the year ended December 31, 2023, which are appended hereto, have been audited by independent auditor [Hanie & Company, PC, Littleton, Colorado] and is appended hereto, Colorado, as stated in their report appearing therein. See “APPENDIX A—AUDITED BASIC FINANCIAL STATEMENTS OF THE DISTRICT FOR THE YEAR ENDED DECEMBER 31, 2023.” The audited financial statements and the opinion thereon have been included herein without the prior review or approval of the auditor.

Underwriting

The Bonds are being sold by the District to the Underwriter for a purchase price equal to \$ _____ (which is equal to the par amount of the Bonds of \$ _____, [plus/less [net] original issue premium/discount of \$ _____,] less the 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 set forth on the cover page of this Official Statement. Such prices 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.

Additional Information

Copies of statutes, resolutions, opinions, contracts, agreements, financial and statistical data, and other related reports and documents described in this Official Statement 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—Additional Information."

Official Statement Certification

The preparation of this Official Statement and its distribution have been authorized by the Board. This Official Statement is hereby duly approved by the Board as of the date on the cover page hereof. This Official Statement 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. 1**

By /s/ _____
Ben Both, President

APPENDIX A

**AUDITED BASIC FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2023**

APPENDIX B
SELECTED DEFINITIONS

[TO COME]

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information is provided to give prospective investors general information concerning selected economic and demographic conditions existing in the area within which the District are is located. The statistics presented below have been obtained from the referenced sources and represent the most current information available from such sources; however, certain of the information is released only after a significant amount of time has passed since the most recent date of the reported data and therefore, such information may not be indicative of economic and demographic conditions as they currently exist or conditions which may be experienced in the near future. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information not presented herein may be available concerning the area in which the District is located and prospective investors may want to review such information prior to making their investment decision. The following information is not to be relied upon as a representation or guarantee of the District or its officers, employees, or advisors.

Population

The following table sets forth population statistics for the Town of Castle Rock (the “Town”), Douglas County (the “County”), the Denver metropolitan statistical area (comprised of Adams, Boulder, Broomfield, Denver, Douglas and Jefferson counties) (the “DMA”) and the State of Colorado (the “State”).

Population								
Year	Town	Percent Change	County	Percent Change	DMA	Percent Change	State	Percent Change
1980	3,921	--	25,153	--	1,618,461	--	2,889,964	--
1990	8,708	122.09%	60,391	140.09%	1,848,319	14.20%	3,294,473	14.00%
2000	20,224	132.25	175,766	191.05	2,401,501	29.93	4,302,015	30.58
2010	48,231	138.48	285,465	62.41	2,784,228	15.94	5,029,196	16.90
2020	73,746	52.90	357,978	25.40	3,240,895	16.40	5,773,714	14.80
2023 ¹	81,415	10.40	383,906	7.24	3,252,355	0.35	5,877,610	1.80

¹ Estimate.

Sources: U.S. Department of Commerce, Bureau of the Census

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Housing Stock

The following table sets forth a comparison of households within the Town, County, the DMA and the State.

Housing Units			
	2010	2020	2022¹
Town	17,626	26,851	29,871
County	106,859	136,500	145,974
DMA	1,173,777	1,350,235	1,404,534
State	2,212,898	2,491,404	2,591,780

¹ Estimate.

Source: U.S. Department of Commerce, Bureau of the Census and the Colorado Department of Local Affairs

Income

The following tables set forth historical per capita personal income in the County, the State and the United States.

Per Capita Personal Income					
	2018	2019	2020	2021	2022
County	\$70,261	\$76,585	\$83,745	\$90,447	\$99,168
State	57,794	61,258	64,852	71,923	75,722
United States	53,309	55,547	59,153	64,430	65,470

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

School Enrollment

The following table presents a five-year history of school enrollment for Douglas County School District RE-1, the primary school district serving the District.

Douglas County School District RE-1		
Year	Fall Enrollment	Percent Increase
2019/2020	67,305	--
2020/2021	62,979	(6.43)%
2021/2022	63,876	1.42
2022/2023	62,872	(1.57)
2023/2024	61,964	(1.44)

Source: Colorado Department of Education

Building Activity

The following tables set forth building permit activity for unincorporated Douglas County.

