

**NEW ISSUE  
BOOK-ENTRY-ONLY**

*In the opinion of Ballard Spahr LLP, Denver, Colorado, Bond Counsel, interest on the Series 2024B Subordinate Bonds is excludable from gross income for purposes of federal income tax, under existing laws as of the date of delivery of the Series 2024B Subordinate Bonds and assuming continuing compliance with the requirements of the federal tax laws. Interest on the Series 2024B Subordinate 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 Series 2024B Subordinate 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."*

**BELLA MESA METROPOLITAN DISTRICT**

**In the Town of Castle Rock**

**Douglas County, Colorado**

**[\$[PAR-B]]\***

**Subordinate Limited Tax General Obligation Bonds**

**Series 2024B**

**Dated: Date of Delivery**

**Due: December 15 (Series 2024B Subordinate Bonds), as shown below**

Bella Mesa Metropolitan District, in the Town of Castle Rock, Douglas County, Colorado (the "District") is issuing its Subordinate Limited Tax General Obligation Bonds, Series 2024B (the "Series 2024B Subordinate Bonds"), pursuant to an Indenture of Trust (Subordinate) to be dated as of [INDENTURE MONTH] 1, 2024 (the "Subordinate Indenture") between the District and the Trustee, as trustee for the Series 2024B Subordinate Bonds. The Trustee will also act as Registrar and Paying Agent for the Series 2024B Subordinate Bonds, and The Depository Trust Company, New York, New York, will act as securities depository for the Series 2024B Subordinate Bonds. The Series 2024B Subordinate Bonds will be issued in book-entry-only form, and purchasers of the Series 2024B Subordinate Bonds will not receive certificates evidencing their ownership interests in the Series 2024B Subordinate Bonds. *Capitalized terms used on the cover page of this Limited Offering Memorandum are defined in the Introduction herein or in "APPENDIX C—SELECTED DEFINITIONS" hereto.*

The Series 2024B Subordinate Bonds are "cash flow" limited tax general obligations of the District secured by and payable solely from and to the extent of the Subordinate Pledged Revenue, consisting of moneys derived by the District from the following sources: (a) all Subordinate Property Tax Revenues (generally defined as all moneys derived from imposition by the District of the Subordinate Required Mill Levy); (b) all Subordinate Specific Ownership Tax Revenues; (c) all Subordinate Capital Fee Revenue, if any; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund. The District has covenanted to levy a Subordinate Required Mill Levy upon all taxable property of the District each year, consisting of ad valorem property taxes subject to certain limitations as described herein. **The Series 2024B Subordinate Bonds are subordinate to the Series 2020 Senior Bonds (and any other Senior Obligations) on an annual basis, as described further in the "THE SERIES 2024B SUBORDINATE BONDS."** No regularly scheduled payments of principal are due on the Series 2024B Subordinate Bonds prior to their maturity date, and any interest payments on the Series 2024B Subordinate Bonds that are not paid when due will accrue and compound on each Subordinate Interest Payment Date until sufficient Subordinate Pledged Revenue is available for payment. As demonstrated in the Financial Forecast, under the base case scenario, it is not anticipated that there will be any Subordinate Pledged Revenue available to pay accrued interest on the Series 2024B Subordinate Bonds until 20[FI]\*, and it is not anticipated that there will be any Subordinate Pledged Revenue available to pay principal on the Series 2024B Subordinate Bonds until 20[FP]\*. These dates represent a forecast and there is no guarantee that any payments will be made on or after such dates or, further, that the Series 2024B Subordinate Bonds will be paid prior to their discharge date of December 15, 2059. **Notwithstanding anything in the Subordinate Indenture to the contrary, in the event that, on December 15, 2059, any amount of principal of or interest on the Series 2024B Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue available therefor in accordance with the Subordinate Indenture, the Series 2024B Subordinate Bonds are to be deemed discharged.**

The Series 2024B Subordinate Bonds are being issued in denominations of \$500,000 or any integral multiple of \$1,000 in excess thereof as fully registered bonds. Interest on the Series 2024B Subordinate Bonds is payable annually on December 15 each year, commencing December 15, 2024, at the rate set forth below, from and to the extent of Subordinate Pledged Revenue, subject to the limitations of the Subordinate Indenture described herein.

**\$ \_\_\_\_\_ . \_\_\_\_ % Series 2024B Subordinate Term Bond due December 15, 20\_\_\* Price \_\_\_\_ % CUSIP® 07819P \_\_\_\_<sup>1</sup>**

**The Series 2024B Subordinate Bonds are subject to optional and mandatory redemption prior to maturity at the prices and upon the terms set forth in this Limited Offering Memorandum.**

Proceeds from the sale of the Series 2024B Subordinate Bonds will be used for the purposes of financing or reimbursing a portion of the costs of acquiring, constructing, and/or installing certain Public Improvements to serve the Development.

**REPAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2024B SUBORDINATE BONDS IS SPECULATIVE IN NATURE AND INVOLVES A HIGH DEGREE OF INVESTMENT RISK. AS SUBORDINATE "CASH FLOW" OBLIGATIONS, REPAYMENT OF THE SERIES 2024B SUBORDINATE BONDS IS SUBJECT TO A HIGH DEGREE OF RISK. EACH PROSPECTIVE INVESTOR IS ADVISED TO READ "RISK FACTORS" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2024B SUBORDINATE BONDS. THE SERIES 2024B SUBORDINATE BONDS ARE BEING OFFERED AND SOLD ONLY TO "FINANCIAL INSTITUTIONS AND INSTITUTIONAL INVESTORS" AS SUCH TERMS ARE DEFINED IN SECTION 32-1-103(6.5), COLORADO REVISED STATUTES, AS AMENDED.** Each purchaser of the Series 2024B Subordinate Bonds will be required to execute an investor letter in substantially the form attached hereto as APPENDIX I.

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

The Series 2024B Subordinate Bonds are offered when, as and if issued by the District, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of legality by Ballard Spahr LLP, Denver, Colorado, as Bond Counsel, and certain other conditions. Certain matters will be passed upon by Icenogle Seaver Pogue, P.C., Denver, Colorado, as General Counsel to the District. Kutak Rock LLP, Denver, Colorado, has acted as counsel to the Underwriter and has assisted in the preparation of the Limited Offering Memorandum in such capacity. The Series 2024B Subordinate Bonds are expected to be available for delivery through the facilities of DTC on or about [CLOSING DATE], 2024\*.



**D | A | DAVIDSON**  
D.A. Davidson & Co. member SIPC

**This Limited Offering Memorandum is dated \_\_\_\_\_, 2024.**

<sup>1</sup> Represents the issue price expressed as a percentage of the Accreted Value at the Current Interest Conversion Date.

<sup>1</sup> The District takes no responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of owners of the Series 2024B Subordinate Bonds.

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\* Preliminary; subject to change.

**BELLA MESA METROPOLITAN DISTRICT  
In the Town of Castle Rock  
Douglas County, Colorado**

**Board of Directors**

John V. Hill, President  
Maxine Hepfer, Treasurer/Secretary  
Anna Maria Ray, Assistant Secretary  
Vacant  
Vacant

**General Counsel to the District**

Icenogle Seaver Pogue, P.C.  
Denver, Colorado

**District Accountant**

CliftonLarsonAllen LLP  
Greenwood Village, Colorado

**Bond Counsel**

Ballard Spahr LLP  
Denver, Colorado

**Trustee, Registrar and Paying Agent**

UMB Bank, n.a., as trustee  
Denver, Colorado

**Underwriter**

D.A. Davidson & Co.  
Denver, Colorado

**Counsel to Underwriter**

Kutak Rock LLP  
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 Limited Offering Memorandum, in connection with the offering of the Series 2024B Subordinate 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 Limited Offering Memorandum is subject to change without notice, and neither the delivery of this Limited Offering Memorandum 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 Limited Offering Memorandum 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 Limited Offering Memorandum. The Underwriter has reviewed the information in this Limited Offering Memorandum 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 Series 2024B Subordinate Bonds, including their own evaluation of the prospects for development within the District. Neither the contents of this Limited Offering Memorandum 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 Series 2024B Subordinate 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 Series 2024B Subordinate Bonds or this Limited Offering Memorandum. Any representation to the contrary is unlawful.

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## **AERIAL MAPS AND VIDEO**

An aerial video of the Development and the immediate vicinity was created on August 12, 2024, and may be viewed at <https://vimeo.com/1009051025/3e0d885571?share=copy>. The video was created for the District by ZOOM Aerial Photography, LLC, Centennial, Colorado, but is hosted on a third-party website over which the District has no control. Therefore, while the link to such video is included herein to offer prospective investors a visual depiction of the location of the Development and the status of development in the Development and the immediate vicinity as of the date of the video, the link and the video are neither incorporated into nor constitute part of this Limited Offering Memorandum.

## DEVELOPMENT SITE PLANS

Below are site plans for the remaining undeveloped property in the Development. NOTE: All development plans remain subject to change. There can be no assurance that the Development will be completed as shown on the map below or at all.

*Development plan for single-family detached homes*



*Development plan for single-family attached homes*

[IS THERE A CARDEL HOMES TOWNHOME MAP AVAILABLE?]

# REGIONAL MAP



District Vicinity



## INTRODUCTION

This Limited Offering Memorandum is furnished by Bella Mesa Metropolitan District (the “District”), in the Town of Castle Rock (the “Town”), Douglas County (the “County”), Colorado (the “State”) to provide certain information concerning the original offering of its \$[PAR-B]\* Subordinate Limited Tax General Obligation Bonds, Series 2024B (the “Series 2024B Subordinate Bonds”). The offering of the Series 2024B Subordinate Bonds is made only by way of this Limited Offering Memorandum, which supersedes any other information or materials used in connection with the offer or sale of the Series 2024B Subordinate Bonds. This Limited Offering Memorandum speaks only as of its date, and the information contained herein is subject to change.

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

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

**The District .....** The District was organized as a metropolitan district pursuant to an Order and Decree and Issuance of Certificates of Election, issued by the District Court in and for the County (the “District Court”) on November 16, 2004, and recorded in the real property records of the County on November 18, 2004. The organization of the District was approved by the eligible electors of the District voting at the election held on November 2, 2004 (the “Election”). On August 29, 2016, the District Court issued an Order Confirming District Name Change, changing the name of the District from Vistas at Rock Canyon Metropolitan District to Bella Mesa Metropolitan District.

The District, which currently encompasses approximately 406 acres, was organized as part of a plan to serve the needs of the “Bella Mesa” subdivision (referred to herein as the “Development”), a residential development located in the southeast portion of the Town, generally northeast of Mikelson Boulevard, south of East State Highway 86, and west of Castlewood Canyon Road. See “—The Development” below, “THE DISTRICT” and “THE DEVELOPMENT.” See also the preceding “AERIAL MAPS AND VIDEO,” “DEVELOPMENT SITE PLAN” and “REGIONAL MAP.”

The District operates in accordance with the authority, and subject to the limitations of, a Service Plan for Vistas at Rock Canyon Metropolitan District approved by the Town Council of the Town (the “Town Council”) on August 24, 2004, as most recently amended by a Resolution Approving an Amendment to the Service Plan for Bella Mesa Metropolitan District, approved by the Town Council on

February 18, 2020 (the “Service Plan”). Pursuant to the Service Plan and Section 32-1-101, *et seq.*, C.R.S. (the “Special District Act”), the District is authorized to provide for the design, acquisition, construction, installation, relocation, redevelopment, financing, and operation and maintenance of water, sanitation, streets, parks and recreation, traffic and safety controls, transportation, mosquito control, and telecommunication systems and 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, except as specifically limited therein. See “THE DISTRICT—Service Plan Authorizations and Limitations.”

As of the date of this Limited Offering Memorandum, District has an estimated population of 509, which is based on approximately 180 certificates of occupancy issued and 2.83 residents per home (based on household estimates for the Town prepared by the State Demography Office). The District’s 2023 certified assessed valuation is \$7,252,430. The District’s preliminary assessed value as certified by the County Assessors on August 20, 2024 is \$7,298,100, which is subject to change prior to the final December 10, 2024 certification date. See “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Taxes” and “—Ad Valorem Property Tax Data” and “THE DISTRICT.”

**The Development.....**

The Development is being developed as residential community on approximately 406 acres and is planned to include a total of 810 residential units (comprised of 105 single-family attached homes (townhomes) and 705 single-family detached homes). All of the Development, as described herein, is located within the boundaries of the District. See “AERIAL MAP[S AND VIDEO]” and “DEVELOPMENT SITE PLAN.” The Development is comprised of two components—the Richmond Development and the Remaining Development.

Of the anticipated 810 single-family homes, Richmond American Homes of Colorado, Inc., a Delaware corporation (“Richmond”) has fully constructed and sold all 180 homes to homeowners (the “Richmond Development”). The remaining 630 single-family homes within the Development are anticipated to be comprised of 525 single-family detached home and 105 single-family attached townhomes (the “Remaining Development”). It is anticipated that all of the single-family attached townhomes will be constructed by Cardel Denver Homes, LLC, a Colorado limited liability company (“Cardel Homes”). It is anticipated that the single-family detached homes will be constructed by Cardel Homes and one to two other still to be identified homebuilders (Cardel Homes and any other homebuilders within the Development are referred to herein as the “Homebuilders”).

The Richmond Development and the Remaining Development comprise the property encompassing the Development. The

Developer does not anticipate undertaking any vertical construction within the Development.

The Developer currently owns the remaining undeveloped property in the Development. Cardel Homes is under contract to purchase all of such property from the Developer pursuant to two separate purchase and sale agreements. See “THE DEVELOPMENT—Construction and Sales Activity; Purchase and Sale Agreements—*Purchase and Sale Agreements*.” Cardel Homes anticipates selling a portion of the remaining single-family detached lots to one or two additional builders. However, as of the date of this Limited Offering Memorandum, Cardel Homes has not entered into any letters of intent or purchase and sale agreements with other Homebuilders.

As of the date of this Limited Offering Memorandum, all of the homes in the Richmond Development have been sold and closed to homeowners and no homes have been constructed within the Remaining Development. According to the Market Study, it is anticipated that the first homes within the Remaining Development will be sold and closed to homeowners in the first quarter of 2026 and that all homes within the Development will be sold and closed to homeowners by the third quarter of 2031. See “RISK FACTORS—Continued Development Not Assured,” “APPENDIX A—FINANCIAL FORECAST” and “APPENDIX B—MARKET STUDY.” Neither Cardel Homes nor any other future Homebuilder, if any, is obligated to construct homes within the Development in any particular timeframe or at all. No assurance is provided that the single-family attached homes (townhomes) or single-family detached homes will be sold and closed to homeowners in the timeframe anticipated herein or at all.

Development of property is being undertaken by Fourth Investment USA, LLC, a Colorado limited liability company (the “Developer”). The Developer is also responsible for constructing remaining trunk Public Improvements. It is anticipated that Cardel Homes will be responsible for obtaining final plats and constructing in-tract Public Improvements and private improvements specifically benefitting the Remaining Development. See “THE DEVELOPMENT—Status of Construction and Funding of Public and Private Improvements” and “—The Developer and Cardel Homes.”

The Developer is responsible for obtaining the necessary approvals from the City to advance the Development in the manner described herein and is undertaking site development therefor, including site planning and engineering. As described above, Cardel Homes is anticipated to be responsible for obtaining certain entitlements for the Remaining Development. See “THE DEVELOPMENT—Platting, Zoning/Land Use and Public Approvals.”

All of the property comprising the Development is presently zoned for its intended uses. Development of property in the Development

will require approval of final site development plans and final plats subdividing the property in the Remaining Development into residential lots and tracts. As of August 1, 2024, no site development plans and no final plats have been approved by the Town for property within the Remaining Development. It is anticipated that preliminary site development plans will be submitted to the Town for approval in the third quarter of 2024 (for the 525 single-family detached lots) and in the third or fourth quarter of 2024 (for the 105 single-family attached lots). See “THE DEVELOPMENT—Platting, Zoning/Land Use and Public Approvals.”

According to the Developer, construction of Public Improvements and private improvements began in August 2018 and is anticipated to be completed by 2031. As of August 1, 2024, approximately 25% of the Public Improvements required for the Development are complete, which includes all of the Public Improvements and private improvements for the Richmond Development. See “THE DEVELOPMENT—Status of Construction and Funding of Public and Private Improvements.”

According to the Developer, the total cost of remaining Public Improvements required to be constructed for the Development is estimated at approximately \$76,200,000. The total cost of remaining private improvements required to be constructed for the Development is estimated at approximately \$10,000,000. The foregoing does not include costs of Public Improvements and private improvements constructed in connection with the Richmond Development. According to the Developer, as of July 31, 2024 approximately \$10,500,000 has been expended for remaining Public Improvements, which includes drainage improvements, sanitary sewer improvements, water improvements and certain street improvements, and approximately \$3,000,000 has been expended for the remaining private improvements. According to the Developer, the Public Improvements to serve the Richmond Development, including the School Parcel, were completed at an approximate cost of \$11,000,000.

All remaining Public Improvements are anticipated to be funded and constructed by a combination of the District and the Developer and Cardel Homes, subject to reimbursement of a portion of the costs thereof by the District from proceeds of the Series 2024B Subordinate Bonds (estimated at \$\_\_\_\_\_\*). They will be applied either directly by the District to fund Public Improvements or to reimburse the Developer or Cardel Homes for a portion of the costs of the District-eligible Public Improvements funded directly by the Developer and Cardel Homes. The costs of any Public Improvements in excess of the proceeds of the Series 2024B Subordinate Bonds and the costs of private improvements required

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\* Preliminary; subject to change.

for the Development are anticipated to be funded by the Developer and Cardel Homes from funds on hand.

As described above and more particularly described herein, completion of the planned development described herein is subject to the satisfaction of a variety of conditions including, but not limited to:

- Approval by the Town Planning Commission and the Town Council of site development plans for the Remaining Development;
- Administrative approval by the Town Manager of final plats for the Remaining Development;
- Execution of agreements with the Town related to Public Improvements, as necessary, including any additional Subdivision Improvement Agreements (see “THE DEVELOPMENT—Agreements Concerning Public Improvements”);
- Construction of remaining Public Improvements and private improvements required for the Development;
- Confirmation of sufficient water credits available to fully serve the Remaining Development and if, as platting progresses, there is any insufficiency in water credits, the purchase of additional water in the amounts necessary for the Remaining Development; and
- Sale of all single-family detached and attached (townhome) lots in the Development to Cardel Homes and the sale by Cardel Homes to other Homebuilders, if any, of certain single-family detached lots for construction and sale of residential units thereon.

*No assurance is given that any of the foregoing conditions will be satisfied in a timeframe necessary to achieve the projected development schedules set forth herein, or at all.*

*Notwithstanding any of the foregoing, neither the Developer, Cardel Homes, other Homebuilders, if any, nor any other future property owner is contractually obligated to pursue the development of the property comprising the Development, and no assurance is given that development will occur in accordance with the present permitted land uses, modifications thereof, or at all.*

**Purpose**..... Proceeds from the sale of the Series 2024B Subordinate Bonds will be used for the purposes of financing or reimbursing a portion of the costs of acquiring, constructing, and/or installing certain Public Improvements to serve the Development. See “USE OF PROCEEDS AND DEBT SERVICE REQUIREMENTS—Application of Series 2024B Subordinate Bond Proceeds.”

**Authority for Issuance** ..... The Series 2024B Subordinate 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 Part 11 of the Special District Act; pursuant to the Election; pursuant to an authorizing resolution adopted by the District’s Board of Directors (the “Board”) prior to the issuance of the Series 2024B Subordinate Bonds (the “Bond Resolution”); and pursuant an Indenture of Trust dated as of [INDENTURE MONTH] 1, 2024 (the “Subordinate Indenture”) between the District and UMB Bank, n.a., Denver, Colorado, as trustee (the “Trustee”).

At the Election, the District’s eligible electors voting at such election approved indebtedness in the amount of \$40,474,600, in the aggregate, to finance certain categories of Public Improvements. The District’s eligible electors also approved, among other things, an additional \$40,474,600 of indebtedness to refund certain existing debt of the District. The Service Plan does not provide for a maximum principal amount of debt that District may have outstanding at any one time. 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 District intends to apply the original principal amount of the Series 2024B Subordinate Bonds against the debt authorization obtained pursuant to the Election. See “DEBT STRUCTURE—General Obligation Debt—*Voter Authorized but Unissued Debt and Outstanding General Obligation Debt*.”

**Security and Sources of Payment for the Series 2024B Subordinate Bonds** .....

The Series 2024B Subordinate Bonds are “cash flow” limited tax general obligations of the District secured by and payable solely from and to the extent of the Subordinate Pledged Revenue, consisting of moneys derived by the District from the following sources: (a) all Subordinate Property Tax Revenues (generally defined as all moneys derived from imposition by the District of the Subordinate Required Mill Levy); (b) all Subordinate Specific Ownership Tax Revenues; (c) all Subordinate Capital Fee Revenue, if any; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund. See “THE SERIES 2024B SUBORDINATE BONDS—Security for the Series 2024B Subordinate Bonds,” “DISTRICT FINANCIAL

INFORMATION,” and “APPENDIX A—FINANCIAL FORECAST.”

Pursuant to the Subordinate Indenture, the District has covenanted to levy the “Subordinate Required Mill Levy,” generally meaning an ad valorem mill levy imposed upon all taxable property of the District each year in an amount equal to (a) 50 mills (subject to adjustment as described herein), less the Senior Obligation Mill Levy, or (b) such lesser amount which would generate Subordinate Property Tax Revenues which, when combined with moneys then on deposit in the Subordinate Bond Fund, will pay the Series 2024B Subordinate Bonds in full in the year such levy is collected.