History of Estimated Building Activity in Douglas County

Year	Single-family		Multi-Family		Commercial/Industrial	
	Permits	Valuation	Permits	Valuation	Permits	Valuation
2019	998	\$302,639,231	270	\$ 36,508,200	90	\$113,357,490
2020	1,023	320,153,533	97	24,931,941	79	49,923,610
2021	1,425	449,907,746	179	61,962,669	90	58,553,830
2022	1,176	370,096,530	377	117,423,065	120	51,943,195
2023	833	276,064,131	150	43,811,344	69	85,543,770
2024 ¹	613	199,978,122	31	22,024,420	82	70,982,284

¹ Permits issued through July 31, 2024.

Source: Douglas County Building Department

Foreclosure Activity

The number of foreclosures filed in the County are set forth in the following table.

Year ¹	Foreclosures Filed	Percent Change
2019	238	--
2020	102	(57.14)%
2021	46	(54.90)
2022	199	332.61
2023	211	6.03
2024 ²	158	--

¹ The decrease in the number of foreclosures filed in 2020 and 2021 and the increase in 2022 was the result of the State imposed restrictions in place regarding foreclosures.

² Foreclosures filed through September 5, 2024.
Source: Douglas County Public Trustee's Office

Retail Sales

The retail trade sector employs a large portion of the County’s work force and is important to the area’s economy. The following table sets forth information on retail sales within the County, the DMA and the State for the years indicated.

Retail Sales (in thousands)						
Year	County	Percent Change	DMA	Percent Change	State	Percent Change
2019	\$12,398,378	--	\$136,013,390	--	\$224,618,938	--
2020	13,901,851	12.13%	139,570,376	2.62%	233,586,882	3.99%
2021	17,629,399	26.81	159,902,963	14.57	268,328,759	14.87
2022	18,678,762	5.95	178,182,674	11.43	299,923,777	11.77
2023	18,926,448	1.33	177,973,601	(0.12)	302,570,432	0.88
2024 ¹	7,414,817	--	69,452,144	--	118,164,291	--

¹ Retail sales through May 31, 2024.

Source: State of Colorado, Department of Revenue, Retail Sales Reports 2019-2024

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Employment

The following tables set forth employment statistics by industry for the County and the most recent historical labor force estimates for the County, the Denver-Aurora-Lakewood MSA and the State.

Total Business Establishments and Employment—Douglas County

Industry ¹	First Quarter 2023		First Quarter 2024		Quarterly Change	
	Units	Average Employment	Units	Average Employment	Units	Average Employment
Agriculture, Forestry, Fishing and Hunting	55	253	58	244	3	(9)
Mining	55	142	64	143	9	1
Utilities	21	537	21	564	0	27
Construction	1,246	10,844	1,240	10,177	(6)	(667)
Wholesale Trade	1,411	5,614	1,417	5,995	6	381
Information	528	5,051	530	5,377	2	326
Finance and Insurance	1,226	12,352	1,243	12,430	17	78
Real Estate, Rental and Leasing	1,017	2,333	986	2,349	(31)	16
Professional and Technical Services	4,601	17,759	4,753	18,210	152	451
Management of Companies and Enterprises	478	4,206	450	4,160	(28)	(46)
Administrative and Waste Services	956	5,594	951	5,399	(5)	(195)
Educational Services	351	11,606	373	12,549	22	943
Health Care and Social Assistance	1,305	15,679	1,412	16,667	107	988
Arts, Entertainment and Recreation	265	3,100	273	3,503	8	403
Accommodation and Food Services	677	13,884	691	14,024	14	140
Other Services, Excluding Public Admin	1,251	4,605	1,277	4,884	26	279
Public Administration	48	3,737	54	4,070	6	333
Unclassified	8	39	58	8	10	(31)
Total ²						
Government ³						
Federal	29	607	31	711	2	104
Local	48	13,175	48	14,074	0	899
State	16	373	18	366	2	(7)

¹ Information provided herein reflects only those employers who are subject to State unemployment insurance law.

² Totals may not add due to rounding.