See “THE SERIES 2024B SUBORDINATE BONDS—Security for the Series 2024B Subordinate Bonds—*Subordinate Property Tax Revenues—Board Determination of Adjusted Mill Levy*” for an explanation of the adjustment, as reflected in the Financial Forecast, to the mill levy of 50 mills contained in the definition of Subordinate Required Mill Levy in the Subordinate Indenture (as set forth herein and in the definition of Subordinate Required Mill Levy contained in “APPENDIX C—SELECTED DEFINITIONS”) as a result of changes in the method of calculating assessed valuation since August 24, 2004.

While the Subordinate Capital Fee Revenue is pledged to the payment of the Series 2024B Subordinate Bonds, the District currently does not impose any fees that constitute Capital Fees as such term is defined in the Subordinate Indenture. The District is not obligated to impose any Capital Fees for the payment of the Series 2024B Subordinate Bonds.

See “THE SERIES 2024B SUBORDINATE BONDS—Security for the Series 2024B Subordinate Bonds—*Subordinate Specific Ownership Tax*” for a description of Specific Ownership Tax.

**Notwithstanding anything in the Subordinate Indenture to the contrary, in the event that, on December 15, 2059, any amount of principal of or interest on the Series 2024B Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue available therefor in accordance with the Subordinate Indenture, the Series 2024B Subordinate Bonds are to be deemed discharged.**

***THE SERIES 2024B SUBORDINATE BONDS ARE SOLELY THE OBLIGATIONS OF THE DISTRICT. UNDER NO CIRCUMSTANCES SHALL ANY OF THE SERIES 2024B SUBORDINATE 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 SERIES***

***2024B SUBORDINATE BONDS TO BE CONSIDERED OR HELD TO BE AN INDEBTEDNESS, OBLIGATION OR LIABILITY OF THE DEVELOPER, CARDEL HOMES, OR ANY THIRD-PARTY PROPERTY OWNERS.***

**Priority of Lien; Subordinate  
Nature of Series 2024B  
Subordinate Bonds .....**

The Series 2020 Senior Bonds constitute Senior Obligations under the Subordinate Indenture and the Series 2024B Subordinate Bonds constitute Subordinate Obligations under the 2020 Indenture (defined below). Accordingly, to the extent any non-property tax revenues are pledged under the Subordinate Indenture and 2020 Indenture to the Series 2020 Senior Bonds and the Series 2024B Subordinate Bonds (presently, only the Capital Fees), the lien thereon of the Series 2024B Subordinate Bonds is junior and subordinate in all respects to the lien of the Series 2020 Senior Bonds and any other Senior Obligations issued in the future.

The District has covenanted in the 2020 Indenture 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 Senior Property Tax Revenues in any Senior Bond Year to pay annual debt service on the Series 2020 Senior Bonds and any Senior Parity Bonds and to fund such funds and accounts as are required in accordance with the terms of the 2020 Indenture and the resolution, indenture, or other enactment authorizing such Senior Parity Bonds (including to fill the 2020 Surplus Fund (held under the 2020 Indenture) to the 2020 Maximum Surplus Amount, and to fill the surplus fund for any Senior Parity Bonds to the Senior Parity Bonds Maximum Amount, and to replenish the 2020 Reserve Fund (held under the 2020 Indenture) to the 2020 Reserve Requirement and any similar fund or account security Senior Parity Bonds to the Senior Parity Bonds Reserve Requirement, if needed), and only after the funding of such payments and accumulations required in such Senior Bond Year can property tax revenue be applied to pay Subordinate Obligations (including the Series 2024B Subordinate Bonds).

With respect to the Series 2024B Subordinate Bonds, the District has pledged to impose a Subordinate Required Mill Levy for payment of such Series 2024B Subordinate Bonds in an amount equal to 50 mills (subject to adjustment as described herein less the Senior Obligation Mill Levy (which includes the 2020 Required Mill Levy described herein and any other ad valorem property tax levy required to be imposed by the District for the payment of Senior Obligations), meaning that there will only be ad valorem property taxes generated and applied to payment of the Series 2024B Subordinate Bonds in the event that the Senior Obligation Mill Levy is less than 50 mills (subject to adjustment as described herein). See also “THE SERIES 2024B SUBORDINATE BONDS—Security for the Series 2024B Subordinate Bonds.”



**“Cash Flow” Nature  
of the Series 2024B  
Subordinate Bonds .....**

The Series 2024B Subordinate Bonds are structured as “cash flow” bonds, meaning that there are no scheduled payments of principal thereof prior to the final maturity date. Rather, principal on the Series 2024B Subordinate Bonds is payable annually on each December 15 from, and to the extent of, Subordinate Pledged Revenue on deposit, if any, in the Subordinate Mandatory Redemption Account of the Subordinate Bond Fund 45 days prior to such December 15, in accordance with the terms of the Subordinate Indenture, pursuant a mandatory redemption more particularly described in “THE SERIES 2024B SUBORDINATE BONDS—Redemption—*Mandatory Redemption*” and “—Certain Subordinate Indenture Provisions—*Subordinate Bond Fund; Mandatory Redemption.*” Interest on the Series 2024B Subordinate Bonds is payable on each December 15 to the extent of the Subordinate Pledged Revenue available therefor, and accrued unpaid interest on the Series 2024B Subordinate Bonds will compound annually on each December 15 until sufficient Subordinate Pledged Revenue is available for payment. See also the Financial Forecast, attached as APPENDIX A hereto, and “RISK FACTORS—Risks Inherent in the Financial Forecast and the Market Study.”

As demonstrated in the Financial Forecast, under the base case scenario, it is not anticipated that there will be any Subordinate Pledged Revenue available to pay accrued interest on the Series 2024B Subordinate Bonds until 20[F1]\* and it is not anticipated that there will be any Subordinate Pledged Revenue available to pay principal on the Series 2024B Subordinate Bonds until 20[FP]\*. These dates represent a forecast and there is no guarantee that any payments will be made on or after such dates or, further, that the Series 2024B Subordinate Bonds will be paid prior to December 15, 2059, as more particularly described below. The Financial Forecast is based on certain assumptions more particularly set forth therein. There is no assurance that Subordinate Pledged Revenue will be sufficient to make payment on the Series 2024B Subordinate Bonds as projected in the Financial Forecast, or ever. See also the Financial Forecast, attached as APPENDIX A hereto, and “RISK FACTORS—Risks Inherent in the Financial Forecast and the Market Study.”

**Notwithstanding anything in the Subordinate Indenture to the contrary, in the event that, on December 15, 2059, any amount of principal of or interest on the Series 2024B Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue available therefor in accordance with the Subordinate Indenture, the Series 2024B Subordinate Bonds are to be deemed discharged.**

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\* Preliminary; subject to change.

**Series 2020 Senior Bonds;  
Additional Obligations .....**

The District has previously issued its Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2020A(3), in the original principal amount of \$15,747,960.95 (\$22,705,000 value at the current interest conversion date), and currently outstanding in the principal amount of \$\_\_\_\_\_, pursuant to an Indenture of Trust, dated as of May 1, 2020 (the “2020 Senior Indenture”), by and between the District and UMB Bank, n.a., as trustee (the “2020 Trustee”). The Series 2020 Bonds are payable from the “Pledged Revenue” (referred to herein as the “2020 Pledged Revenue”) consisting of the following: (a) all Property Tax Revenues (generally defined as all moneys derived from the imposition by the District of the 2020 Required Mill Levy (described below); (b) all Specific Ownership Tax Revenues; (c) all Capital Fees, if any; and (d) any other legally available moneys which the District determines, in its absolute discretion to the credit to the Senior Bond Fund. The Series 2020 Bonds are additionally secured by the 2020 Reserve Fund to be funded in the amount of \$1,574,796 (the “2020 Reserve Requirement”) and the 2020 Surplus Fund funded from excess 2020 Pledged Revenue up to \$1,574,796 (the “2020 Maximum Surplus Amount”). Notwithstanding anything in the 2020 Senior Indenture to the contrary, in the event that, on December 1, 2059, any amount of principal of or interest on the Series 2020 Senior Bonds remains unpaid after the application of all 2020 Pledged Revenue available therefor in accordance with the 2020 Indenture, the Series 2020 Senior Bonds are to be deemed discharged.

The 2020 Required Mill Levy generally consists of an ad valorem mill levy imposed upon all taxable property of the District each year in an amount which, if imposed by the District for collection in the succeeding calendar year, would generate Property Tax Revenues sufficient to pay the Series 2020 Senior Bonds, fund the 2020 Surplus Fund up to the 2020 Maximum Surplus Amount, and replenish the 2020 Reserve Fund to the 2020 Reserve Requirement, but not in excess of 50 mills (subject to adjustment in the event that the method of calculating assessed valuation is changed after August 24, 2004), provided that so long as the 2020 Surplus Fund is less than the 2020 Maximum Surplus Amount, the 2020 Required Mill Levy shall be equal to 50 mills (subject to adjustment in the event that the method of calculating assessed valuation is changed after August 24, 2004).

The Series 2020 Senior Bonds will remain outstanding upon issuance of the Series 2024B Subordinate Bonds, and the Series 2024B Subordinate Bonds are being issued on a subordinate basis to the Series 2020 Subordinate Bonds. See “DEBT STRUCTURE—General Obligation Debt.”

The District covenants for the benefit of the Owners of the Series 2024B Subordinate Bonds to not issue Additional Bonds (as defined in the Subordinate Indenture) except as specifically permitted in the Subordinate Indenture. Owners of the Series 2024B Subordinate Bonds will only be able to enforce such limitations set forth in the

Subordinate Indenture. See “THE SERIES 2024B SUBORDINATE BONDS—Certain Subordinate Indenture Provisions—*Additional Obligations.*”

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

The Series 2024B Subordinate 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 Series 2024B Subordinate Bonds is payable annually to the extent of Subordinate Pledged Revenue available therefor on December 15 of each year, commencing December 15, 2024.

Payments for the principal of and interest on the Series 2024B Subordinate Bonds will be made as described in “APPENDIX G—BOOK-ENTRY-ONLY SYSTEM.”

**Prior Redemption .....**

The Series 2024B Subordinate Bonds are subject to optional and mandatory redemption as described in “THE SERIES 2024B SUBORDINATE BONDS—Redemption” and “—Certain Subordinate Indenture Provisions—*Subordinate Bond Fund; Mandatory Redemption.*”

**Book-Entry-Only Registration .....**

The Series 2024B Subordinate 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 Series 2024B Subordinate 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 \$500,000 or any integral multiple of \$1,000 in excess thereof. Such beneficial interests will be recorded on the records of the Participants. Persons for whom Participants acquire interests in the Series 2024B Subordinate Bonds (the “Beneficial Owners”) will not receive certificates evidencing their interests in the Series 2024B Subordinate Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2024B Subordinate Bonds. So long as DTC or its nominee is the registered owner of the Series 2024B Subordinate Bonds, payments of principal, premium, if any, and interest on the Series 2024B Subordinate Bonds, as well as notices and other communications made by or on behalf of the District pursuant to the Subordinate 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 G—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 Series 2024B Subordinate Bond as shown by the registration books maintained by the Trustee. As used herein, “Consent Party” means the Owner of a Series 2024B Subordinate Bond or, if such Series 2024B Subordinate Bond is held in the name of Cede & Co., either: (i) the Participant (as determined by a list provided by DTC) with respect to such Series 2024B Subordinate Bond, or (ii) the Beneficial Owner of such Series 2024B Subordinate Bond.

**Exchange and Transfer .....** While the Series 2024B Subordinate Bonds remain in book-entry-only form, transfer of ownership by Beneficial Owners (as defined by the rules of DTC) may be made as described under the caption “APPENDIX G—BOOK-ENTRY-ONLY SYSTEM.”

**Tax Status.....** In the opinion of Ballard Spahr LLP, Denver, Colorado, Bond Counsel, interest on the Series 2024B Subordinate Bonds is excludable from gross income for purposes of federal income tax, under existing laws as of the date of delivery of the Series 2024B Subordinate Bonds and assuming continuing compliance with the requirements of the federal tax laws. Interest on the Series 2024B Subordinate 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 Series 2024B Subordinate 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.”

**Financial Forecast .....** CliftonLarsonAllen LLP, Greenwood Village, Colorado, has prepared the cash flow projection schedules presented in APPENDIX A hereto (the “Financial Forecast”) for the Board, for the purpose of providing information regarding the District’s ability to make the annual debt service payments on the Series 2024B Subordinate Bonds. Such Financial Forecast is based upon the Market Study (described below in “—Market Study”) and the assumptions more particularly provided therein. In particular, the Financial Forecast sets forth: \_\_\_\_\_.

As demonstrated in the Financial Forecast, \_\_\_\_\_. See “FORWARD-LOOKING STATEMENTS,” “RISK FACTORS—Risks Inherent in the Financial Forecast and the Market Study,” “—Risk of Reductions in Assessed Value; Assessed Valuation

Procedures and Factors; Market Value of Land” and “APPENDIX A—FINANCIAL FORECAST” hereto.

**The Market Study .....**

The District retained Zonda Advisory, Centennial, Colorado (the “Market Consultant”) to prepare a report, dated July 22, 2024, as most recently revised on August 12, 2024, and an addendum thereto entitled “Monthly Snapshot: Economic & Housing Indicators Impacting the Colorado Front Range” dated [\_\_\_\_], 2024 (together, the “Market Study”), to assesses the pricing and annual absorption for the Development. The Market Study contains certain projections regarding the absorption and home prices for the homes in the Development, which are based on certain assumptions more particularly set forth therein. The Market Study provides an assessment of absorption and home prices based on current market conditions, which conditions are comprised solely of those specifically identified in the Market Study. See “FORWARD-LOOKING STATEMENTS,” “RISK FACTORS—Risks Inherent in Financial Forecast and Market Study,” “—Risk of Reductions in Assessed Value; Assessed Valuation Procedures and Factors; Market Value of Land” and APPENDIX B hereto.

**Professionals Involved in the Offering.....**

Ballard Spahr LLP, Denver, Colorado, has acted as Bond Counsel. Kutak Rock LLP, Denver, Colorado, has acted as Underwriter’s Counsel and has assisted in the preparation of this Limited Offering Memorandum in such capacity. Icenogle Seaver Pogue, P.C., Denver, Colorado, represents the District as general counsel. UMB Bank, n.a., Denver, Colorado, will act as the trustee, paying agent, and registrar for the Series 2024B Subordinate Bonds. D.A. Davidson & Co., Denver, Colorado, will act as the underwriter for the Series 2024B Subordinate Bonds (the “Underwriter”). See “MISCELLANEOUS—Underwriting.” CliftonLarsonAllen LLP, Greenwood Village, Colorado, serves as the District’s accountant.

**Continuing Disclosure Obligation.....**

The Underwriter has determined that the Series 2024B Subordinate Bonds are exempt from the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12). Notwithstanding such exemption, the District and the Developer have, however, agreed to obtain and provide certain information to the Trustee, on a quarterly and annual basis for dissemination to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access system. A form of the Continuing Disclosure Agreement setting forth such obligations is attached hereto as APPENDIX E to this Limited Offering Memorandum. See “MISCELLANEOUS—Continuing Disclosure Agreement.”

**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 H are the

audited general-purpose financial statements of the District as of and for the year ended December 31, 2023.

Pursuant to the Subordinate Indenture, the District has covenanted to cause an audit to be performed at least once a year of the records relating to its revenues and expenditures, and the District is to use its best commercially reasonable efforts to have such audit report completed no later than September 30 of each calendar year.

**Offering and Delivery**

**Information .....**

The offering of the Series 2024B Subordinate Bonds is being made to a limited number of knowledgeable and experienced investors who are not purchasing with a view to distributing the Series 2024B Subordinate Bonds. Each purchaser of a Series 2024B Subordinate Bond must be a “financial institution or institutional investor,” as such terms are defined in Section 32-1-103(6.5), C.R.S. **Each purchaser of the Series 2024B Subordinate Bonds will be required to execute an investor letter substantially in the form attached hereto as APPENDIX I.**

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

**Debt Ratios.....**

The following are selected District debt ratios upon issuance and delivery of the Series 2024B Subordinate Bonds.

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\* Preliminary; subject to change.

Preliminary 2024 Certified Assessed Valuation <sup>1, 2, *</sup> .....	\$7,298,100
Preliminary 2024 Certified Statutory “Actual” Valuation <sup>1, 2, *</sup> .....	\$97,326,582
General Obligation Debt Outstanding Upon Issuance of the 2024B Subordinate Bonds <sup>1, 3 *</sup> .....	\$[_____]
Estimated Population <sup>4</sup> .....	509
District Debt as a Ratio of:	
Preliminary 2024 Certified Assessed Valuation <sup>1, 2, *</sup> .....	[_____]
Preliminary 2024 Certified Statutory “Actual” Valuation <sup>1, 2, *</sup> .....	[_____]
District Debt Per Capita <sup>*</sup> .....	
Estimated Overlapping General Obligation Debt <sup>1</sup> .....	\$217,284
Sum of District and Overlapping Debt <sup>*</sup> .....	[_____]
District and Overlapping Debt as a Ratio of:	
Preliminary 2024 Certified Assessed Valuation <sup>1, 2, *</sup> .....	[_____]
Preliminary 2024 Certified Statutory “Actual” Valuation <sup>1, 2, *</sup> .....	[_____]
District and Estimated Overlapping Debt Per Capita <sup>*</sup> .....	[_____]

<sup>1</sup> 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.”

<sup>2</sup> Preliminary value as certified by the County Assessor on August 20, 2024. Such value is subject to change prior to the final December 10, 2024 certification date.

<sup>3</sup> Includes the Series 2020 Senior Bonds (\$\_\_\_\_\_). See “DEBT STRUCTURE.”

<sup>4</sup> Estimate calculated using 2.83 residents per home (being the U.S. Census persons per household average for 2018-2022 in the Town), and 180 certificates of occupancy issued.

\* Preliminary; subject to change.

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

**Additional Information.....** ALL OF THE SUMMARIES OF THE STATUTES, SUBORDINATE INDENTURE, RESOLUTIONS, OPINIONS, CONTRACTS, AND OTHER AGREEMENTS DESCRIBED IN THIS LIMITED OFFERING MEMORANDUM 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: Bella Mesa Metropolitan District, c/o Icenogle Seaver Pogue, P.C., 4725 South Monaco Street, Suite 360, Denver, Colorado 80237, Telephone: (303) 292-9100; or D.A. Davidson & Co., 1550 Market Street, Suite 300, Denver, Colorado 80202, Telephone: (303) 764-6000.

**FORWARD-LOOKING STATEMENTS**

This Limited Offering Memorandum, and particularly the information contained under the headings entitled “INTRODUCTION,” “RISK FACTORS,” “THE DISTRICT,” “THE DEVELOPMENT,” “APPENDIX A—FINANCIAL FORECAST,” and “APPENDIX B—MARKET STUDY” contain statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Limited Offering Memorandum, the words “estimate,” “forecast,” “intend,” “expect,” “anticipate,” “projected” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any

projection is subject to such uncertainties. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between projections and actual results, and those differences may be material. For a discussion of certain of such risks and possible variations in results, see “RISK FACTORS.”

## **RISK FACTORS**

**INVESTMENT IN THE SERIES 2024B SUBORDINATE BONDS INVOLVES RISK. AN INVESTMENT IN THE SERIES 2024B SUBORDINATE BONDS IS SPECULATIVE IN NATURE AND INVOLVES A HIGH DEGREE OF RISK. AS SUBORDINATE BONDS, REPAYMENT OF THE SERIES 2024B SUBORDINATE BONDS IS SUBJECT TO A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS IN THE SERIES 2024B SUBORDINATE BONDS SHOULD READ THIS ENTIRE LIMITED OFFERING MEMORANDUM AND CAREFULLY CONSIDER ALL POSSIBLE FACTORS WHICH MAY AFFECT THEIR INVESTMENT DECISION. THE RISK FACTORS DESCRIBED IN THIS SECTION SET FORTH MANY OF THE POTENTIAL RISKS OF AN INVESTMENT IN THE SERIES 2024B SUBORDINATE BONDS THAT SHOULD BE CONSIDERED PRIOR TO PURCHASING THE SERIES 2024B SUBORDINATE BONDS BUT DOES NOT PROVIDE AN EXHAUSTIVE LIST OF SUCH FACTORS.**

Each prospective investor is urged to consult with its own legal, tax, and financial advisors to determine whether an investment in the Series 2024B Subordinate Bonds is appropriate in light of its individual legal, tax and financial situation. *Each purchaser of the Series 2024B Subordinate Bonds will be required to execute an investor letter substantially in the form attached hereto as APPENDIX I.*

### **General**

The purchase of the Series 2024B Subordinate Bonds involves certain risk factors, which are discussed throughout this Limited Offering Memorandum, and each prospective investor should make an independent evaluation of all information presented in this Limited Offering Memorandum in order to make an informed investment decision. The Series 2024B Subordinate Bonds should only be purchased by investors who can bear the continuing risk of an investment in the Series 2024B Subordinate Bonds. Particular attention should be given to the risk factors described below, which, among others, could affect the payment of debt service on the Series 2024B Subordinate Bonds when due.