³ Government figures *are* included within the industry categories listed above.

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

Labor Force Estimates

Year	County		Denver-Aurora-Lakewood MSA		State	
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed
2019	196,248	2.4%	1,677,324	2.7%	3,148,766	2.8%
2020 ¹	194,649	5.8	1,669,888	7.5	3,122,237	7.3
2021 ¹	200,311	4.4	1,708,003	5.7	3,190,760	5.6
2022	208,162	2.6	1,732,168	3.4	3,235,022	3.4
2023	210,284	2.9	1,741,744	3.1	3,228,781	3.3
2024 ²	208,562	3.6	1,727,223	3.9	3,224,462	3.9

¹ As a result of the COVID-19 pandemic and the federal government induced quarantine, unemployment numbers increased exponentially in 2020 and 2021.

² Labor force estimates through June 30, 2024.

Source: State of Colorado, Division of Employment and Training, Labor Market Information

The following table sets forth selected major employers within the County and the Denver Metropolitan Area. No independent investigation has been made of and there can be no representation as to the stability or financial condition of the entities listed below, or the likelihood that they will maintain their status as major employers.

Selected Major Employers in the County

Firm	Product or Service	Estimated Number of Employees
Douglas County School District RE-1	Public Education	8,500
Charles Schwab	Financial Services	3,450
DISH Network	Satellite Operations and Video Delivery Solutions	2,500
Centura Health	Healthcare	1,970
Healthone: Sky Ridge Medical Center	Healthcare	1,470
Douglas County Government	County Government	1,453
Kiewit Companies	Construction and Engineering	1,400
VISA Debit Processing Services	Processor of Visa Transactions	1,180
Lockheed Martin Corporation	Aerospace and Defense Manufacturer	1,010
Specialized Loan Servicing LLC	Software Solutions	820

Source: Source: Douglas County 2023 Annual Financial Report

Selected Major “Private Sector” Employers in the Denver Metropolitan Area ¹

Firm	Product or Service	Estimated Number of Employees ²
UCHealth	Health Care–Hospital and Clinics	27,400
HCA-HealthONE LLC	Health Care Provider	12,226
Echostar (fka Dish Network)	Telecommunications	6,280
Ball Corporation	Packaging	5,859
University of Denver	Higher Education	3,841
Deloitte LLP and Subsidiaries	Audit, Consulting, Advisory, Tax Services	2,563
American Furniture Warehouse	Retail Furniture and Accessories	1,641
Arrow Electronics Inc.	Technology, Electric Components and Computing Solutions	1,500
RK Industries LLC	Manufacturing and Facilities Services	1,124
Mtech Mechanical	Commercial Mechanical and Plumbing Contractor	560

¹ Only entities that replied to inquiries are included. Public sector information (i.e., U.S. Government, State of Colorado, county and local municipalities, public university/college, and public schools) is no longer readily available from the Denver Business Journal.

² As of December 31, 2023.

Source: Denver Business Journal, July 31, 2024

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

§[PAR]*

LANERNS METROPOLITAN DISTRICT NO. 1

IN THE TOWN OF CASTLE ROCK

DOUGLAS COUNTY, COLORADO

LIMITED TAX GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS

SERIES 2024

* Preliminary; subject to change.

APPENDIX E

FORM OF BOND COUNSEL OPINION

[TO COME]

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning The Depository Trust Company (“DTC”) New York, NY and DTC’s book-entry-only system has been obtained from DTC, and the District and the Underwriter take no responsibility for the accuracy thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, as set forth on the cover page hereof, in the aggregate principal amount of each maturity of the Bonds and deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation & Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book entry-system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners.

The Direct and Indirect Participants remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds are to be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other name as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Tender or Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to Tender or Remarketing Agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit for tendered Bonds to Tender or Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

**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, Limited Tax General Obligation Convertible Capital Appreciation 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 31st day of October, 2024.

DISTRICT:

**LANTERNS METROPOLITAN DISTRICT
NO. 1**, a quasi-municipal corporation and
political subdivision of the State of Colorado

By: 
Ben Both (Nov 6, 2024 09:13 MST)
Officer of the District