### **Limited Offering; Restrictions on Purchase; Investor Suitability**

The offering of the Series 2024B Subordinate Bonds is being made to a limited number of knowledgeable and experienced investors who are not purchasing with a view to distributing the Series 2024B Subordinate Bonds. Each purchaser of a Series 2024B Subordinate Bond must be a “financial institution or institutional investor,” as such terms are defined in Section 32-1-103(6.5), C.R.S. The Series 2024B Subordinate Bonds are being issued in minimum denominations of \$500,000.

**The foregoing standards are minimum requirements for prospective purchasers of the Series 2024B Subordinate Bonds. The satisfaction of such standards does not necessarily mean that the Series 2024B Subordinate Bonds are a suitable investment for a prospective investor. Accordingly, each prospective investor is urged to consult with its own legal, tax and financial advisors to determine whether an investment in the Series 2024B Subordinate Bonds is appropriate in light of its individual legal, tax and financial situation.**



## **No Assurance of Secondary Market**

No assurance can be given concerning the future existence of a secondary market for the Series 2024B Subordinate Bonds, and prospective purchasers of the Series 2024B Subordinate Bonds should therefore be prepared, if necessary, to hold the Series 2024B Subordinate Bonds to maturity or prior redemption, if any. Because the Series 2024B Subordinate Bonds are not rated and are being issued in large denominations, the secondary market for the Series 2024B Subordinate Bonds, if any, is expected to be limited. Even if a secondary market exists, as with any marketable securities, there can be no assurance as to the price for which the Series 2024B Subordinate Bonds may be sold. Such price may be lower than that paid by the initial purchaser of the Series 2024B Subordinate Bonds depending on the progress of the Development and existing real estate and financial market conditions. See also “—Restrictions on Transferability” below.

## **Restrictions on Transferability**

By their acceptance of the Series 2024B Subordinate Bonds, each Owner acknowledges that the Series 2024B Subordinate Bonds may be sold, transferred or otherwise disposed of only in principal denominations of \$500,000 or any integral multiple of \$1,000 in excess thereof. No assurance can be given concerning the future existence of a secondary market for the Series 2024B Subordinate Bonds, and prospective purchasers of the Series 2024B Subordinate Bonds should therefore be prepared, if necessary, to hold their Series 2024B Subordinate Bonds to maturity or prior redemption, if any. See “THE SERIES 2024B SUBORDINATE BONDS—Authorized Denominations of the Series 2024B Subordinate Bonds.”

The Series 2024B Subordinate Bonds are issued in authorized denominations of \$500,000 or any integral multiple of \$1,000 in excess thereof. The par amount of the Series 2024B Subordinate Bonds is \$[PAR-B]\*, which is not evenly divisible by \$500,000. In the event that the initial purchasers of the Series 2024B Subordinate Bonds sell a portion of their Series 2024B Subordinate Bonds in the secondary market in an amount which leaves such purchasers holding Series 2024B Subordinate Bonds in an amount less than the applicable authorized denomination, there is a risk that such purchasers may experience difficulty in liquidating their remaining holdings because it is less than the minimum authorized denomination. In addition, it is possible that DTC or the Trustee would not permit a secondary market sale which results in the seller retaining an ownership interest in a residual amount less than \$500,000.

## **No Credit Rating; Risk of Investment**

*The Series 2024B Subordinate Bonds do not have a credit rating from any source and are not suitable investments for all investors. Each prospective purchaser is responsible for assessing the merits and risks of an investment in the Series 2024B Subordinate Bonds and must be able to bear the economic risk of such investment in the Series 2024B Subordinate Bonds. By purchasing the Series 2024B Subordinate Bonds, each purchaser of the Series 2024B Subordinate Bonds represents that it is a “financial institution or institutional investor,” as such terms are defined in Section 32-1-103(6.5), C.R.S. Each purchase of the Series 2024B Subordinate Bonds represents that it has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of non-rated tax-exempt obligations, to be able to evaluate the merits and risks of an investment in the Series 2024B Subordinate Bonds.*

## **Limited Pledged Revenue Sources; No Mortgage or Guaranty Securing Any Series 2024B Subordinate Bonds**

The Series 2024B Subordinate Bonds are secured by and payable solely from and to the extent of the Subordinate Pledged Revenue, all as more particularly described herein. The primary source of revenue

pledged for debt service on the Series 2024B Subordinate 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 Series 2024B Subordinate Bonds is dependent, in part, upon development of an adequate tax base from which the District can collect sufficient property tax revenue from the imposition of the Subordinate Required Mill Levy. See “—Risk of Reductions in Assessed Value; Assessed Valuation Procedures and Factors; Market Value of Land” and “—Continued Development Not Assured” below. The Financial Forecast (included in APPENDIX A hereto) sets forth the anticipated payment of debt service on the Series 2024B Subordinate Bonds, based on assumptions concerning growth and residential home price appreciation in the District and the mill levy imposed for payment of debt service on the Series 2024B Subordinate Bonds. See “—Risks Inherent in the Financial Forecast and the Market Study” below and “APPENDIX A—FINANCIAL FORECAST” and “APPENDIX B—MARKET STUDY.”

In the event that the revenue derived from the Subordinate Required Mill Levy and the Subordinate Pledged Revenue is insufficient to pay the scheduled principal of and/or interest on the Series 2024B Subordinate Bonds when due (meaning the principal amount thereof due at maturity and interest accrued thereon as of each December 15), the unpaid principal will continue to bear interest, and the unpaid interest will compound as described herein until the total repayment obligation of the District for the Series 2024B Subordinate Bonds equals the amount permitted by law, **subject to the prior discharge of the Series 2024B Subordinate Bonds as more particularly described in “—Discharge of the Series 2024B Subordinate Bonds in 2059” below.** During this period of accrual, so long as the District is enforcing collection of the Subordinate Pledged Revenue, the District will not be in default on the payment of such principal and interest under the Subordinate 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 Subordinate Required Mill Levy and collect the revenue derived from such levy and the other components of the Subordinate 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 Series 2024B Subordinate Bonds may be deemed defeased. The District's electoral authorization limits the total repayment cost of indebtedness authorized at the Election for the payment of infrastructure costs to \$331,891,720 in total; provided that such repayment cost is allocated among indebtedness issued to fund specific subcategories of infrastructure. See “THE SERIES 2024B SUBORDINATE BONDS—Certain Subordinate Indenture Provisions—*Events of Default*” and “—*Remedies on Occurrence of Event of Default*.”

*The payment of the principal of and interest on the Series 2024B Subordinate 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 Subordinate Pledged Revenue, and the funds and accounts pledged to the Series 2024B Subordinate Bonds in the Subordinate Indenture). The Series 2024B Subordinate Bonds are also not obligations of the Developer or any third-party property owners within the Development and are not secured by any property or assets owned by such entities.*

### **Limited Nature of Subordinate Required Mill Levy; No Conversion of Series 2024B Subordinate Bonds to Unlimited Tax Obligations**

The primary source of revenue pledged for the payment of debt service on the Series 2024B Subordinate Bonds is expected to be revenue generated from ad valorem property taxes assessed by the District against all taxable property of the District in the amount of the Subordinate Required Mill Levy. In no event, will the maximum mill levy cap set forth therein be subject to release upon the District

achieving any particular level of assessed valuation, and in no event will the Series 2024B Subordinate Bonds become unlimited tax obligations of the District.

Furthermore, by operation of the definition of 2020 Required Mill Levy imposed for the payment of the Series 2020 Senior Bonds, it is anticipated that the Subordinate Required Mill Levy will equal zero for a period of time, and in all events will be reduced by the amount of the Senior Obligation Mill Levy, as more particularly described below.

In accordance with the 2020 Indenture, the District has covenanted to impose the 2020 Required Mill Levy in an amount necessary to provide for payment of the Series 2020 Senior Bonds; provided, however, that such 2020 Required Mill Levy is not to exceed 50 mills (subject to adjustment for changes occurring after August 24, 2004 as described herein). Furthermore, so long as the amount on deposit in the Surplus Fund (held under the 2020 Indenture) is less than the Maximum Surplus Amount, the District has covenanted to impose the 2020 Required Mill Levy in an amount equal to 50 mills (subject to after August 24, 2004, as described herein). **As a result, the Subordinate Required Mill Levy will equal zero** at any time that: (a) the payment of the Series 2020 Senior Bonds (and any other Senior Obligations) requires the imposition of at least 50 mills (subject to adjustment for changes occurring after August 24, 2004 as described herein); and (ii) at any time that the amount on deposit in the 2020 Surplus Fund is less than the Maximum Surplus Amount. See “APPENDIX A—FINANCIAL FORECAST.”

#### **Priority of Lien; “Cash Flow” Nature of Series 2024B Subordinate Bonds**

The Series 2020 Senior Bonds constitute Senior Obligations under the Subordinate Indenture and the Series 2024B Subordinate Bonds constitute Subordinate Obligations under the 2020 Indenture (defined below). Accordingly, to the extent any non-property tax revenues are pledged under the Subordinate Indenture and 2020 Indenture to the Series 2020 Senior Bonds and the Series 2024B Subordinate Bonds (presently, only the Capital Fees), the lien thereon of the Series 2024B Subordinate Bonds is junior and subordinate in all respects to the lien of the Series 2020 Senior Bonds and any other Senior Obligations issued in the future.

The District has covenanted in the 2020 Indenture 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 Senior Property Tax Revenues in any Senior Bond Year to pay annual debt service on the Series 2020 Senior Bonds and any Senior Parity Bonds and to fund such funds and accounts as are required in accordance with the terms of the 2020 Indenture and the resolution, indenture, or other enactment authorizing such Senior Parity Bonds (including to fill the 2020 Surplus Fund (held under the 2020 Indenture) to the 2020 Maximum Surplus Amount, and to fill the surplus fund for any Senior Parity Bonds to the Senior Parity Bonds Maximum Amount, and to replenish the 2020 Reserve Fund (held under the 2020 Indenture) to the 2020 Reserve Requirement and any similar fund or account security Senior Parity Bonds to the Senior Parity Bonds Reserve Requirement, if needed), and only after the funding of such payments and accumulations required in such Senior Bond Year can property tax revenue be applied to pay Subordinate Obligations (including the Series 2024B Subordinate Bonds).

With respect to the Series 2024B Subordinate Bonds, the District has pledged to impose a Subordinate Required Mill Levy for payment of such Series 2024B Subordinate Bonds in an amount equal to 50 mills (subject to adjustment as described herein less the Senior Obligation Mill Levy (which includes the 2020 Required Mill Levy described herein and any other ad valorem property tax levy required to be imposed by the District for the payment of Senior Obligations), meaning that there will only be ad valorem property taxes generated and applied to payment of the Series 2024B Subordinate Bonds in the event that the Senior Obligation Mill Levy is less than 50 mills (subject to adjustment as described herein). See also “THE SERIES 2024B SUBORDINATE BONDS—Security for the Series 2024B Subordinate Bonds.”

The Series 2024B Subordinate Bonds are structured as “cash flow” bonds, meaning that there are no scheduled payments of principal thereof prior to the final maturity date. Rather, principal on the Series 2024B Subordinate Bonds is payable annually on each December 15 from, and to the extent of, Subordinate Pledged Revenue on deposit, if any, in the Subordinate Mandatory Redemption Account of the Subordinate Bond Fund 45 days prior to such December 15, in accordance with the terms of the Subordinate Indenture, pursuant a mandatory redemption more particularly described in “THE SERIES 2024B SUBORDINATE BONDS—Redemption—Mandatory Redemption” and “—Certain Subordinate Indenture Provisions—Subordinate Bond Fund; Mandatory Redemption.” Interest on the Series 2024B Subordinate Bonds is payable on each December 15 to the extent of the Subordinate Pledged Revenue available therefor, and accrued unpaid interest on the Series 2024B Subordinate Bonds will compound annually on each December 15 until sufficient Subordinate Pledged Revenue is available for payment. See also the Financial Forecast, attached as APPENDIX A hereto, and “RISK FACTORS—Risks Inherent in the Financial Forecast and the Market Study.”

As demonstrated in the Financial Forecast, under the base case scenario, it is not anticipated that there will be any Subordinate Pledged Revenue available to pay accrued interest on the Series 2024B Subordinate Bonds until 20[F1]\* and it is not anticipated that there will be any Subordinate Pledged Revenue available to pay principal on the Series 2024B Subordinate Bonds until 20[FP]\*. These dates represent a forecast and there is no guarantee that any payments will be made on or after such dates or, further, that the Series 2024B Subordinate Bonds will be paid prior to December 15, 2059, as more particularly described below. The Financial Forecast is based on certain assumptions more particularly set forth therein. There is no assurance that Subordinate Pledged Revenue will be sufficient to make payment on the Series 2024B Subordinate Bonds as projected in the Financial Forecast, or ever. See also the Financial Forecast, attached as APPENDIX A hereto, and “RISK FACTORS—Risks Inherent in the Financial Forecast and the Market Study.”

Notwithstanding anything in the Subordinate Indenture to the contrary, in the event that, on December 15, 2059, any amount of principal of or interest on the Series 2024B Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue available therefor in accordance with the Subordinate Indenture, the Series 2024B Subordinate Bonds are to be deemed discharged.

### **No Reserve Fund or Surplus Fund**

There will be no reserve fund or surplus fund securing the Series 2024B Subordinate Bonds. The 2020 Reserve Fund and the 2020 Surplus Fund secure only the Series 2020 Senior Bonds and do not secure the Series 2024B Subordinate Bonds.

### **No Acceleration; No Payment Default**

The Subordinate Indenture provide that acceleration of the Series 2024B Subordinate Bonds is not an available remedy for any Event of Default under the Subordinate Indenture. In addition, the District’s failure to pay principal and interest on the Series 2024B Subordinate 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 Subordinate Pledged Revenue. See “THE SERIES 2024B SUBORDINATE BONDS—Certain Subordinate Indenture Provisions—*Events of Default*” and “—*Remedies on Occurrence of Event of Default*.”

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\* Preliminary; subject to change.

## **Enforceability of Bondholders' Remedies Upon Default**

The remedies available to the owners of the Series 2024B Subordinate Bonds upon a default are in many respects dependent upon judicial action, which could subject the owners of the Series 2024B Subordinate 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 Subordinate Indenture and the Series 2024B Subordinate 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 its 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 Series 2024B Subordinate 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.

## **Discharge of Series 2024B Subordinate Bonds in 2059**

Notwithstanding anything in the Subordinate Indenture to the contrary, in the event that any amount of principal of or interest on the Series 2024B Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue available therefor on December 15, 2059, the Series 2024B Subordinate Bonds are to be deemed discharged. Upon such discharge, the Owners will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the Series 2024B Subordinate Bonds remaining unpaid.

## **Additional Obligations**

The District may issue Additional Obligations (as such term is defined in the Subordinate Indenture, see APPENDIX C), without the consent of the Consent Parties of the Series 2024B Subordinate Bonds, subject to the satisfaction of certain conditions described in “THE SERIES 2024B SUBORDINATE BONDS—Certain Subordinate Indenture Provisions—*Additional Obligations.*” The District’s issuance of Additional Obligations (as defined in the Subordinate Indenture, see also “APPENDIX C—SELECTED DEFINITIONS”) is also subject to the limitations of the District’s electoral authorization.

The issuance of Additional Obligations would potentially dilute the security available for the Series 2024B Subordinate Bonds.

## **Continued Development Not Assured**

**General.** The repayment of the Series 2024B Subordinate Bonds is highly dependent upon an increase in the assessed valuation of property in the District to provide a tax base from which ad valorem property tax revenues resulting from imposition by the District of the Subordinate Required Mill Levy are to be collected. Such increase in assessed valuation is dependent upon development within the District, which, in turn, is subject to market demand, market conditions and a variety of other factors beyond the control of the District and the Developer.

***Planned Development and Status.*** Development of property in the Development will require, among other things, approval by the Town Planning Commission and the Town Council of site development plans for the Remaining Development; administrative approval by the Town Manager of final plats for the Remaining Development; execution of agreements with the Town related to Public Improvements, as necessary, including any additional Subdivision Improvement Agreements (see “THE DEVELOPMENT—Agreements Concerning Public Improvements”); construction of remaining Public Improvements and private improvements required for the Development (see “—*Public and Private Improvements*”); confirmation of sufficient water credits available to fully serve the Remaining Development and if, as platting progresses, there is any insufficiency in water credits, the purchase of additional water in the amounts necessary for the Remaining Development (see “—*Water and Sewer*”); and sale of all single-family detached and attached (townhome) lots in the Development to Cardel Homes and the sale by Cardel Homes to other Homebuilders, if any, of certain single-family detached lots for construction and sale of residential units thereon.

As of August 1, 2024, no site development plans have been approved for the Remaining Development. It is anticipated that site development plan for the 525 single-family detached lots will be submitted in the third quarter of 2024, with approval in the fourth quarter of 2024, and the site development plan for the 105 single-family attached (townhome) lots will be submitted in the third or fourth quarter of 2024, with approval in the fourth quarter of 2024 or the first quarter of 2025. No assurance is provided that site development plans will be submitted to or approved by the Town in the manner or timeframe anticipated or at all.

As of August 1, 2024, no final plats have been approved for the Remaining Development. After approval of the required site development plans (see “—*Site Development Plans*”), development of the Remaining Development will require approval of multiple final plats which will subdivide approximately 293 acres into 525 single-family detached lots (the “SF Plat”) and one or more final plats which will subdivide approximately 9 acres into 105 single-family attached lots (the “MF Plat”). According to the Developer, it is anticipated that the SF Plat will be approved by the Town in the fourth quarter of 2024 and that the MF Plat will be approved by the Town in the fourth quarter of 2024, or the first quarter of 2025. No assurance is provided that final plats will be approved by the Town in the manner or timeframe anticipated or at all.

As of August 1, 2024, the Developer has executed two purchase and sale agreements with Cardel Homes to purchase the property in the Remaining Development. According to the Developer, Cardel Homes is expected to close on the purchases in the third or fourth quarter of 2024. No assurance is provided that such closings will occur in the manner or timeframe anticipated or at all.

Cardel Homes anticipates selling a portion of the remaining single-family detached lots to one or two additional builders. However, as of the date of this Limited Offering Memorandum, Cardel Homes has not entered into any letters of intent or purchase and sale agreements with other Homebuilders. No assurance is provided that any other Homebuilders will ultimately construct homes within the Development.

Notwithstanding any of the foregoing, none of the Developer, Cardel Homes, other Homebuilders, if any, nor any future owner of property within the Development is obligated to construct homes thereon in any particular timeframe or at all. The Market Study attached hereto as APPENDIX B provides an analysis of the assumed build-out schedule and product mix (including price levels) of the Development. The Financial Forecast included in APPENDIX A hereto provides certain forecasts of revenue of the District. **No assurance can be given that build-out will occur as presently planned, within the presently anticipated timeframes and resulting in the presently anticipated product values or projected appreciation in values. All development projections, including, without limitation, the ultimate number and price levels of residential units remaining to be constructed in the Development, are**

**dependent on market activity, governmental regulations, general economic conditions, and other factors over which the District, the Developer, Cardel Homes, and other Homebuilders, if any, have no control.** See “—Risks Inherent in the Financial Forecast and the Market Study” below, “THE DEVELOPMENT,” “APPENDIX A—FINANCIAL FORECAST” and “APPENDIX B—MARKET STUDY.”

***Public and Private Improvements.*** Completion of the Development will require completion of the remaining trunk Public Improvements (currently comprised of the Roundabout, see “THE DEVELOPMENT—Agreements Concerning Public Improvements—*Roundabout PIA*”) by the District and the Developer and the remaining in-tract Public Improvements and private improvements for the Remaining Development by Cardel Homes. According to the Developer, construction of Public Improvements and private improvements is anticipated to be completed by 2031. As of August 1, 2024, approximately 25% of the Public Improvements required for the Development are complete, which includes all of the Public Improvements and private improvements for the Richmond Development.

According to the Developer, the total cost of remaining Public Improvements required to be constructed for the Development is estimated at approximately \$76,200,000. The total cost of remaining private improvements required to be constructed for the Development is estimated at approximately \$10,000,000. According to the Developer, as of July 31, 2024 approximately \$10,500,000 has been expended for remaining Public Improvements, which includes drainage improvements, sanitary sewer improvements, water improvements and certain street improvements, and approximately \$3,000,000 has been expended for the remaining private improvements. All remaining Public Improvements are anticipated to be funded and constructed by a combination of the District and the Developer and Cardel Homes, subject to reimbursement of a portion of the costs thereof by the District from proceeds of the Series 2024B Subordinate Bonds (estimated at \$\_\_\_\_\_)\*. The costs of any Public Improvements in excess of the proceeds of the Series 2024B Subordinate Bonds and the costs of private improvements required for the Development are anticipated to be funded by the Developer and Cardel Homes from funds on hand.

Certain of the estimated costs of the Public Improvements and private improvements described herein required for the Development are based upon preliminary engineering estimates and are subject to change as development progresses. No assurance is given that the costs of Public Improvements and private improvements necessary to serve the Development will not exceed the estimates provided herein.

The costs of Public Improvements and private improvements are subject to many factors not within the control of the District, the Developer and Cardel Homes, including but not limited to, labor conditions, access to and cost of building supplies, supply chain issues, energy costs, availability and costs of fuel, transportation costs, and economic conditions generally. There can be no assurance that the District, the Developer and Cardel Homes, as applicable, will fund such infrastructure costs or the financial resources thereof will be adequate to do so, and there can be no assurance that, if needed, the District, the Developer and Cardel Homes, as applicable, would be able to obtain additional funding from outside sources. No independent investigation has been made of the financial resources of the Developer or Cardel Homes. See “THE DEVELOPMENT—Status of Construction and Funding of Public and Private Improvements.” If the Public Improvements and private improvements necessary to fully support all residential units within the Development are not completed as anticipated herein and, as a result, build-out of the Development is not completed in the time and manner reflected in the Financial Forecast, the assessed valuation forecasted for the District will not be realized in the manner forecasted which could have a material, adverse effect on the District’s ability to repay the Series 2024B Subordinate Bonds. See the Financial Forecast set forth in APPENDIX A hereto for the build-out projections for residential construction within the Development and the corresponding estimated assessed valuation relating to such planned development. See also the Market

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\* Preliminary; subject to change.

Study set forth in APPENDIX B.

**Water Rights.** According to the Developer, the Development currently has 276.2 SFE units available for application to the water requirements for the Remaining Development. The Developer anticipates that such amount will be sufficient to complete the Remaining Development given reduction in water use due to stricter landscaping requirements. **However, the ultimate SFEs required to serve the Remaining Development will not be known until the Remaining Development is subject to approved final plats.** As a result, it is possible that there will be insufficient water credits available to fully serve the Remaining Development. In such case, the Developer and Cardel Homes are anticipated to purchase additional water rights. No assurance is provided that the current amount of water will be sufficient to fully serve the Remaining Development, and if not, that the Developer and Cardel Homes will be able to purchase sufficient water rights in the amount and timeframe needed for the Remaining Development to be completed as anticipated herein.

***Potential Nuisances and Environmental Matters.***

**Environmental Matters.** Certain environmental reports have been completed for the property as described in “THE DEVELOPMENT—Environmental Matters and Potential Nuisances.” The most recent report did not identify any recognized environmental conditions on the property in the Development. No assurance is provided that during or subsequent to the development of the Development hazardous materials or other adverse environmental conditions will not be discovered on the property which could hinder or prohibit development. Should such a discovery occur, it is possible that the Development and marketing of the Development could be materially adversely affected and, as a result, that the Subordinate Pledged Revenue may be insufficient to pay debt service on the Series 2024B Subordinate Bonds. See “THE DEVELOPMENT—Environmental Matters and Potential Nuisances.”

**Climate Change.** Climate change, including change caused by human activities, may have material adverse effects on the Development. 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, which may impact the assessed value of property within the District and/or development of the undeveloped property in the Development. The future fiscal impact of climate change on the Development is difficult to predict, but it could be significant and it could have a material adverse effect on the receipt of the Subordinate Pledged Revenue.

**Drought.** From time to time, the State experiences droughts. According to the National Integrated Drought Information System’s U.S. Drought Monitor, as of August 1, 2024, the County is currently experiencing abnormally dry conditions. There can be no assurance that drought conditions will not occur in the future, however, and the level of such potential drought conditions could be severe. The existence of drought conditions, if any, may materially adversely the receipt of Pledged Revenue.

**Wildfire; Disaster Risk.** The Development is located in the Town’s urban/wildland interface area and is required to implement certain measures to minimize the destructive effects from a wildfire.

In recent years, the State has experienced numerous significant wildfires. For example, according to the Rocky Mountain Area Coordination Center, in 2020, more than 625,000 acres were burned by wildfires throughout the State and in 2022 (most recent data available), more than 45,000 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 August 2, 2024, the Development’s current fire danger is high. No assurance can be given as to whether any future wildfire will impact any portion of the Development or whether the risk of wildfire will affect the marketability of the Development.

The occurrence of wildfires in or adjacent to the Development could have an adverse effect, among other matters, on the assessed valuation of the property in the District and the availability of property insurance. In the event a fire or other natural or man-made disaster destroys all or any portion of the Development, the Subordinate 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. See “THE DEVELOPMENT—Environmental Matters and Potential Nuisances.”

***Competition With Other Developments.*** The Development competes with developments in surrounding areas and can be expected to compete with existing and future developments, some of which are not yet known. Such competition may adversely affect the rate of development within the District. See the Market Study set forth in APPENDIX B hereto.

***Other Factors Affecting Rate of Development.*** Many unpredictable factors could influence the actual rate of development and construction of homes within the Development, including prevailing interest rates, availability of development and construction funding, economic conditions generally, development and supply of residential housing in the area, availability of mortgages, federal taxation of interest on mortgages, availability of property insurance, construction costs, labor conditions and unemployment rates, access to and cost of building supplies, limitations or moratoria on building permits, availability and costs of fuel, and transportation costs, and severe weather and acts of God, among other things. See also “—Foreclosures” below, “THE DEVELOPMENT—Competition,” “APPENDIX D—ECONOMIC AND DEMOGRAPHIC INFORMATION—Housing Stock” and “—Foreclosure Activity.”

***Tax Reform.*** The rate of development may also be affected by changes to the Code made in 2017 affecting individual income tax deductions and credits, including but not limited to, the deductions for interest on home mortgages and state and local taxes, and future changes to the Code that could affect the foregoing and other income tax deductions and credits. The product type ultimately constructed in the Development and resulting initial home values and the increase (or decrease) in residential home values during the term of the Series 2024B Subordinate Bonds as a result of such changes or potential future changes cannot be predicted and has not been assessed by the providers of the Market Study or the Financial Forecast.

### **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, nor can the District predict the extent to which future development in the District may be adversely impacted. 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 Series 2024B Subordinate Bonds.

**In addition, as the scope and impact of any potential future public health emergency, is currently unknown, assumptions, information and conclusions set forth in the Financial Forecast (APPENDIX A) and the Market Study (APPENDIX B) must be read and considered in the context of the matters described herein, which may materially and adversely affect the assumptions, information and conclusions set forth in such report. See also “FORWARD-LOOKING STATEMENTS.”**

### **Financial Condition of the Developer and Cardel Homes**

There has been no independent investigation of and no representation is made in this Limited Offering Memorandum regarding the financial soundness of the Developer or Cardel Homes or of the managerial capability of the foregoing to develop and market the property within the Development as planned. Moreover, the financial circumstances of the Developer and Cardel Homes may change from time to time. Development within the District is dependent upon the ability of the Developer and Cardel Homes to implement the development plan contemplated herein, as described above in “—Continued Development Not Assured.” Furthermore, neither the Developer, Cardel Homes, nor any other future property owner, is under a binding obligation to develop property within the District as planned, nor is there any restriction on the right of the Developer, Cardel Homes, or any other future property owner, to sell any or all of its property within the District or to withdraw completely from the Development. Prospective investors are urged to make such investigation as deemed necessary concerning the financial soundness of the Developer or Cardel Homes and its ability to implement the plan of Development as described herein.

### **Risks Inherent in the Financial Forecast and the Market Study**

The District has retained (a) Zonda Advisory, Centennial, Colorado, to prepare a report, dated July 22, 2024, as most recently revised on August 12, 2024, and an addendum thereto entitled “Monthly Snapshot: Economic & Housing Indicators Impacting the Colorado Front Range” dated \_\_\_\_\_, 2024 (together, as previously defined, the “Market Study”), to assess the home pricing and annual absorption for the Development; and (b) CliftonLarsonAllen LLP, Certified Public Accountants, Greenwood Village, Colorado (as previously defined, “Forecast Provider”) to prepare the District’s [“Forecasted Statement of Sources and Uses of Cash”] dated as of [\_\_\_\_\_] , 2024 (the “Financial Forecast”).

**Financial Forecast.** The Financial Forecast (in APPENDIX A hereto) projects the payment of debt service on the Series 2024B Subordinate Bonds, based on the absorption schedule and home prices presented in the Market Study, and the other assumptions more particularly described in the Financial Forecast. In particular, the Financial Forecast sets forth: (a) \_\_\_\_\_

As demonstrated in the Financial Forecast, under the base case scenario, \_\_\_\_\_

See “FORWARD-LOOKING STATEMENTS,” “—Risk of Reductions in Assessed Value; Assessed Valuation Procedures and Factors; Market Value of Land” below and “APPENDIX A—FINANCIAL FORECAST.”

*These dates represent a forecast and there is no guarantee that any payments will be made on or after such dates or, further, that the Series 2024B Subordinate Bonds will be paid prior to December 15, 2059. Prospective purchasers are cautioned that the payment of debt service on the Series 2024B Subordinate Bonds presented in the Financial Forecast is only a projection, based upon the assumptions set forth therein, and failure to pay such amounts on the Series 2024B Subordinate Bonds in accordance with such projection will not constitute an event of default under the Subordinate Indenture.*

If the absorption schedule and home prices presented in the Market Study are not realized, then the Series 2024B Subordinate Bonds may not be repaid.

Actual rates of development will be affected by many factors. The Financial Forecast is also based, in part, on certain other important assumptions more particularly described in the Financial Forecast. The Developer has stated that it believes, based solely on the information available to the Developer without independent investigation, the assumptions contained within the Financial Forecast relating to the rate of development, valuation of properties, and constructed improvements within the Development set forth in the Financial Forecast are reasonable. No assurance can be given that the actual rate of development and values will be as presented in the Financial Forecast. [CONFORM TO DLOR]

**Market Study.** The Market Study set forth in APPENDIX B hereto contains certain projections regarding the home prices and annual absorption in the Development, which are based on certain assumptions more particularly set forth therein. The Market Study provides an assessment of home prices and annual absorption based on current market conditions, which conditions are comprised solely of those specifically identified in the Market Study. The Market Study does not address or evaluate other factors which could impact whether the Development proceeds as contemplated therein, including the availability of funding, the receipt of entitlements, the completion of required infrastructure, and other matters described in “—Continued Development Not Assured” above and any changes in the method of calculating assessed value, described in “—Risk of Reductions in Assessed Value; Assessed Valuation Procedures and Factors; Market Value of Land” below.

The information presented in “APPENDIX A—FINANCIAL FORECAST,” and “APPENDIX B—MARKET STUDY” inherently is subject to variations between the assumptions and actual results and those variations could be material. See “—Risk of Reductions in Assessed Value; Assessed Valuation Procedures and Factors; Market Value of Land” below and “FORWARD-LOOKING STATEMENTS.”

*The Financial Forecast and Market Study attached as APPENDIX A and APPENDIX B, respectively, hereto are an integral part of this Limited Offering Memorandum. Potential investors are encouraged to read the entire Limited Offering Memorandum, including the Financial Forecast and Market Study, to obtain information essential to the making of an informed investment decision.*

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

The owners of the Series 2024B Subordinate 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 Series 2024B Subordinate 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 Development will not do so. Under certain circumstances, State statutes permit the owners of vacant residential property to apply to the County Assessor for discounted valuation of such property for ad valorem property tax purposes, and in certain circumstances, multi-family projects can qualify for an exemption from property taxation (although no multi-family units are planned within the Development). Should the actions of property owners result in lower assessed valuations of property in the Development, the security for the Series 2024B Subordinate Bonds would be diminished, increasing the risk of nonpayment. Regardless of the actions of property owners, the values of finished lots and 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 anticipated within the Development), is not currently subject to taxation.

In addition, the projected assessed value of property in the District set forth in the Financial Forecast is based on certain assumptions as to the manner in which various properties will be assessed by the County Assessor. While these assumptions are based on information provided by the County Assessor, no assurance is given that any particular methodology presently used by the County Assessor to determine the actual value of property 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 2020 Required Mill Levy and the Subordinate Required Mill Levy include certain adjustment language that is intended to require the District to increase the 2020 Required Mill Levy and Subordinate 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 2020 Required Mill Levy and the Subordinate 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 2020 Required Mill Levy and Subordinate Required Mill Levy. See “DEBT STRUCTURE” and “THE SERIES 2024B SUBORDINATE BONDS—Security for the Series 2024B Subordinate Bonds.” See also “APPENDIX A—FINANCIAL FORECAST” and “APPENDIX B—MARKET STUDY.”

*The Financial Forecast assumes that the residential assessment rate will adjust to 6.8% in property tax year 2026 and remain at 6.8% for the life of the Bonds. In additional, the Financial Forecast assumes that the actual value adjustments beginning in property tax year 2026 will be increased for inflation at the rate of 2% each reassessment cycle. It does not reflect any other changes to the assessment ratios that have been or may be enacted into law in the future. Any changes to the assessment ratios are not anticipated to affect the amount of revenue derived from the 2020 Required Mill Levy and Subordinate Required Mill Levy due to language in the definitions thereof requiring adjustment thereof in the event of changes in the*

*method of calculating assessed valuation. See “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Taxes— Assessment of Property—Current Assessment Ratios.”*

### **Potential Transfers to Tax-Exempt Users**

Property used for tax-exempt purposes is not subject to taxation by the District. It is possible that property within the District that is currently anticipated to generate property taxes pledged to the payment of the Series 2024B Subordinate Bonds will be transferred to tax-exempt users. For example, in certain circumstances, certain types of multi-family projects can qualify for an exemption from property taxation. Although no projects of that type are currently planned within the District, no assurance can be provided that a property owner will not transfer such property to a tax-exempt user in the future. There is no prohibition on the sale of property to tax-exempt users, and there are no covenants imposing payments in lieu of taxes currently or planned to be recorded against property in the District. In addition, it is possible that some or all of the property in the District could be condemned for public use, in which case it may no longer be subject to taxation by the District. If any of the foregoing events occur, property taxes available to pay the Series 2024B Subordinate Bonds could be significantly reduced.

*No covenants imposing payments in lieu of taxes (“PILOT”) are currently recorded on the property in the District, and neither Cardel Homes nor the Developer has any present plan to record any PILOTs. Unless a PILOT is recorded against property in the District, no revenues for the payment of the Series 2024B Subordinate Bonds will be generated from any tax-exempt property within the District. Moreover, development plans are subject to change and no assurance is provided that any of the property within the Development will not be sold, or that vacant property in the Development will not later be resold, to entities that ultimately develop or use the property for tax-exempt purposes.*

### **Foreclosures**

The District’s ability to collect property tax revenue for timely payment of the Series 2024B Subordinate Bonds depends, among other things, upon development within the District and the maintenance of an adequate tax base from which the District can collect sufficient property tax revenue from the imposition of the Subordinate Required Mill Levy. 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 Development. Increased foreclosure rates could also cause lenders to tighten their lending practices and decrease their approvals of home loans, making it more difficult for potential homebuyers to finance home acquisitions. Such changes in lending practices could have an impact on the rate of home sales within the Development. See also “APPENDIX D—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 Development. Rather, the obligation to pay property taxes is tied to the specific properties taxed, and if timely payment is not made, the obligation constitutes a lien against the specific properties for which taxes are unpaid. To enforce property tax liens, the County Treasurer is obligated to cause the sale of tax liens upon the property that is subject to the delinquent taxes, as provided by law, and the revenue derived from such sales, if any, is applied to the delinquent taxes. The County Treasurer has the power to foreclose on and cause the sale of the property that is subject to the delinquent tax, after the period allowed for the property owner to redeem such taxes, as provided by law. Such redemption period is currently three years, during which a property owner may pay all taxes due and prevent such foreclosure. Foreclosure can be a time-consuming and expensive process and does not necessarily result in recovery of all amounts due and unpaid.

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

Finally, the collection of property taxes is dependent upon the property subject to such taxes having sufficient fair market value to support the taxes which are imposed. No assurance can be given as to the future market values of property in the Development. See “—Risk of Reductions in Assessed Value; Assessed Valuation Procedures and Factors; Market Value of Land” above and “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Taxes.”

## **Taxpayer Concentration**

As of August 1, 2024, the Developer and homeowners (see “THE DEVELOPMENT—Land Ownership”) own all of the taxable property within the District. Other property in the District is owned by tax-exempt entities. The remaining vacant property in the District is anticipated to be sold by the Developer to Cardel Homes, which would result in Cardel Homes becoming a major taxpayer in the District. See “DISTRICT FINANCIAL INFORMATION —Ad Valorem Property Tax Data—*Assessed Valuation, Mill Levies, Property Owners and Class of Property.*”

Property taxes on land are not personal obligations of the Developer or any other property owner. No party has guaranteed the payment of the principal of or interest on the Series 2024B Subordinate Bonds, and no financial information regarding the Developer, Cardel Homes, the Homebuilders, if any, or any other entity which may develop property or build homes within the Development is provided in this Limited Offering Memorandum. See also “—Continued Development Not Assured” and “—Financial Condition of the Developer and Cardel Homes” above.

## **Directors' Private Interests**

Pursuant to State law, directors are required to disclose to the Colorado Secretary of State and the Board's potential conflicts of interest or personal or private interests which are proposed or pending before the Board. According to disclosure statements filed with the Secretary of State by members of the Board prior to taking any official action relating to the Series 2024B Subordinate Bonds, all Board members have existing personal or private interests relating to the issuance or delivery of the Series 2024B Subordinate Bonds and/or the expenditure of the proceeds thereof resulting from their business relationships with the

Developer. See “THE DISTRICT—Governing Board.” See also “THE DEVELOPMENT—The Development Team.”

### **Future Changes in Law**

Various State laws, constitutional provisions and federal laws and regulations apply to the obligations created by the issuance of the Series 2024B Subordinate 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, the Developer, or the Homebuilders.

### **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 Series 2024B Subordinate Bonds is tax-exempt for federal income tax purposes, or (b) that the District is in or remain in compliance with Service regulations and rulings applicable to governmental bonds such as the Series 2024B Subordinate Bonds. The commencement of an audit of the Series 2024B Subordinate Bonds could adversely affect the market value and liquidity of the Series 2024B Subordinate Bonds, regardless of the final outcome. An adverse determination by the Service with respect to the tax-exempt status of interest on the Series 2024B Subordinate Bonds could be expected to adversely impact the secondary market, if any, for the Series 2024B Subordinate Bonds, and, if a secondary market exists, would also be expected to adversely impact the price at which the Series 2024B Subordinate Bonds can be sold. The Subordinate Indenture do not provide for any adjustment to the interest rates borne by the Series 2024B Subordinate Bonds in the event of a change in the tax-exempt status of the Series 2024B Subordinate Bonds. Owners of the Series 2024B Subordinate Bonds should note that, if the Service audits the Series 2024B Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate Bonds for audit or litigation costs in connection with any legal action, by the Service or otherwise, relating to the Series 2024B Subordinate Bonds.

There can be no assurance that an audit by the Service of the Series 2024B Subordinate 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 Series 2024B Subordinate Bonds. See also “TAX MATTERS.”

### **Changes in Federal and State Tax Law**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2024B Subordinate Bonds or otherwise prevent holders of the Series 2024B Subordinate Bonds from realizing the full benefit of the tax exemption of interest on the Series 2024B Subordinate Bonds. Further, such proposals may impact the marketability or market value of the Series 2024B Subordinate Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether

if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2024B Subordinate Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2024B Subordinate Bonds would be impacted thereby.

Purchasers of the Series 2024B Subordinate Bonds should consult their tax advisors regarding any potential proposed or pending legislation, regulatory initiatives or litigation.

### **Cybersecurity**

The District is aware of the threat of cyberattacks. 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 thereon. A cyber-attack could result in a disruption in the operations of the District. The District contracts with Colorado Special Districts Property and Liability Pool for cybersecurity insurance

## **THE SERIES 2024B SUBORDINATE BONDS**

### **Description**

The Series 2024B Subordinate Bonds will be issued in the principal amount, will be dated and will mature as indicated on the cover page of this Limited Offering Memorandum. For a complete statement of the details and conditions of the Series 2024B Subordinate Bond issue, reference is made to the Subordinate Indenture, a copy of which is available from the Underwriter prior to delivery of the Series 2024B Subordinate Bonds. See “INTRODUCTION—Additional Information.”

*The Series 2024B Subordinate Bonds are authorized, issued and secured by and in accordance with the Subordinate Indenture.*

### **Sources of Payment**

The Series 2024B Subordinate Bonds are “cash flow” limited tax general obligations of the District secured by and payable solely from and to the extent of the Subordinate Pledged Revenue, consisting of moneys derived by the District from the following sources: (a) all Subordinate Property Tax Revenues (generally defined as all moneys derived from imposition by the District of the Subordinate Required Mill Levy); (b) all Subordinate Specific Ownership Tax Revenues; (c) all Subordinate Capital Fee Revenue, if any; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

See “APPENDIX C—SELECTED DEFINITIONS” for definitions of the capitalized terms used above and otherwise throughout this Limited Offering Memorandum. See also “—Security for the Series 2024B Subordinate Bonds” below.

### **“Cash flow” Nature of Series 2024B Subordinate Bonds**

The Series 2024B Subordinate Bonds are structured as “cash flow” bonds, meaning that there are no scheduled payments of principal thereof prior to the final maturity date. Rather, principal on the Series 2024B Subordinate Bonds is payable on each December 15 from, and to the extent of, Subordinate Pledged



Revenue on deposit, if any, in the Subordinate Mandatory Redemption Account of the Subordinate Bond Fund 45 days prior to such December 15, in accordance with the terms of the Subordinate Indenture, pursuant to a mandatory redemption more particularly described in “—Redemption—*Mandatory Redemption*” and “—Certain Subordinate Indenture Provisions—*Subordinate Bond Fund; Mandatory Redemption*” below. Furthermore, accrued unpaid interest on the Series 2024B Subordinate Bonds will compound annually on each December 15. **Notwithstanding anything in the Subordinate Indenture to the contrary, in the event that, on December 15, 2059, any amount of principal of or interest on the Series 2024B Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue available therefor in accordance with the Subordinate Indenture, the Series 2024B Subordinate Bonds are to be deemed discharged.** See also the Financial Forecast in APPENDIX A.

As demonstrated in the Financial Forecast, under the base case scenario, it is not anticipated that there will be any Subordinate Pledged Revenue available to pay accrued interest on the Series 2024B Subordinate Bonds until 20[FI]\* and it is not anticipated that there will be any Subordinate Pledged Revenue available to pay principal on the Series 2024B Subordinate Bonds until 20[FP]\*. These dates represent a forecast and there is no guarantee that any payments will be made on or after such dates or, further, that the Series 2024B Subordinate Bonds will be paid as projected in the Financial Forecast, or ever. See “RISK FACTORS—Risks Inherent in Financial Forecast and the Market Study.”

### **Authorized Denominations of the Series 2024B Subordinate Bonds**

The Series 2024B Subordinate Bonds are being issued in “Authorized Denominations,” defined in the Subordinate Indenture to mean the amount of \$500,000 or any integral multiple of \$1,000 in excess thereof; provided that no individual Series 2024B Subordinate Bond may be in an amount which exceeds the principal amount coming due on any maturity date. In the event a Series 2024B Subordinate Bond is partially redeemed under the Subordinate Indenture and the unredeemed portion is less than \$500,000, such unredeemed portion of such Series 2024B Subordinate Bond may be issued in the largest possible denomination of less than \$500,000, in an integral multiple of \$1,000.

### **Payment of Principal and Interest**

The Series 2024B Subordinate 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 Subordinate Pledged Revenue available therefor on each December 15, commencing December 15, 2024.

To the extent principal of any Series 2024B Subordinate Bond is not paid when due, such principal is to remain Outstanding until paid; **provided that notwithstanding any other provision in the Subordinate Indenture, in the event that any amount of principal of or interest on the Series 2024B Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue available therefor on December 15, 2059, the Series 2024B Subordinate Bonds are to be deemed discharged.** To the extent interest on any Series 2024B Subordinate Bond is not paid when due, such interest is to compound annually on each interest payment date, at the rate then borne by the Series 2024B Subordinate Bond; provided, however, that notwithstanding anything in the Subordinate Indenture to the contrary, the District is not to be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Series 2024B Subordinate Bonds, including all payments of principal, premium if any, and interest, and all Series 2024B Subordinate Bonds will be deemed defeased and no longer Outstanding upon the payment by the District of such amount.

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\* Preliminary; subject to change.

**Notwithstanding anything in the Subordinate Indenture to the contrary, in the event that, on December 15, 2059, any amount of principal of or interest on the Series 2024B Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue available therefor in accordance with the Subordinate Indenture, the Series 2024B Subordinate Bonds are to be deemed discharged.**

The principal of and premium, if any, on the Series 2024B Subordinate Bonds are payable in lawful money of the United States of America to the Owner of each Series 2024B Subordinate Bond upon maturity or prior redemption and presentation at the designated office of the Trustee. The interest on any Series 2024B Subordinate Bond is payable to the person in whose name such Series 2024B Subordinate Bond is registered, at his address as it appears on the registration books maintained by or on behalf of the District by the Trustee, at the close of business on the Subordinate Record Date, irrespective of any transfer or exchange of such Series 2024B Subordinate Bond subsequent to such Subordinate Record Date and prior to such Subordinate 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 Subordinate 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 Series 2024B Subordinate Bonds not less than 10 days prior to the Special Record Date by first-class mail to each such Owner as shown on the registration books kept by the Trustee on a date selected by the Trustee. Such notice is to state the date of the Special Record Date and the date fixed for the payment of such unpaid interest.

Payments for the principal of and interest on the Series 2024B Subordinate Bonds will be made as described in “APPENDIX E—BOOK-ENTRY-ONLY SYSTEM.”

## **Redemption**

***Optional Redemption.*** The optional redemption provisions will be as set forth in the final Limited Offering Memorandum.

***Mandatory Redemption.*** The Series 2024B Subordinate Bonds are subject to mandatory redemption in part by lot on December 15 of each year (each a “Mandatory Redemption Date”), commencing December 15, 2024, to the extent of moneys on deposit, if any, in the Subordinate Mandatory Redemption Account of the Subordinate Bond Fund 45 days prior to the applicable Mandatory Redemption Date, and subject to any minimum requirements with respect to the principal amount of Series 2024B Subordinate Bonds to be redeemed as set forth in the Subordinate Indenture, at a redemption price (the “Mandatory Redemption Price”) equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date, as more particularly described in “—Certain Subordinate Indenture Provisions—*Subordinate Bond Fund; Mandatory Redemption*” below. The District acknowledges and agrees that, notwithstanding anything in the Subordinate Indenture to the contrary, borrowed moneys are not to be used for the purpose of redeeming principal of the Series 2024B Subordinate Bonds pursuant to this paragraph.

***Redemption Procedure and Notice.*** If less than all of the Series 2024B Subordinate Bonds within a maturity are to be redeemed on any prior redemption date, the Series 2024B Subordinate Bonds to be redeemed are to be selected by lot prior to the date fixed for redemption, in such manner as the Trustee is to determine. The Series 2024B Subordinate Bonds are to be redeemed only in integral multiples of \$1,000. In the event a Series 2024B Subordinate Bond is of a denomination larger than \$1,000, a portion of such Series 2024B Subordinate Bond may be redeemed, but only in the principal amount of \$1,000 or any integral multiple thereof. Such Series 2024B Subordinate Bond is to be treated for the purpose of

redemption as that number of Series 2024B Subordinate Bonds which results from dividing the principal amount of such Series 2024B Subordinate Bond by \$1,000. In the event a portion of any Series 2024B Subordinate Bond is redeemed, the Trustee is to, without charge to the Owner of such Series 2024B Subordinate Bond, authenticate and deliver a replacement Series 2024B Subordinate Bond or Series 2024B Subordinate Bonds for the unredeemed portion thereof.

In the event any of the Series 2024B Subordinate Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the Series 2024B Subordinate 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 Series 2024B Subordinate 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, is not to affect the validity of any proceeding for the redemption of other Series 2024B Subordinate Bonds as to which no such failure or defect exists. The redemption of the Series 2024B Subordinate 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 to be specifically subject to the deposit of funds by the District. All Series 2024B Subordinate Bonds so called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

### **Security for the Series 2024B Subordinate Bonds**

***Subordinate Property Tax Revenues.*** The Subordinate Indenture defines “Subordinate Property Tax Revenues” as all moneys derived from imposition by the District of the Subordinate Required Mill Levy. Subordinate 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, Subordinate Property Tax Revenues do not include specific ownership tax revenues.)

The Series 2024B Subordinate Bonds are not secured by property lying within the District, but rather by, among other things, the District’s obligation under the Subordinate Indenture to annually determine and certify a rate of levy, not to exceed the Subordinate Required Mill Levy, for ad valorem property taxes to the Board of County Commissioners for the County in an amount sufficient to pay, along with other legally available revenues, the principal of and interest on the Series 2024B Subordinate Bonds. The Subordinate 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 Subordinate Required Mill Levy*” below and “RISK FACTORS—Enforcement of Tax Collection by County.”

For more information relating to the imposition of the Subordinate Required Mill Levy and the Subordinate Property Tax Revenues, see “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Taxes” and “—Ad Valorem Property Tax Data.”

***Definition of Subordinate Required Mill Levy.*** “Subordinate Required Mill Levy” is defined in the Subordinate Indenture to mean 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 equal to (i) 50 mills **less the Senior Obligation Mill Levy**, or (ii) such lesser amount which, if imposed by the District for collection in the succeeding calendar year, would generate Subordinate Property Tax Revenues which, when combined with moneys then on deposit in the Subordinate Bond Fund, will pay the Series 2024B Subordinate Bonds in full in the year such levy is collected; provided however, that:

(a) in the event of a legislative or constitutionally imposed adjustment in assessed values or the method of their calculation, or any mandated tax credit, cut or abatement after August 24, 2004, the mill levy of 50 mills provided in the Subordinate 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; and

(b) notwithstanding anything in the Subordinate Indenture to the contrary, in no event may the Subordinate Required Mill Levy be established at a mill levy which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Subordinate Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Subordinate Required Mill Levy is to be reduced to the point that such maximum tax increase is not exceeded.

For purposes of the foregoing definition, the following term is defined in the Subordinate Indenture as follows:

“*Senior Obligation Mill Levy*” means the sum of the 2020 Required Mill Levy and any other ad valorem property tax levy required to be imposed by the District for the payment of Senior Obligations.

In accordance with the 2020 Indenture, the District has covenanted to impose the 2020 Required Mill Levy in an amount necessary to provide for payment of the Series 2020 Senior Bonds; provided, however, that such 2020 Required Mill Levy is not to exceed 50 mills (subject to adjustment for changes occurring after August 24, 2004 as described herein). Furthermore, so long as the amount on deposit in the Surplus Fund (held under the 2020 Indenture) is less than the Maximum Surplus Amount, the District has covenanted to impose the 2020 Required Mill Levy in an amount equal to 50 mills (subject to after August 24, 2004, as described herein). **As a result, the Subordinate Required Mill Levy will equal zero** at any time that: (a) the payment of the Series 2020 Senior Bonds (and any other Senior Obligations) requires the imposition of at least 50 mills (subject to adjustment for changes occurring after August 24, 2004 as described herein); and (ii) at any time that the amount on deposit in the 2020 Surplus Fund is less than the Maximum Surplus Amount. See “APPENDIX A—FINANCIAL FORECAST.”

*Covenant To Impose the Subordinate Required Mill Levy.* The Subordinate Indenture provides that for the purpose of paying the principal of, premium if any, and interest on the Series 2024B Subordinate Bonds, the Board is to annually determine and certify to the Board County of 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 Series 2024B Subordinate Bonds remain Outstanding, in addition to all other taxes, the Subordinate Required Mill Levy, subject to the bold paragraph below. Nothing in the Subordinate Indenture is to be construed to require the District to levy an ad valorem property tax for payment of the Series 2024B Subordinate Bonds in excess of the Subordinate Required Mill Levy. When collected, the taxes levied for the foregoing purposes are to be deposited with the Trustee as described below in “—Certain Subordinate Indenture Provisions—*Application of Subordinate Pledged Revenue.*” For purposes of clarification with respect to the Service Plan, the Subordinate Required Mill Levy constitutes a debt service mill levy and not an operating or general fund mill levy. No revenue resulting from imposition of an operating or general fund mill levy is pledged to the payment of the Series 2024B Subordinate Bonds.

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\* Preliminary; subject to change.

The Subordinate Indenture further provides that it is the duty of the Board, annually, at the time and in the manner provided by law for levying other District taxes, to ratify and carry out the provisions of the Subordinate Indenture with reference to the levying and collection of taxes; and the Board is to levy, certify and collect said taxes in the manner provided by law for the purpose of paying the principal of, premium, if any, and interest on the Series 2024B Subordinate Bonds.

**Notwithstanding anything in the Subordinate Indenture to the contrary, the District is not to be required to impose the Subordinate Required Mill Levy for payment of the Series 2024B Subordinate Bonds after December 2058 (for collection in calendar year 2059).**

*Board Determination of Adjusted Mill Levy.* Pursuant to the definition of Subordinate Required Mill Levy set forth above, the mill levy of 50 mills is required to be adjusted by the District in the event of a legislative or constitutionally imposed adjustment in assessed values or the method of their calculation, or any mandated tax credit, cut or abatement after August 24, 2004. Similar adjustments are required to the 2020 Required Mill Levy. See “THE DISTRICT—Service Plan Authorizations and Limitations” and “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Taxes—*Assessment of Property.*” As a result of changes occurring in the ratio of assessed valuation to actual valuation occurring after August 24, 2004, \_\_\_\_\_. [TO BE ADDED AFTER FORECAST RECEIVED] Further adjustments to the mill levy are required to occur in accordance with the definition of Subordinate Required Mill Levy in the event of future changes to the method of calculating assessed valuation or any legislative or constitutionally mandated tax credit, cut, or abatement. See “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Taxes” for discussion of potential further adjustment of the residential assessment rate.

*Subordinate Capital Fee Revenue.* “*Subordinate Capital Fee Revenue*” means any revenue from Capital Fees remaining after deduction of any amount thereof used, paid, pledged, or otherwise applied to the payment of any Senior Obligations (which includes the Series 2020 Bonds). “Capital Fees” is defined in the Subordinate Indenture to mean all fees, rates, tolls, penalties, and charges of a capital nature (excluding periodic, recurring service charges) now or hereafter imposed by the District or any District-owned “enterprise” under Article X, Section 20 of the State Constitution, for services, programs, or facilities furnished by the District; and including the revenue derived from any action to enforce the collection of Capital Fees, and the revenue derived from the sale or other disposition of property acquired by the District from any action to enforce the collection of Capital Fees. Notwithstanding any of the foregoing, Capital Fees does not include Assessments or any fee imposed solely for the purpose of funding operation and maintenance expenses.

*Subordinate Specific Ownership Tax Revenues.* “Subordinate Specific Ownership Tax Revenues” is defined in the Subordinate 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 its imposition of the Subordinate Required Mill Levy in accordance with the provisions of the Subordinate Indenture.

Only the portion of the specific ownership tax which is collected as a result of the imposition of the Subordinate Required Mill Levy is pledged to the payment of the Series 2024B Subordinate Bonds. The portion of the specific ownership tax which is collected as the result of the 2020 Required Mill Levy is pledged to the payment of the Series 2020 Senior bonds and the mill levy imposed by the District for operations and maintenance purposes is anticipated to be applied to operational costs of the District. For additional information concerning the specific ownership tax, see “DISTRICT FINANCIAL INFORMATION—*Specific Ownership Taxes*” and “DEBT STRUCTURE—General Obligation Debt.”

## Certain Subordinate Indenture Provisions

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

**The Subordinate Indenture secures, and the covenants made by the District in the Subordinate Indenture are for the benefit of Owners of, solely the Series 2024B Subordinate Bonds.**

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

- (a) the Subordinate Project Fund; and
- (b) the Subordinate Bond Fund and, therein, the Subordinate Interest Account and the Subordinate Mandatory Redemption Account.

### *Subordinate Project Fund.*

*In General.* The Subordinate Project Fund is to be maintained by the Trustee in accordance with the terms of the Subordinate Indenture.

*Draws from Subordinate Project Fund.* So long as no Event of Default is to have occurred and be continuing, amounts in the Subordinate 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 as an exhibit to the Subordinate Indenture, signed by the District Representative and certifying that all amounts drawn will be applied to the payment of Project Costs. The Trustee may rely conclusively on any such requisition and is not to be required to make any independent investigation in connection therewith. The execution of any requisition by the District Representative is to constitute, unto the Trustee, an irrevocable determination that all conditions precedent to the payments requested have been completed.

*Termination of Subordinate Project Fund.* 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 Subordinate Project Fund is to be credited to the Subordinate Bond Fund. The Subordinate Project Fund is to terminate at such time as no further moneys remain therein.

*Application of Subordinate Pledged Revenue.* The District is to cause all amounts comprising Subordinate Pledged Revenue to [be deposited 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, subject to the last paragraph described in this “—*Application of Subordinate Pledged Revenue;*” provided, however, that in the event that the total amount of Subordinate Pledged Revenue received by the District in a calendar month is less than \$50,000, the Subordinate 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 Subordinate Pledged Revenue received in January, February or March, no later than July 15th for Subordinate Pledged Revenue received in April, May or June, no later than October 15th for Subordinate Pledged Revenue received in July, August or September, and no later than January 15th for Subordinate Pledged Revenue received in October, November or December). **IN NO EVENT IS THE DISTRICT PERMITTED TO APPLY ANY**

**PORTION OF THE SUBORDINATE PLEDGED REVENUE TO ANY OTHER PURPOSE, OR TO WITHHOLD ANY PORTION OF THE SUBORDINATE PLEDGED REVENUE.** The Trustee is to credit all Subordinate Pledged Revenue as received in the following order of priority (excluding the Subordinate Pledged Revenue described in clause (d) of the definition thereof, which is to be deposited directly to the Subordinate Bond Fund). For purposes of the following, when credits to more than one fund, account, or purpose are required at any single priority level, such credits are to rank *pari passu* with each other.

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

SECOND: To the credit of the Subordinate Bond Fund and any other fund or account created for the payment of the principal of, premium if any, and interest on Subordinate Parity Bonds, including any sinking fund, reserve fund, surplus fund or similar fund or account established therefor, pro rata in accordance with the then outstanding principal amounts of the Series 2024B Subordinate Bonds and any Subordinate Parity Bonds, all Subordinate Pledged Revenue received until the funding of all amounts to become due and payable on the Series 2024B Subordinate Bonds and the Subordinate Parity Bonds through maturity; and

THIRD: 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 Subordinate Pledged Revenue received for the remainder of the Subordinate 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 THIRD, are to be released from the lien of the Subordinate Indenture and are to thereafter no longer constitute “Subordinate Pledged Revenue” hereunder).

In the event that any Subordinate Pledged Revenue is available to be disbursed in accordance with clause THIRD 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 Subordinate Pledged Revenue available for disbursement pursuant to THIRD above, the Subordinate Pledged Revenue applied in FIRST and SECOND above is to be deemed to be funded, first, from Subordinate Property Tax Revenues resulting from imposition of the Subordinate Required Mill Levy, second, from Subordinate Capital Fee Revenue, if any, and third, from Subordinate Specific Ownership Tax Revenues resulting from imposition of the Subordinate 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 taxes resulting from imposition of the Senior Obligation Mill Levy in any Subordinate Bond Year to pay annual debt service on Senior Obligations and to fund such funds and accounts as are required in accordance with the terms of the 2020 Indenture and any other resolution, indenture or other enactment authorizing such Senior Obligations, and after the funding of such payments and accumulations required in such Subordinate Bond Year, all property tax revenue collected by the District from a debt service mill levy for the remainder of such Subordinate Bond Year is to, second, be designated as property taxes resulting from imposition of the Subordinate Required Mill Levy unless and until the District has funded the full amount outstanding with respect to the Series 2024B Subordinate Bonds. The debt service property tax levy imposed for the payment of any Junior Lien Obligations is to be deemed reduced to the number of mills available for payment of such Junior Lien Obligations in any Subordinate Bond Year after first providing for the funding of payments and accumulations required with respect to all Senior Obligations in such Subordinate Bond Year, and the full amount outstanding with respect to the Series 2024B Subordinate Bonds and any Subordinate Parity

Bonds (to the extent required by the applicable resolutions, indentures, or other enactments authorizing such Subordinate Parity Bonds).

***Subordinate Bond Fund; Mandatory Redemption.*** Moneys in the Subordinate Bond Fund are to be used by the Trustee solely to pay the principal of, premium if any, and interest on the Series 2024B Subordinate Bonds.

Subordinate Pledged Revenue required to be credited to the Subordinate Bond Fund as described in “—*Application of Subordinate Pledged Revenue*” above is to be credited each Subordinate Bond Year as received as follows:

FIRST: to the credit of the Subordinate Interest Account, the amount required for amounts on deposit therein to equal the interest payable on the Series 2024B Subordinate Bonds in such Subordinate Bond Year; and

SECOND: to the credit of the Subordinate Mandatory Redemption Account, all remaining Subordinate Pledged Revenue credited to the Subordinate Bond Fund for such Subordinate Bond Year.

On each Subordinate Interest Payment Date, the Trustee is to apply amounts on deposit in the Subordinate Interest Account to the payment of interest on the Series 2024B Subordinate Bonds (including current interest, accrued but unpaid interest and unpaid compound interest, and including the accrued interest portion of any Mandatory Redemption Price) then due.

On the 45th day prior to each Mandatory Redemption Date, the Trustee is to determine the amounts on deposit in the Subordinate Mandatory Redemption Account available for application to redemption of the Series 2024B Subordinate Bonds as described in “—*Redemption—Mandatory Redemption*” above, taking into account any requirements of the Subordinate Indenture with respect to the amount to be redeemed. The Trustee is to provide notice of the mandatory redemption to occur on each Mandatory Redemption Date as a result of amounts credited to the Subordinate Mandatory Redemption Account, as provided in the Subordinate Indenture.

On each Mandatory Redemption Date, the Trustee is to apply amounts on deposit in the Subordinate Mandatory Redemption Account to the payment of the principal portion of any Mandatory Redemption Price.

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

The District acknowledges and agrees that, notwithstanding anything in the Subordinate Indenture to the contrary, borrowed moneys are not to be used for the purpose of redeeming principal of the Series 2024B Subordinate Bonds pursuant to the mandatory redemption provisions referenced above and described in “—*Redemption—Mandatory Redemption*.”

***Additional Covenants and Agreements.*** The District irrevocably covenants in the Subordinate Indenture and agrees with each and every Owner that so long as any of the Series 2024B Subordinate Bonds remain Outstanding:

(a) The District will maintain its existence and is not to 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 Series 2024B Subordinate Bonds, and will continue to operate and manage the



District and its facilities in an efficient and economical manner in accordance with all applicable laws, rules, and regulations.

(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 is to use its best commercially reasonable efforts to have such audit report completed no later than September 30 of each calendar year. The foregoing covenant is to 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 is to employ or cause to be employed as required a certified public accountant to perform auditing functions and duties required by the Special District Act and the Subordinate Indenture and to assist in completion of the District's obligations under the Continuing Disclosure Agreement.

(d) The District covenants and agrees in the Subordinate Indenture that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Subordinate Indenture, failure of the District or the Developer to comply with the Continuing Disclosure Agreement is not to be considered an Event of Default; however, the Trustee may (and, at the request of any participating underwriter or the Owners of at least 25% aggregate principal amount in Outstanding Series 2024B Subordinate Bonds and receipt of indemnity to its satisfaction is to), or any Owner of the Series 2024B Subordinate Bonds or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the District to comply with its obligations under the Subordinate Indenture.

(e) 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.

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

(g) 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.

(h) In the event that any amount of the Subordinate Pledged Revenue is released to the District as described in THIRD of "*—Application of Subordinate 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.

(i) Subject to the Owners of a majority in aggregate principal amount of the Series 2024B Subordinate Bonds assuming control of the enforcement of remedies upon default, the District will enforce the collection of all Capital Fees in such time and manner as the District reasonably determines will be most efficacious in collecting the same, including without limitation the bringing of an action to foreclose any statutory or contractual lien which may exist in connection

therewith. Nothing in the Subordinate Indenture shall be construed as requiring the District to impose any Capital Fees.

(j) The District will not amend or supplement any of the documents pertaining to the Senior Obligations in any way which (i) alters the amortization of the principal of such Senior Obligations; or (ii) increases the rate or rates of interest borne by the Senior Obligations, except upon the prior written consent of the Consent Parties with respect to 100% in aggregate principal amount of the Series 2024B Subordinate Bonds.

(k) Unless in response to a specific covenant violation, nuisance, or similar condition, the District is not to impose any rates, tolls, fees or other charges on vacant lots or other undeveloped property within its boundaries in excess of the rates, tolls, fees or other charges applicable to developed residential lots or engage in any other act or omission that may impair future development in a manner that could adversely affect the amount of the District's Subordinate Pledged Revenue or delay the timing of the District's receipt of Subordinate Pledged Revenue or remittance thereof to the Trustee in accordance with the provisions of the Subordinate Indenture.

***Additional Obligations.*** Any Additional Obligations secured by a lien on ad valorem property taxes of the District and/or a lien on Subordinate Pledged Revenue are to be issued as Subordinate Parity Bonds, Senior Obligations or Junior Lien Obligations. The issuance of the Series 2020 Senior Bonds in accordance with the 2020 Indenture is permitted, notwithstanding any provision of the Subordinate Indenture. The District is not to issue or incur any other Additional Obligations except as provided in the Subordinate Indenture.

***Issuance by Consent; Subordinate Parity Bonds.*** The District may issue Additional Obligations constituting Subordinate Parity Bonds, Senior Obligations or Junior Lien Obligations if such issuance is consented to by the Consent Parties with respect to 100% in aggregate principal amount of the Series 2024B Subordinate Bonds then Outstanding.

***Senior Obligations.*** The District may issue Additional Obligations constituting Senior Obligations without the consent of the Consent Parties, provided that the following conditions are satisfied:

(a) the proposed Senior Obligations will constitute Refunding Senior Obligations and, upon issuance of such Refunding Senior Obligations, the total of the District's scheduled debt service on such Refunding Senior Obligations and any other Senior Obligations (to the extent to remain outstanding upon the issuance of such Refunding Senior Obligations) will not exceed in any year the total scheduled debt service on the Senior Obligations outstanding immediately prior to the issuance of such Refunding Senior Obligations (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 Senior Obligations that have a scheduled payment date in any year that is after the latest maturity date of the Senior Obligations outstanding immediately prior to the issuance of the Refunding Senior Obligations is to be deemed to increase the District's Senior Obligations debt service and shall not be permitted by this clause (a); and

(b) the Senior Obligation Surplus Fund and Senior Obligation Reserve Fund, if any, securing such Senior Obligations are not together to be required or permitted to be funded in excess of an aggregate amount equal to 20% of the original par amount of such Senior Obligations;

(c) the ad valorem property tax levy pledged to the payment of the Senior Obligations is not to be higher than, and subject to the same adjustments and deductions as, the maximum ad valorem property tax levy set forth in the definition of 2020 Required Mill Levy in the 2020 Indenture; and

(d) the remedies for defaults under such Senior Obligations are substantially the same as the remedies applicable to the Senior Obligations being refunded.

***Junior Lien Obligations.*** The District may issue Additional Obligations constituting Junior Lien Obligations without the consent of the Consent Parties and the terms of such Junior Lien Obligations are to be as provided in the documents pursuant to which they are issued, provided that each of the following conditions are to apply to the Junior Lien Obligations:

(a) the aggregate number of mills which the District may promise to impose for payment of all Junior Lien Obligations (including the Junior Lien Obligations proposed to be issued) is not to exceed the maximum Subordinate Required Mill Levy;

(b) the failure to make a payment when due on the Junior Lien Obligations is not to constitute an event of default thereunder; and

(c) the Junior Lien 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, and only after the payment or defeasance of the full amount of the Series 2024B Subordinate Bonds.

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

Nothing in the Subordinate 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 Subordinate 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 District's 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 Election until such time as the full amount of indebtedness represented by the Series 2024B Subordinate Bonds has been allocated to such electoral authorization for indebtedness approved at the 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 Subordinate 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 Subordinate Indenture except as described below:

(a) The District fails or refuses to impose the Subordinate Required Mill Levy or to apply the Subordinate Pledged Revenue as required by the Subordinate 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 Subordinate Indenture or the

Bond Resolution, and fails to remedy the same after notice thereof pursuant to the Subordinate Indenture; or

(c) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Series 2024B Subordinate Bonds.

The Subordinate Indenture states that it is acknowledged that due to the limited nature of the Subordinate Pledged Revenue, the failure to pay the principal of or interest on the Series 2024B Subordinate Bonds when due is not to, of itself, constitute an Event of Default thereunder.

**In addition, it is acknowledged in the Subordinate Indenture that the District is not to be required to impose the Subordinate Required Mill Levy for payment of the Series 2024B Subordinate Bonds after December 2058 (for collection in calendar year 2059).**

The Trustee is to give to the Owners of all Series 2024B Subordinate Bonds notice by mailing to the address shown on the registration books maintained by the Trustee or by electronic means to DTC or its successors, of all Events of Default of which the Trustee is by the Subordinate Indenture required to take notice, or if notice of an Event of Default is given as provided in the Subordinate Indenture, within 90 days after the Trustee has knowledge of the occurrence of such default or Event of Default unless such default or Event of Default 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 under paragraph (b) above is to constitute an Event of Default until actual notice of such default by electronic transmission or registered or certified mail is to be given by the Trustee or by the Owners of not less than 25% in aggregate principal amount of all Series 2024B Subordinate Bonds Outstanding to the District, and the District is to have had 30 days after receipt of such notice to correct said default or cause said default to be corrected, and is not to have corrected said default or caused said default to be corrected within the applicable period; provided however, if said default be such that it cannot be corrected within the applicable period, it is not to 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:

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

(b) ***Suit for Judgment.*** The Trustee may proceed to protect and enforce its rights and the rights of the Owners under the Special District Act, the Series 2024B Subordinate Bonds, the Bond Resolution, the Subordinate Indenture, and any provision of law by such suit, action, or special proceedings as the Trustee, being advised by Counsel, is to deem appropriate.

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

No recovery of any judgment by the Trustee is to in any manner or to any extent affect the lien of the Subordinate Indenture or any rights, powers, or remedies of the Trustee thereunder, or any lien, rights, powers, and remedies of the Owners of the Series 2024B Subordinate 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 paragraph (a) under “—*Events of Default*” above is to have occurred and if requested by the Owners of 25% in aggregate principal amount of the Series 2024B Subordinate Bonds then Outstanding, the Trustee is to be obligated to exercise such one or more of the rights and powers conferred by the Subordinate Indenture as the Trustee, being advised by Counsel, is to deem most expedient in the interests of the Owners, subject to the Subordinate Indenture; provided that the Trustee at its option is to be indemnified as provided in the Subordinate Indenture.

Notwithstanding anything in the Subordinate Indenture to the contrary, acceleration of the Series 2024B Subordinate Bonds is not to be an available remedy for an Event of Default.

WITHOUT LIMITING THE FOREGOING, AND NOTWITHSTANDING ANY OTHER PROVISION CONTAINED IN THE SUBORDINATE INDENTURE, THE DISTRICT ACKNOWLEDGES AND AGREES THAT THE APPLICATION OF ANY PORTION OF THE SUBORDINATE PLEDGED REVENUE TO ANY PURPOSE OTHER THAN DEPOSIT WITH THE TRUSTEE IN ACCORDANCE WITH THE PROVISIONS OF THEREOF CONSTITUTES A VIOLATION OF THE TERMS OF THE SUBORDINATE INDENTURE AND A BREACH OF THE COVENANTS MADE THEREUNDER FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2024B SUBORDINATE BONDS, WHICH IS TO ENTITLE THE TRUSTEE TO PURSUE, ON BEHALF OF THE OWNERS OF THE SERIES 2024B SUBORDINATE BONDS, ALL AVAILABLE ACTIONS AGAINST THE DISTRICT IN LAW OR IN EQUITY, AS MORE PARTICULARLY PROVIDED IN THE SUBORDINATE INDENTURE. THE DISTRICT FURTHER ACKNOWLEDGES AND AGREES THAT THE APPLICATION OF SUBORDINATE PLEDGED REVENUE IN VIOLATION OF THE COVENANTS THEREOF WILL RESULT IN IRREPARABLE HARM TO THE OWNERS OF THE SERIES 2024B SUBORDINATE BONDS. IN NO EVENT IS ANY PROVISION THEREOF TO BE INTERPRETED TO PERMIT THE DISTRICT TO RETAIN ANY PORTION OF THE SUBORDINATE PLEDGED REVENUE.

The Consent Parties of a majority in aggregate principal amount of the Series 2024B Subordinate Bonds then Outstanding are to have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method, and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Subordinate Indenture, or for the appointment of a receiver, and any other proceedings thereunder; provided that such direction is not to be otherwise than in accordance with the provisions thereof; and provided further that at its option the Trustee is to be indemnified as provided in the Subordinate Indenture.

No Owner of any Series 2024B Subordinate Bond is to have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Subordinate Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder, unless (a) a default has occurred of which the Trustee has been notified as provided in the Subordinate Indenture, or of which under the Subordinate 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 Series 2024B Subordinate Bonds then Outstanding 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 Subordinate 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 Subordinate Indenture; and (d) the Trustee is to thereafter fail or refuse to exercise the powers granted in the Subordinate Indenture, or to institute such action, suit, or proceeding in its own name; such notification, request, and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to any action or cause of action for the enforcement of the Subordinate Indenture, or for the appointment of a receiver or for any other remedy thereunder; it being understood and intended that no one or more Owners of Series 2024B Subordinate Bonds are to have any right in any manner whatsoever to affect, disturb, or prejudice the lien of the Subordinate Indenture by his, her, its, or their action, or to enforce any right 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 Series 2024B Subordinate Bonds then Outstanding.

The Trustee may in its discretion waive any Event of Default under the Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate Bonds then Outstanding as to which the Event of Default exists any Event of Default described in paragraph (a) in “—*Events of Default*” above. In case of any such waiver, or in case any proceedings taken by the Trustee on account of any such default are 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 thereunder respectively, but no such waiver or rescission is to extend to any subsequent or other default, or impair any right consequent thereon.

Except as to any of the duties the Trustee is required to perform prior to a default, as set forth in the Subordinate Indenture, the Trustee or any Owner of the Series 2024B Subordinate Bonds may not take any action under the Subordinate Indenture which would unduly prejudice the rights of owners of the Senior Obligations with respect to such Subordinate Pledged Revenue. Furthermore, it is acknowledged in the Subordinate Indenture that, notwithstanding the occurrence of an Event of Default, no portion of the Subordinate Pledged Revenue that is pledged on a senior basis to the Senior Obligations is to be applied to the payment of any amounts relating to the Series 2024B Subordinate Bonds until the full satisfaction of all amounts then due with respect to any Senior Obligations (acknowledging that the Senior Obligations are not to be subject to acceleration upon the occurrence of an event of default under the applicable resolution, indenture, or other document pursuant to which any such Senior Obligation is issued).

It is acknowledged that a portion of the Subordinate Pledged Revenue securing payment of the Series 2024B Subordinate Bonds is subject to the prior lien thereon in favor of the Series 2020 Senior Bonds and any Senior Obligations issued after the Series 2024B Subordinate Bonds. Except as to any of the duties the Trustee is required to perform prior to a default, as set forth in the Subordinate Indenture, the Trustee or any Owner of the Series 2024B Subordinate Bonds may not take any action under the Subordinate Indenture which would unduly prejudice the rights of owners of the Senior Obligations with respect to such Subordinate Pledged Revenue. Furthermore, it is acknowledged that, notwithstanding the occurrence of an Event of Default, no portion of the Subordinate Pledged Revenue that is pledged on a senior basis to the Senior Obligations is to be applied to the payment of any amounts relating to the Series 2024B Subordinate Bonds until the full satisfaction of all amounts then due with respect to any Senior Obligations (acknowledging that the Senior Obligations are not to be subject to acceleration upon the occurrence of an event of default under the applicable resolution, indenture, or other document pursuant to which any such Senior Obligation is issued).

***Subordinate Indenture Supplements Not Requiring Consent.*** Subject to the provisions of the Subordinate 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 Subordinate Indenture, to make any provision necessary or desirable due to a change in law, to make any provisions with respect to matters arising under the Subordinate Indenture, or to make any provisions for any other purpose if such provisions are necessary or desirable and do not in the opinion of Bond Counsel materially adversely affect the interests of the Owners of the Series 2024B Subordinate Bonds; (b) to subject to the Subordinate Indenture additional revenues, properties or collateral; (c) to grant or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Owners or the Trustee; and (d) to qualify the Subordinate Indenture under the Trust Indenture Act of 1939.

***Subordinate Indenture Supplements Requiring Consent.*** Except for supplemental indentures delivered pursuant to the Subordinate Indenture described in “—*Supplemental Indentures Not Requiring Consent*” above, and subject to the provisions of the Subordinate Indenture, the Consent Parties with respect to not less than a majority (or for modifications of provisions thereof which require the consent of a percentage of Owners or Consent Parties higher than a majority, such higher percentage) in aggregate principal amount of the Series 2024B Subordinate Bonds then Outstanding 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 Subordinate Indenture; provided however, that without the consent of the Consent Parties with respect to all the Outstanding Series 2024B Subordinate Bonds affected thereby, nothing contained in the Subordinate Indenture is to permit, or be construed as permitting: (a) a change in the terms of the maturity of any Outstanding Series 2024B Subordinate Bond, in the principal amount of any Outstanding Series 2024B Subordinate Bond, in the optional or mandatory redemption provisions applicable thereto, or the rate of interest thereon; (b) an impairment of the right of the Owners to institute suit for the enforcement of any payment of the principal of or interest on the Series 2024B Subordinate Bonds when due; (c) a privilege or priority of any Series 2024B Subordinate Bond or any interest payment over any other Series 2024B Subordinate Bond or interest payment; or (d) a reduction in the percentage in principal amount of the Outstanding Series 2024B Subordinate 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 Subordinate Indenture.*** If the District is to pay or cause to be paid to the Trustee, for the Owners of the Series 2024B Subordinate Bonds, the principal of and interest to become due thereon at the times and in the manner stipulated in the Subordinate Indenture, and if the District is to keep, perform, and observe all and singular the covenants and promises in the Series 2024B Subordinate Bonds and in the Subordinate Indenture expressed to be kept, performed, and observed by it or on its part, and if all fees and expenses of the Trustee required by the Subordinate Indenture to be paid are to have been paid, then the presents and the estate and rights thereby granted are to cease, terminate, and be void, and thereupon the Trustee is to cancel and discharge the lien of the Subordinate Indenture, and execute and deliver to the District such instruments in writing as are 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 Subordinate Indenture which may then be in its possession, and deliver any amounts required to be paid to the District under the Subordinate Indenture, except for moneys and Federal Securities held by the Trustee for the payment of the principal of, premium if any, and interest on the Series 2024B Subordinate Bonds.

Any Series 2024B Subordinate 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 Subordinate Indenture if, for the purpose of paying such Series 2024B Subordinate Bond (a) 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 Series 2024B Subordinate Bond as the same becomes due at maturity or upon one or more designated prior redemption dates, or (b) 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 Series 2024B Subordinate Bond, as the same becomes due at maturity or upon one or more designated prior redemption dates. The Federal Securities in any such escrow are not to be subject to redemption or prepayment at the option of the issuer, and are to become due at or prior to the respective times on which the proceeds thereof are 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 are 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 is to be determined by a Certified Public Accountant. With respect to any accrued and unpaid interest on the Series 2024B Subordinate Bonds, including any compound interest remaining unpaid, it is acknowledged that such amounts are due and payable immediately at the time of funding any escrow intended to accomplish a defeasance of the Series 2024B Subordinate Bonds. Upon the funding of an escrow defeasing Series 2024B Subordinate Bonds in accordance with the provisions of the Subordinate Indenture, the Series 2024B Subordinate Bonds are to cease to be subject to mandatory redemption in accordance with the Subordinate Indenture, as described in “—Redemption” above, and the principal of the Series 2024B Subordinate Bonds is to be due and payable only on the designated redemption date(s).

Neither the Federal Securities, nor moneys deposited with the Trustee or placed in escrow and in trust pursuant to the Subordinate Indenture, nor principal or interest payments on any such Federal Securities 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 Series 2024B Subordinate Bonds; provided however, that any cash received from such principal or interest payments on such Federal Securities, if not then needed for such purpose, is to, to the extent practicable, be reinvested subject to the provisions of the Subordinate Indenture in Federal Securities maturing at the times and in amounts sufficient to pay, when due, the principal of and interest on the Series 2024B Subordinate Bonds.

Prior to the investment or reinvestment of such moneys or such Federal Securities as therein provided, 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 Series 2024B Subordinate 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 Series 2024B Subordinate Bonds when due.

The release of the obligations of the District under the Subordinate Indenture is to be without prejudice to the rights of the Trustee to be paid reasonable compensation by the District for all services rendered by it thereunder 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 thereunder.

*Continuing Role as Bond Registrar and Paying Agent.* Notwithstanding the defeasance of the Series 2024B Subordinate Bonds prior to maturity and the discharge of the Subordinate Indenture as provided therein, the Trustee is to continue to fulfill its obligations under the Subordinate Indenture until the Series 2024B Subordinate Bonds are fully paid, satisfied, and discharged.

***Discharge on December 15, 2059. Notwithstanding any other provision in the Subordinate Indenture, in the event that any amount of principal of or interest on the Series 2024B Subordinate***



**Bonds remains unpaid after the application of all Subordinate Pledged Revenue available therefor on December 15, 2059, the Series 2024B Subordinate Bonds and the lien of the Subordinate Indenture securing payment thereof is to be deemed discharged, the estate and rights thereby granted are to cease, terminate, and be void, and thereupon the Trustee is to cancel and discharge the lien of the Subordinate Indenture, and execute and deliver to the District such instruments in writing as are to be required to evidence the same. Upon such discharge, the Owners will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the Series 2024B Subordinate Bonds remaining unpaid.**

**USE OF PROCEEDS AND DEBT SERVICE REQUIREMENTS**

**Application of Series 2024B Subordinate Bond Proceeds**

*General.* Proceeds from the sale of the Series 2024B Subordinate Bonds will be used for the purposes of financing or reimbursing a portion of the costs of acquiring, constructing, and/or installing certain Public Improvements to serve the Development.

*Estimated Sources and Uses of Funds.* The estimated uses of the proceeds of the Series 2024B Subordinate Bonds are as follows:

Sources:

Series 2024B Subordinate Bond Par Amount .....  
 Total .....

Uses:

Deposit to Subordinate Project Fund.....  
 Costs of issuance, including underwriting discount <sup>1</sup> and  
 contingency .....  
 Total .....

<sup>1</sup> See “MISCELLANEOUS—Underwriting.”  
 Source: The Underwriter

## Debt Service Requirements and Forecasted Debt Service Payments

Set forth in the following table are the debt service payments on the Series 2020 Senior Bonds and the forecasted payments for the Series 2024B Subordinate Bonds.

**TABLE I**  
**Debt Service Requirements and Forecasted Debt Service Payments**

Year	<u>Series 2020 Senior Bonds</u>	<u>Series 2024B Subordinate Bonds</u> <sup>2, 3,*</sup>		Annual Total
	Annual Total	Forecasted Principal	Forecasted Interest	
2024				
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				

<sup>1</sup> Includes the payment of interest on June 1 and December of each year and the payment of principal on December 1 of each year indicated. Amounts shown assume that scheduled principal is paid when due and further assumes no optional redemptions will be made. Amounts listed are also reflective of accreted value at maturity.

<sup>2</sup> Includes the forecasted payment of principal and interest on December 15 of each year indicated. Principal and interest on the Series 2024B Subordinate Bonds are payable solely from and to the extent of Subordinate Pledged Revenue. There are no scheduled principal payments on the Series 2024B Subordinate Bonds until final maturity. The amounts set forth herein reflect the projected payments on the Series 2024B Subordinate Bonds as set forth in the Financial Forecast, based upon the assumptions more particularly set forth therein. No assurance is given that the level of Subordinate Pledged Revenue projected in the Financial Forecast will be achieved, or that payment of the principal or interest on the Series 2024B Subordinate Bonds will be paid as set forth in this table. Failure to pay the amounts set forth above with respect to the Series 2024B Subordinate Bonds will not constitute an event of default under the Subordinate Indenture. In addition to other assumptions reflected in this table and in the Financial Forecast, this table assumes that no optional redemptions of the Series 2024B Subordinate Bonds will be made prior to maturity. See "THE SERIES 2024B SUBORDINATE BONDS—Redemption" herein. See "THE SERIES 2024B SUBORDINATE BONDS—"Cash Flow" Nature of the Series 2024B Subordinate Bonds" and the Financial Forecast attached as APPENDIX A hereto.

<sup>3</sup> Figures may not total due to rounding.

Source: The Financial Forecast

## THE DISTRICT

### Organization and Description

The District is a quasi-municipal corporation and political subdivision of the State created pursuant to the Special District Act for the purpose of financing and constructing the Public Improvements and for dedicating, when appropriate, such Public Improvements to the Town or to such other entity as appropriate for the use and benefit of the District's residents and property owners. The development within the District is residential community commonly known as "Bella Mesa."

The District was organized as "Vistas at Rock Canyon Metropolitan District" pursuant to an Order and Decree entered by the District Court in and for Douglas County (as previously defined, the "County") on November 16, 2004, and recorded in the real property records of the County on November 18, 2004. Organization of the District was preceded by the approval by the Town of Castle Rock Town Council (the "Town Council") on August 24, 2004, of a Service Plan for Vistas at Rock Canyon Metropolitan District, as amended by a resolution of the Board adopted on May 4, 2006 after publication of a Notice of Amendment to Service Plan in The Douglas County News-Press on March 9, 2006, as amended by a Resolution Approving an Amendment to the Service Plan for Bella Mesa Metropolitan District, approved by the Town Council on June 19, 2018, and as amended by a Resolution Approving an Amendment to the Service Plan for Bella Mesa Metropolitan District, approved by the Town Council on February 18, 2020 (together, the "Service Plan"). On August 29, 2016, the Douglas County District Court issued an Order Confirming District Name Change, changing the name of the District from Vistas at Rock Canyon Metropolitan District to Bella Mesa Metropolitan District, and recorded in the real property records of the County on September 20, 2016.

The District currently encompasses approximately 406-acres, and is located in the southeast portion of the Town, generally northeast of Mikelson Boulevard, south of East State Highway 86, and west of Castlewood Canyon Road. See "THE DEVELOPMENT." See also the preceding "AERIAL MAP," "DEVELOPMENT SITE PLANS" and "REGIONAL MAP."

The current population of the District is approximately 509, which is based on approximately 180 certificates of occupancy issued and 2.83 residents per home (based on household estimates for the Town prepared by the State Demography Office). The District's 2023 certified assessed valuation of property within the District is \$7,252,430. The District's preliminary assessed value as certified by the County Assessors on August 20, 2024 is \$7,298,100, which is subject to change prior to the final December 10, 2024 certification date. See "DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Taxes."

### 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 the Service Plan and its electoral authorization. See "—Service Plan Authorizations and Limitations" below.

Pursuant to the Special District Act, special districts have the power: to have a perpetual existence; to have and use a corporate seal; to enter into contracts and agreements; to sue and be sued and to be a party to suits, actions and proceedings; to borrow money and incur indebtedness and to issue bonds; to acquire, dispose of and encumber real and personal property, and any interest therein; to have the management, control and supervision of all the business affairs of the district; to appoint, hire and retain agents, employees, engineers and attorneys; to fix and from time to time to increase or decrease fees, rates, tolls, penalties or charges for services, programs or facilities furnished by the special district; to waive or amortize

all or part of any such fees or extend the time period for paying all or part of such fees for property within the district; to furnish services and facilities within and without the boundaries of the special district and to establish fees, rates, tolls, penalties or charges for such services and facilities; to accept real and personal property for use of the special district and to accept gifts and conveyances made to the special district; and to have and exercise all rights and powers necessary in, incidental to or implied from the specific powers granted to the special district. Special districts also have the power to provide covenant enforcement and design review services and safety services if permitted by the service plan.

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

***Inclusion and Exclusion of Property.*** The Special District Act provides that the boundaries of a special district may be altered by the inclusion of additional real property or exclusion of real property under certain circumstances. After its inclusion, the included property is subject to all of the taxes and charges imposed by the special district and is to be liable for its proportionate share of existing bonded indebtedness of the special district. After its exclusion, the excluded property is no longer subject to the special district’s operating mill levy, and is not subject to any debt service mill levy for new debt issued by the special district. The excluded property, however, remains subject to the special district’s debt service mill levy for that proportion of the special district’s outstanding indebtedness and the interest thereon existing immediately prior to the effective date of the exclusion order. Boundary changes resulting from property included or excluded to or from the special district prior to the first day of May of each year are reflected in the special district’s assessed valuation and are subject to the ad valorem property tax levy of the special district for that assessment year. Inclusion or exclusions that occur after May 1 are considered in the following assessment year. See also “—Service Plan Authorizations and Limitations” below.

Upon its creation, the District encompassed approximately 325 acres. Following an inclusion of approximately 81 acres in August 2016, the District currently encompasses approximately 406 acres. According to District officials, there are no current inclusions or exclusions pending or anticipated with respect to the District. See “—Service Plan Authorizations and Limitations” below.

***Consolidation with Other Districts.*** 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” below.

***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, the District has the power and authority to provide the Public Improvements within and without the boundaries of the District as such power and authority is described

in the Special District Act, and other applicable statutes, common law and the State Constitution, subject to the limitations set forth therein, as described below. See “—Material Agreements of the District” below. *The authorizations and limitations of the Service Plan may be modified or amended with the approval of the Town, and as otherwise provided in the Special District Act.*

The Service Plan authorizes the District to provide for the planning, design, acquisition, construction, installation and financing of water, sanitation, streets, parks and recreation, traffic and safety controls, transportation, telecommunications systems and services, mosquito and pest control services (as previously defined, 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, except as specifically limited therein; as well as to provide for the ownership, operation and maintenance of any Public Improvement not otherwise accepted for ownership, operation or maintenance by the Town or another entity. All Public Improvements are to be designed and constructed in accordance with all Town and District standards and specifications, as well as the standards and specifications of any other governmental entity to which the Public Improvements will be dedicated.

Pursuant to the Service Plan, the District was allowed to include into its boundaries, all or a portion of the property within an 81-acre inclusion area, subject to administrative review approval by the Town pursuant to the Town IGA (defined below). Such inclusion was ordered in August 2016. See “—District Powers—*Inclusion and Exclusion of Property*” above. Further, pursuant the 2018 amendment to the Service Plan, the Town Council consented to the exclusion of approximately 296 acres of property from the boundaries of the District in excess of the threshold of either 10% of the service area of the District or 10 acres in area as set forth in the Town Code without the District receiving prior approval from the Town of a Service Plan amendment, provided, however, that in the event that the District receives an order from the Douglas County District Court excluding property from its boundaries in excess of such threshold, the District must thereafter receive approval from the Town of an amendment to its Service Plan prior to the District undertaking any action in furtherance of its capital or financial plan including, but not limited to the issuance by the District of general obligation bonds. According to District officials, the Town’s approval of the exclusion of approximately 296 acres of property from the boundaries of the District was authorized, but never ordered by the Douglas County District Court. See “—District Powers—*Inclusion and Exclusion of Property*” above.

All Public Improvements are anticipated to be conveyed to Town or other appropriate jurisdiction for ownership, operations and maintenance. Any Public Improvements not conveyed to the Town or other appropriate jurisdiction are anticipated to be owned, operated and maintained by the District. For a discussion of anticipated ownership, operation and maintenance of Public Improvements upon completion. See “THE DEVELOPMENT—Status of Construction and Funding of Public and Private Infrastructure Improvements.” The Service Plan provides that a homeowners association is anticipated to be formed to provide certain services to the development within the District, including architectural control, community events and activities, community marketing and other programs beyond the scope and authority of the District. The Bella Mesa Homeowners Association, Inc., a Colorado corporation was incorporated on April 30, 2019 (the “Bella Mesa HOA”). See “THE DEVELOPMENT—Land Acquisition; Encumbrances on Land—*Declaration of Covenants, Conditions, and Restrictions.*”

For purposes of the Service Plan, a “Bond” is to be considered any bonds, notes, contracts or other obligations or other multiple fiscal obligations issued by the District (“Debt”), for the payment of which the District has promised to impose an ad valorem property tax mill levy, and/or impose and collect “Development Fees,” defined as a one-time fee, that may be imposed by the District on a per unit basis for residential units and on per square foot basis for commercial space, for the repayment of Debt. The District does not currently impose any Development Fees and is not expected to do so. Public Improvements that cannot be provided within the District’s financial capability are to be constructed by the developer and

dedicated to the District. The Town is not responsible for assuming any of the costs of the improvements funded by the District.

The District is authorized to impose a “Maximum Debt Service Mill Levy” of 50 mills (adjusted from base year 2004 to take into account legislative or constitutionally imposed adjustments in assessed values or the method of their calculation, or any mandated tax credit, cut or abatement, so that to the extent possible the actual tax revenues generated by the mill levy and, available for debt service, as adjusted, are neither diminished nor enhanced as a result of such determination) to service any Debt incurred by or on behalf of the District. The Service Plan does not provide for a maximum principal amount of Debt that District may have outstanding at any one time.

Upon a determination of the Town Council that the purposes for which the District was created have been accomplished, the District agrees to file a petition in the District Court for dissolution, pursuant to the applicable State statutes. Dissolution is not to occur until the District has provided for the payment or discharge of all of their outstanding indebtedness and other financial obligations as required pursuant to State statutes.

### **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 were required to move their biennial elections from even years to odd years beginning in 2023. Accordingly, the terms commencing in 2020 and 2022 were three-year terms and then 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 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:

<b>Board of Directors of the District</b>				
<b>Name</b>	<b>Office</b>	<b>Principal Occupation</b>	<b>Years of Service</b>	<b>Term Expires (May)</b>
John V. Hill	President	Civil Engineer	4	2027
Maxine Hepfer	Treasurer/Secretary	Partner of Hepfer Private Portfolio – Real Estate Investment and Development	2	2025
Anna Maria Ray	Assistant Secretary	Marketing Consultant	3	2025
Vacant <sup>1</sup>				2025
Vacant <sup>1</sup>				2027

<sup>1</sup> According to District officials, the existing vacancies on the Board are not anticipated to be filled prior to the May 2025 election.

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 Board members prior to taking any official action relating to the Series 2024B Subordinate Bonds, all of the directors have potential or existing personal or private interests relating to the issuance or delivery of the Series 2024B Subordinate Bonds or the expenditure of the proceeds thereof. See “RISK FACTORS—Directors’ Private Interests.”

**Administration**

The Board is responsible for the overall management and administration of the affairs of the District. The District has no employees. The District has engaged Colorado Land Management, LLC, a Colorado limited liability company, to provide on-going management, consulting, administrative services and property management services in conjunction with the business, operational affairs and continuing obligations of the District (the “District Manager”). CliftonLarsonAllen LLP, Certified Public Accountants, Greenwood Village, Colorado, serves as the District’s accountant; Icenogle Seaver Pogue, P.C., Denver, Colorado, serves as general counsel to the District. The District has engaged Haynie & Company, Certified Public Accountants & Management Consultant, Littleton, Colorado, to serve as its auditor.

**Material Agreements of the District**

The Special District Act authorizes the District to enter into agreements and contracts affecting its 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.”

**Town IGA.** The District and the Town, in furtherance of the Service Plan, have entered into an Intergovernmental Agreement, dated August 24, 2004 (the “Town IGA”), which provides contractual enforcement rights to the Town with respect to certain restrictions set forth in the Service Plan regarding the construction, ownership, operations and maintenance of Public Improvements needed for the District. See “—Service Plan Authorizations and Limitations” above.

***Richmond Public Improvements Agreement.*** On December 28, 2018, the Developer, Richmond and the District entered into an Advance and Reimbursement and Facilities Acquisition Agreement (the “Richmond Public Improvements Agreement”). In accordance with the Richmond Public Improvements Agreement, the Developer and Richmond each agreed to make capital construction advances to assist the District in funding certain Public Improvements (the “Richmond Advances”) necessary to support development of the 188 platted lots (re-platted to 180 lots) in Filing No. 24 (defined herein), which were purchased by Richmond. Also, in accordance with the Richmond Public Improvements Agreement, the District agreed to acquire certain Public Improvements pursuant to the processes established therein, and reimburse the Developer for certain advances made by either the Developer or Richmond thereunder. Richmond assigned any right to reimbursement from the proceeds of the Series 2024B Subordinate Bonds to the Developer. The Richmond Public Improvements Agreement may be terminated upon notice by any party given at least 30 days prior to the end of each fiscal year. See “THE DEVELOPMENT—Status of Construction and Funding of Public and Private Improvements.”

As of July 31, 2024 there is \$0 outstanding under the Richmond Public Improvements Agreement.

***Cardel Agreement.*** It is anticipated that the District and Cardel Homes will enter into an advance and reimbursement agreement if and when Cardel Homes purchases property within the District. No draft of such agreement is available and no additional information regarding such agreement is available for inclusion herein.

***Fourth Investment Advance Agreement.*** On November 28, 2023, the Developer and the District entered into an Advance and Reimbursement Agreement (Capital Expenses) (the “Developer Advance Agreement”). The Developer Advance Agreement establishes the terms and conditions (a) upon which the Developer may advance funds (each a “Developer Advance”) to the District for District Eligible Costs (as defined in the Developer Advance Agreement), and (b) upon which the District may make reimbursement to the Developer for such Developer Advances.

The District is to make payments for the Developer Advances, subject to annual appropriation and budget approval, from the proceeds of loans or the Series 2024B Subordinate Bonds issued by the District or from funds available within any fiscal year and not otherwise required for operations, maintenance, capital improvements and debt service costs and expenses of the District.

Pursuant to the Developer Advance Agreement, Developer Advances are to bear simple interest at a rate of eight percent (8%) per annum from the date such costs are incurred by the Developer, provided, however, that no interest shall begin to accrue on any Developer Advance made to the District prior to the date on which an order declaring the District was organized was recorded in the real property records of the County, which date was November 18, 2004, and the interest is to stop accruing under the Developer Advance Agreement on the date of payment of such amount in full.

The Developer Advance Agreement may be terminated upon mutual agreement, provided, however, if not earlier terminated, the Developer Advance Agreement and any obligation of the District to reimburse the Developer expire on the date that is 40 years after the effective date of the Developer Advance Agreement.

As of July 31, 2024 there is \$458,449.31 (\$450,000 in principal and \$8,449.31 in interest) outstanding under the Developer Advance Agreement.

***Mikelson Traffic Circle Project.*** On October 6, 2023, the District and Fiore & Sons, Inc. (the “Contractor”) entered into the Mikelson Traffic Circle Project Contract whereby the Contractor agreed to provide all services, management, supervision, labor, materials, goods, administrative support, supplies,



and equipment necessary to perform the construction of the Mikelson Traffic Circle in the County and the District agreed to compensate the Contractor for such work, subject to annual appropriations.

***Master Escrow Agreement.*** The District, the Town, and TP National, LLC (the “Escrow Agent”) entered into a Master Escrow Agreement, dated November 7, 2023 (the “Master Escrow Agreement”), which sets forth the terms and conditions by which the Escrow Agent will manage and disburse funds held by it for the construction of the Roundabout (defined herein, see “THE DEVELOPMENT—Agreements Concerning Public Improvements—*Roundabout PIA*”). The District deposited approximately \$1,866,287 in proceeds of the Series 2020 Senior Bonds with the Escrow Agent. It is anticipated that the Roundabout will be open for traffic in September 2024 and fully completed in the fourth quarter of 2024.

***District Management Agreement.*** On October 31, 2017, the District entered into a Management Services Agreement with Colorado Land Management LLC (the “District Manager”) to provide on-going management, consulting, administrative services and property management services in conjunction with the business, operational affairs and continuing obligations of the District (the “District Management Agreement”). In accordance with the District Management Agreement, the District Manager is to perform certain Management Services (defined therein), including, but not limited to, assisting in the preparation and posting of meeting notices, coordinating and supervising the District’s vendors and providing other property management services on behalf of the District. In consideration for performing the Management Services, the District Manager shall be paid in accordance with a fee schedule attached to the District Management Agreement, pursuant to and in accordance with the terms therein.

Except as otherwise provided therein, the District or the District Manager may terminate the District Management Agreement for cause or convenience upon the delivery of a written notice of termination at least 30 days prior to the effective date of termination. Further, the performance of the District’s obligations under the District Management Agreement are subject to annual budgeting and appropriations.

One of the current members of the Board serves as a consultant, member or manager of the District Manager, and another current member of the Board may have had other business or professional relationships with such entity. No assurances are provided as to whether the District Management Agreement, or any future agreements between the District and the District Manager, are commercially reasonable.

## **Facilities and Services Provided by the District**

Pursuant to the Service Plan and the Special District Act, the District is authorized to provide for the operation and maintenance of the Public Improvements, subject to the limitations of the Service Plan more particularly described therein. Any Public Improvements not conveyed to the Town or other appropriate jurisdiction are anticipated to be owned, operated and maintained by the District. For a discussion of anticipated ownership, operation and maintenance of Public Improvements upon completion, see “—Service Plan Authorizations and Limitations” above and “THE DEVELOPMENT—Status of Construction and Funding of Public and Private Infrastructure Improvements.”

## **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, water, wastewater from the Town, natural gas service from Black Hills Energy and electrical service from CORE Electric Cooperative. The District is served by Douglas County School District RE-1.

## THE DEVELOPMENT

*The following information has been supplied by the Developer and/or Cardel Homes, provided that, where noted herein, certain information has been obtained from other sources, including publicly available records of the Town and the County. No third-party purchasers of property within the Development, if any, have participated in the preparation of this Limited Offering Memorandum, except to provide documentation and information in response to specific requests by the Developer, including the information specifically attributed to such parties herein.*

*Neither the District, the District's advisors, nor the Underwriter make any representation regarding projected development plans within the District, the financial soundness of the Developer, Cardel Homes, or other owners of property, or their managerial ability to complete the Development as planned. The development of the property within the District may be affected by factors such as governmental policies with respect to land development, the availability of water and other utilities, the availability of energy, construction costs, interest rates, performance of the Developer and Cardel Homes and any other Homebuilders, if any, competition from other developments, and other political, legal and economic conditions. Further, while certain information is provided herein with respect to existing and anticipated encumbrances of the property, in particular encumbrances recorded by the Developer, property within the District not owned by the District, or the Developer may be subject to encumbrances as security for obligations payable to various parties, the default of which could adversely affect construction activity. See "RISK FACTORS—Continued Development Not Assured."*

### Development Overview

**General.** The Development is being developed as residential community on approximately 406 acres and is planned to include a total of 810 residential units (comprised of 105 single-family attached homes (townhomes) and 705 single-family detached homes). All of the Development, as described herein, is located within the boundaries of the District. See "AERIAL MAP[S AND VIDEO]" and "DEVELOPMENT SITE PLAN." The Development is comprised of two components—the Richmond Development and the Remaining Development.

Of the anticipated 810 single-family homes, Richmond American Homes of Colorado, Inc., a Delaware corporation (as previously defined, "Richmond") has fully constructed and sold all 180 homes to homeowners (as previously defined, the "Richmond Development"). The remaining 630 single-family homes within the Development are anticipated to be comprised of 525 single-family detached home and 105 single-family attached townhomes (as previously defined, the "Remaining Development"). It is anticipated that all of the single-family attached townhomes will be constructed by Cardel Denver Homes, LLC, a Colorado limited liability company (as previously defined, "Cardel Homes"). It is anticipated that the single-family detached homes will be constructed by Cardel Homes and one to two other still to be identified homebuilders (Cardel Homes and any other homebuilders within the Development are referred to herein as the "Homebuilders").

The Developer currently owns the remaining undeveloped property in the Development. Cardel Homes is under contract to purchase all of such property from the Developer pursuant to two separate purchase and sale agreements. See "THE DEVELOPMENT—Construction and Sales Activity; Purchase and Sale Agreements—*Purchase and Sale Agreements.*" Cardel Homes anticipates selling a portion of the remaining single-family detached lots to one or two additional builders. However, as of the date of this Limited Offering Memorandum, Cardel Homes has not entered into any letters of intent or purchase and sale agreements with other Homebuilders.

As of the date of this Limited Offering Memorandum, all of the homes in the Richmond Development have been sold and closed to homeowners and no homes have been constructed within the Remaining Development. According to the Market Study, it is anticipated that the first homes within the Remaining Development will be sold and closed to homeowners in the first quarter of 2026 and that all homes within the Development will be sold and closed to homeowners by the third quarter of 2031. See “RISK FACTORS—Continued Development Not Assured,” “APPENDIX A—FINANCIAL FORECAST” and “APPENDIX B—MARKET STUDY.” Neither Cardel Homes nor any other future Homebuilder, if any, is obligated to construct homes within the Development in any particular timeframe or at all. No assurance is provided that the single-family attached homes (townhomes) or single-family detached homes will be sold and closed to homeowners in the timeframe anticipated herein or at all.

Development of property is being undertaken by Fourth Investment USA, LLC, a Colorado limited liability company (the “Developer”). The Developer is also responsible for constructing remaining trunk Public Improvements. It is anticipated that Cardel Homes will be responsible for obtaining final plats and constructing in-tract Public Improvements and private improvements specifically benefitting the Remaining Development. See “THE DEVELOPMENT—Status of Construction and Funding of Public and Private Improvements” and “—The Developer and Cardel Homes.”

The Developer is responsible for obtaining the necessary approvals from the City to advance the Development in the manner described herein and is undertaking site development therefor, including site planning and engineering. As described above, Cardel Homes is anticipated to be responsible for obtaining certain entitlements for the Remaining Development. See “THE DEVELOPMENT—Platting, Zoning/Land Use and Public Approvals.”

All of the property comprising the Development is presently zoned for its intended uses. Development of property in the Development will require approval of final site development plans and final plats subdividing the property in the Remaining Development into residential lots and tracts. As of August 1, 2024, no site development plans and no final plats have been approved by the Town for property within the Remaining Development. It is anticipated that preliminary site development plans will be submitted to the Town for approval in the third quarter of 2024 (for the 525 single-family detached lots) and in the third or fourth quarter of 2024 (for the 105 single-family attached lots). See “THE DEVELOPMENT—Platting, Zoning/Land Use and Public Approvals.”

According to the Developer, construction of Public Improvements and private improvements began in August 2018 and is anticipated to be completed by 2031. As of August 1, 2024, approximately 25% of the Public Improvements required for the Development are complete, which includes all of the Public Improvements and private improvements for the Richmond Development. See “THE DEVELOPMENT—Status of Construction and Funding of Public and Private Improvements.”

According to the Developer, the total cost of remaining Public Improvements required to be constructed for the Development is estimated at approximately \$76,200,000. The total cost of remaining private improvements required to be constructed for the Development is estimated at approximately \$10,000,000. The foregoing does not include costs of Public Improvements and private improvements constructed in connection with the Richmond Development. According to the Developer, as of July 31, 2024 approximately \$10,500,000 has been expended for remaining Public Improvements, which includes drainage improvements, sanitary sewer improvements, water improvements and certain street improvements, and approximately \$3,000,000 has been expended for the remaining private improvements. According to the Developer, the Public Improvements to serve the Richmond Development, including the School Parcel, were completed at an approximate cost of \$11,000,000.

All remaining Public Improvements are anticipated to be funded and constructed by a combination of the District and the Developer and Cardel Homes, subject to reimbursement of a portion of the costs thereof by the District from proceeds of the Series 2024B Subordinate Bonds (estimated at \$\_\_\_\_\_)\*. They will be applied either directly by the District to fund Public Improvements or to reimburse the Developer or Cardel Homes for a portion of the costs of the District-eligible Public Improvements funded directly by the Developer and Cardel Homes. The costs of any Public Improvements in excess of the proceeds of the Series 2024B Subordinate Bonds and the costs of private improvements required for the Development are anticipated to be funded by the Developer and Cardel Homes from funds on hand.

As described above and more particularly described herein, completion of the planned development described herein is subject to the satisfaction of a variety of conditions including, but not limited to:

- Approval by the Town Planning Commission and the Town Council of site development plans for the Remaining Development;
- Administrative approval by the Town Manager of final plats for the Remaining Development;
- Execution of agreements with the Town related to Public Improvements, as necessary, including any additional Subdivision Improvement Agreements (see “THE DEVELOPMENT—Agreements Concerning Public Improvements”);
- Construction of remaining Public Improvements and private improvements required for the Development;
- Confirmation of sufficient water credits available to fully serve the Remaining Development and if, as platting progresses, there is any insufficiency in water credits, the purchase of additional water in the amounts necessary for the Remaining Development; and
- Sale of all single-family detached and attached (townhome) lots in the Development to Cardel Homes and the sale by Cardel Homes to other Homebuilders, if any, of certain single-family detached lots for construction and sale of residential units thereon.

*No assurance is given that any of the foregoing conditions will be satisfied in a timeframe necessary to achieve the projected development schedules set forth herein, or at all.*

*Notwithstanding any of the foregoing, neither the Developer, Cardel Homes, other Homebuilders, if any, nor any other future property owner is contractually obligated to pursue the development of the property comprising the Development, and no assurance is given that development will occur in accordance with the present permitted land uses, modifications thereof, or at all.*

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\* Preliminary; subject to change.

The status of land sales, construction status and platting status of property within the Development as of August 1, 2024, is summarized in the following table:

**TABLE II**  
**Summary of Planned Development <sup>1</sup>**

Current Owner	Homebuilder	Product Type	Land Sales Status				Construction Status	Platting Status	
			Owned by Homebuilder	Under Contract With Homebuilder	Closed to Homeowner	Total	Homes Under Const. or Completed	Platted Lots	Not Platted
--	Richmond	SF Detached	n/a	n/a	180	180	180	180	n/a
Developer	Cardel Homes	SF Attached	0	105	0	105	0	0	105
Developer	Homebuilders <sup>2</sup>	SF Detached	0	525	0	525	0	0	525
Totals			<u>0</u>	<u>630</u>	<u>180</u>	<u>810</u>	<u>180</u>	<u>180</u>	<u>630</u>
% of Total				77.78%	22.22%	100.00%		22.22%	77.78%

<sup>1</sup> As of August 1, 2024.

<sup>2</sup> Cardel Homes anticipates selling a portion of the remaining single-family detached lots to one or two additional builders.

Source: The Developer.

*Notwithstanding any of the foregoing, none of the Developer, Cardel Homes, or other Homebuilders, if any, nor any other property owner is contractually obligated to pursue the development of the property comprising the Development, and no assurance is given that development will occur in accordance with the present permitted land uses, modifications thereof, or at all.*

**Amenities.** Within the Development, residents will have immediate access to the boundary trails with scenic views, trails through the rock outcroppings and down into the Mitchell Creek trail system that connects to the Town nature preserves, and active parks in the area. The trail system is expected to be developed during the 2025-2026 construction seasons.

## Land Ownership

As of August 1, 2024, all of the property within the Development is owned by individual homeowners (180 single-family homes), the Developer, the Town, the School District and the Bella Mesa HOA. The Developer is in the process of selling the remainder of the developable property (approximately 303 acres) within the Development to Cardel Homes. See “—Construction and Sales Activity; Purchase and Sale Agreements” below.

## Platting, Zoning/Land Use and Public Approvals

Development of the property comprising the Development will be subject to, and is being undertaken in accordance with: (a) the annexation documents; (b) the limitations on land uses provided in the applicable zoning documentation (including the Bella Mesa PDP and the Villages PUD) and the site development plan (the “SDP”); (c) the subdivision of property in accordance with final plats; and (d) the issuance by the Town of building permits and certificates of occupancy pursuant to the Town’s land development policies and procedures (the “Town Code”), as more particularly described below.

Because all homes within the Richmond Development have been sold and closed to homeowners, limited information is included in this section regarding entitlements for such property. All site development plans and final plats for the Richmond Development have been approved.

**Annexation.** All of the property in the Development has been annexed into the Town in accordance with the following agreements: (a) Annexation and Development Contract by and between the Town and Park Funding Corp., dated as of April 11, 1985 (the “1985 A&D Agreement”); and (b) Bella Mesa

Annexation and Development Agreement by and between the Town and Bella Mesa Land, LLC (together with Park Funding Corp., the “Prior Developers”) (the “2016 A&D Agreement” and together with the 1985 A&D Agreement, the “A&D Agreements”). The A&D Agreements set forth various provisions related to the construction of infrastructure within the Development and the Town’s provision of governmental services to the Development.

According to the Developer, with the exception of the completion of the Roundabout (defined herein, see “—Agreements Concerning Public Improvements—*Roundabout PIA*”), all trunk Public Improvements required by the A&D Agreements for the Development have been completed. Public Improvements required under other agreements remain to be completed in the Development. According to the Developer, all requirements in connection with prior annexations have been completed or are no longer applicable.

**Zoning.** According to the Developer, the Development is fully zoned for its intended purposes.

With respect to the Remaining Development, on January 6, 2016, the Town approved Bella Mesa Planned Development Plan (“Bella Mesa PDP”). The Bella Mesa PDP provides for up to 525 single-family detached homes and 186 multi-family units in the Development. The Bella Mesa PDP also reserves the Public Land Dedication which dedication was made to, and is now owned by, the Town, and which site is expected to be deeded to the School District as development progresses. While the Bella Mesa PDP provides for as many as 186 multi-family residential units in a portion of the Development, the Developer anticipates the construction of 105 single-family attached townhomes on such property.

*Notwithstanding the foregoing, development plans are subject to change and no assurance is given that the Developer, Cardel Homes, other Homebuilders, if any, or other property owners will not pursue a rezoning of the property within the Development. See “RISK FACTORS—Continued Development Not Assured.”*

**Site Development Plans.** Before any building permit can be issued, a site development plan is required to be submitted and approved by the Town’s Planning and Zoning Commission and the Town Council. The site development plan depicts the layout of a development, including roads, lots, building location, and architectural information, parking, and landscaping.

As of August 1, 2024, no site development plans have been approved for the Remaining Development. It is anticipated that site development plan for the 525 single-family detached lots will be submitted in the third quarter of 2024, with approval in the fourth quarter of 2024, and the site development plan for the 105 single-family attached (townhome) lots will be submitted in the third or fourth quarter of 2024, with approval in the fourth quarter of 2024, or the first quarter of 2025. No assurance is provided that site development plans will be submitted to or approved by the Town in the manner or timeframe anticipated or at all.

**Statutory Vested Property Rights.** In Colorado, property rights vest in a particular land use after a building permit has been issued and the landowner acts in reliance on it. Under certain circumstances, prior to issuance of a building permit, State law provides for the “vesting” of property rights in a property owner for a specified period of time, during which the applicable municipality generally is not permitted to take any zoning or land use action which would alter, impair, prevent, diminish, impose a moratorium on development, or otherwise delay development or use of the property subject to the applicable zoning documents, or unilaterally amend the applicable zoning documents.

Pursuant to the Town Code, a site-specific development plan (as defined therein) approved in accordance with the provisions of the Town Code, vests in the landowner for a period of three years and

provides the right to undertake and complete the development and use of property subject to such plan in accordance with its terms and conditions. The effective date of approval of a site-specific development plan and the vesting of property rights is effective upon: (a) the date of the Town Council resolution approving the site development plan or major amendment to the site development plan; (b) the date the manager gives written approval of a site development plan; or (c) the effective date of the ordinance approving or conditionally approving the development agreement vesting a PD plan pursuant to the provisions of the Town Code. Once a site-specific development plan is vested, the platting and/or re-platting of subdivisions within the development plan generally will extend the vested entitlements for another three-year period from the date of the subsequent platting or re-platting.

**Platting.** The Town’s subdivision process, as set forth in the Town Code, provides for review and approval of final plats by the Town Manager. No final plats are to be approved by the Town Manager until the subdivision improvement agreement guaranteeing the construction of the improvements is executed by the developer of the property subject to the final plat.

As of August 1, 2024, no final plats have been approved for the Remaining Development. After approval of the required site development plans (see “—Site Development Plans), development of the Remaining Development will approval of multiple final plats which will subdivide approximately 293 acres into 525 single-family detached lots (the “SF Plat”) and one or more final plats which will subdivide approximately 9 acres into 105 single-family attached lots (the “MF Plat”). According to the Developer, it is anticipated that the SF Plat will be approved by the Town in the fourth quarter of 2024 and that the MF Plat will be approved by the Town in the fourth quarter of 2024, or the first quarter of 2025. No assurance is provided that final plats will be approved by the Town in the manner or timeframe anticipated or at all.

*Notwithstanding the foregoing, development plans are subject to change, and no assurance is given that applications for final plats will be submitted to the Town or that the Town will approve final plats in the manner or timeframe anticipated herein or at all, nor the Developer, Cardel Homes, other Homebuilders, if any, or other property owner, will not pursue a re-platting of property within the Development into fewer lots than anticipated herein. See “RISK FACTORS—Continued Development Not Assured.”*

## **Agreements Concerning Public Improvements**

For the purpose of providing assurances to the Town concerning the construction and funding of Public Improvements necessary to serve the Development, the following agreements have been or may be executed, as further described below.

**Development Agreements.** The Development is subject to two development agreements: (a) Annexation and Development Contract by and between the Town and Park Funding Corp., dated as of April 11, 1985 (as previously defined, the “1985 A&D Agreement”); and (b) Bella Mesa Annexation and Development Agreement by and between the Town and Bella Mesa Land, LLC (together with Park Funding Corp., the “Prior Developers”) (as previously defined, the “2016 A&D Agreement” and together with the 1985 A&D Agreement, the “A&D Agreements”). See “—Annexation” for more information regarding such agreements.

**Subdivision Improvement Agreement.** As set forth in the Town Code, the Town may require agreements concerning Public Improvements as a condition of approval of final plats for the Remaining Development (the “SIA”). As of August 1, 2024, no SIA has been executed and no drafts of the same are available. No information is available for inclusion herein with respect to the anticipated terms of the SIA

and no assurance is provided that such SIA will be executed with any particular terms, in any particular timeframe, or at all.

**Roundabout PIA.** The Developer and the Town entered into the Mitchell Street and Mikelson Boulevard Public Improvements Agreement, dated November 7, 2023 (the “Roundabout PIA”), which sets forth the terms and conditions for construction of intersection control improvements at the intersection of Mitchell Street and Mikelson Boulevard, including, as one option, a roundabout (the “Roundabout”) and certain landscaping improvements. The Roundabout is required to be completed and accepted by the Town no later than 12 months following the issuance of the initial construction permit. If the Developer fails to commence or complete construction within the time periods set forth in the Roundabout PIA, the Town may, upon expiration of the cure period set forth therein, void its approvals of the construction drawings and building permits and terminate the Roundabout PIA.

The District is permitted to perform the Developer’s obligations under the Roundabout PIA and has executed a Master Escrow Agreement with the Town with respect to funding certain costs of the Roundabout. See “THE DISTRICT—Material Agreements of the District—*Master Escrow Agreement*.”

It is anticipated that the Roundabout will be open for traffic in September 2024 and fully completed in the fourth quarter of 2024.

*There is no assurance that the Developer will enter into any other agreements with Cardel Homes or other entities with regard to the construction of public improvements, and there is no assurance as to the terms of any such agreements.*

### **Construction and Sales Activity; Purchase and Sale Agreements**

According to the Developer, upon full build-out, the Development is expected to include a total of 810 single-family homes, comprised of 105 single-family attached townhomes and 705 single-family detached homes. All homes have been or are anticipated to be constructed by homebuilders. The Developer does not anticipate undertaking any vertical construction within the Development.

**Richmond Development.** Of the anticipated 810 single-family homes, Richmond has fully constructed and sold all 180 single-family detached homes to homeowners (as previously defined, the “Richmond Development”).

**Remaining Development.** The remaining 630 single-family homes are anticipated to be comprised of 525 single-family detached home and 105 single-family attached townhomes (as previously defined, the “Remaining Development”). It is anticipated that all of the single-family attached townhomes will be constructed by Cardel Denver Homes, LLC, a Colorado limited liability company (as previously defined, “Cardel Homes”). It is anticipated that the single-family detached homes will be constructed by Cardel Homes and one to two other still to be identified homebuilders (Cardel Homes and any other homebuilders within the Development are referred to herein as the “Homebuilders”). The Developer has executed two purchase and sale agreements to sell the remaining developable property that it owns to Cardel Homes. See “TABLE II—Summary of Planned Development” above and “—*Purchase and Sale Agreements*” below. *No assurance is provided that any property will ultimately be purchased by Cardel Homes or any other Homebuilders in the timeframe or manner anticipated herein or at all.*

None of the remaining 630 single-family homes have been constructed within the Remaining Development. According to the Market Study, it is anticipated that the first homes within the Remaining Development will be sold and closed to homeowners in the first quarter of 2026 and that all homes within the Development will be sold and closed to homeowners by the third quarter of 2031. Neither Cardel



Homes nor any other Homebuilder is obligated to construct homes within the Remaining Development in any particular timeframe or at all. *No assurance is provided that the single-family attached (townhomes) homes or single-family detached homes will be constructed or sold and closed to homeowners.*

According to the Market Study, the single-family detached homes are anticipated to range from 1,618 square feet to 3,200 square feet and single-family attached townhomes are anticipated to range from 1,573 square feet to 1,727 square feet.

Further, as set forth in the Market Study, the average closing price for single-family detached homes is anticipated to range from \$945,938 to \$1,064,250, and the average closing price for single-family attached homes (townhome) is anticipated to average \$765,213. See the Market Study attached hereto as APPENDIX B for assumptions regarding home pricing used in the Financial Forecast. Such home pricing assumptions are based on information provided by the Developer and on other information more particularly described in the Market Study.

***Purchase and Sale Agreements.*** As of the date of this Limited Offering Memorandum, it is anticipated that the remaining 630 homes in the Development will be constructed by the Homebuilders, comprised of 525 single-family detached homes and 105 single-family attached townhomes within the Remaining Development. See “—*Cardel SF PSA*” and “—*Cardel Townhome PSA*” below.

***Cardel SF PSA.*** The Developer and Cardel Homes entered into a Purchase and Sale Agreement and Joint Escrow Instructions, dated as of May 8, 2024, pursuant to which the Developer agreed to sell to Cardel Homes an approximately 293-acre parcel (the “*Cardel SF Property*”) expected to be comprised of 525 single-family detached lots (the “*Cardel SF PSA*”) for a purchase price set forth in the *Cardel SF PSA*. A portion of the purchase price is to be paid at closing with the balance of the purchase price paid in the form a deferred purchase price promissory note payable to the Developer and secured by a first lien deed of trust encumbering the *Cardel SF Property*. The deed of trust is to be released in phases upon payment of a release amount, as more particular described therein.

As of the date of this Limited Offering Memorandum, Cardel Homes has made \$150,000 in refundable escrow deposits. The *Cardel SF PSA* is currently within the approvals period, which expires on January 3, 2025. During the approvals period, Cardel Homes is to obtain a site development plan and the Developer is to obtain a single-lot plat for the *Cardel SF Property*. Cardel Homes is to be responsible for obtaining one or more amendments to the single-lot plat to permit development of homes. In the event such approvals are not obtained, then Cardel Homes can elect to close without such approvals or can terminate the *Cardel SF PSA* and receive its escrow deposit. Conditions to closing include, among other things, the approval of issuance of bonds by the District and the approval and recordation of the single-lot plat.

At closing the Developer is to assign to Cardel Homes any and all reimbursements, credits, payments, or other amounts payable to or to become payable to the Developer by the District. See “*THE DISTRICT—Material Agreements of the District.*” In addition, the Developer agreed to assign all water credits (currently 276.2 SFEs) to Cardel Homes. Cardel Homes is to be responsible for obtaining any additional water credits required to develop the *Cardel SF Property*; provided that the Developer has the right, not the obligation, to purchase from the Town additional water credits sufficient for development of the property and assign such water credits to Cardel Homes. See “—*Water and Sewer.*”

Subject to the provisions of *Cardel SF PSA*, the closing is to take place on the earlier of: (a) 35 days after the date the Town Council approves the final plat for the *Cardel SF Property* and the site development plan, and (b) 365 days after the date of the *Cardel SF PSA*, all subject to the provisions as set therein. According to the Developer, Cardel Homes is expected to close on the purchase in the third or

fourth quarter of 2024. *No assurance is provided that Cardel Homes will close on the Cardel SF PSA in the timeframe or manner anticipated herein or at all.*

*Cardel Townhome PSA.* The Developer and Cardel Homes entered into a Purchase and Sale Agreement and Joint Escrow Instructions, dated as of July 26, 2024, pursuant to which the Developer agreed to sell to Cardel Homes an approximately 9-acre parcel (the “Cardel MF Property”) expected to be comprised of 105 single-family attached lots (the “Cardel MF PSA”) for a purchase price set forth in the Cardel MF PSA.

As of the date of this Limited Offering Memorandum, Cardel Homes has made \$100,000 in refundable escrow deposits. The Cardel MF PSA is currently within the due diligence period, which expires on October 24, 2024. After the expiration of the due diligence period, Cardel Homes is to obtain all necessary governmental approvals for vertical construction, including a final plat. In the event such approvals are not obtained prior to the closing date, then Cardel Homes can elect to close without such approvals or can terminate the Cardel MF PSA and receive its escrow deposit. Conditions to closing include, among other things, the recordation of the final plat for the Cardel MF Property.

At closing the Developer is to assign to Cardel Homes any and all reimbursements, credits, payments, or other amounts payable to or to become payable to the Developer by the District. See “THE DISTRICT—Material Agreements of the District.” Cardel Homes is to be responsible for obtaining any water credits required to develop the Cardel MF Property at its own expense. See “—Water and Sewer.”

Subject to the provisions of Cardel SF PSA, the closing is to take place on the earlier of: (a) five days after the date the final plat for the Cardel MF Property is recorded, and (b) 365 days after the date of the Cardel MF PSA, all subject to the provisions as set therein. According to the Developer, Cardel Homes is expected to close on the purchase in the third or fourth quarter of 2024. *No assurance is provided that Cardel Homes will close on the Cardel MF PSA in the timeframe or manner anticipated herein or at all.*

*Lot Sales to Other Homebuilders.* Cardel Homes anticipates selling a portion of the remaining single-family detached lots to one or two additional builders. However, as of the date of this Limited Offering Memorandum, Cardel Homes has not entered into any letters of intent or purchase and sale agreements with other Homebuilders. No assurance is provided that any other Homebuilders will ultimately construct homes within the Development.

## **Status of Construction and Funding of Public, Private Improvements**

Completion of the Development will require the completion of Public Improvements and private improvements in accordance with the requirements of any applicable construction documents, the Development Agreements, the Roundabout PIA, and any future subdivision improvement agreements executed in connection with the Remaining Development. See “—Platting, Zoning/Land Use and Public Approvals” and “—Agreements Concerning Public Improvements” above. The Public Improvements required for the Development are anticipated to be generally comprised of the Roundabout, the removal of Mitchell Dam, streets, sidewalks, water, sewer, stormwater drainage and detention, and trails and outdoor recreation improvements. The private improvements are anticipated to be generally comprised of dry utilities improvements and entry monumentation. Upon completion, it is anticipated that the street improvements, water improvements, sewer improvements, and certain drainage improvements will be dedicated to the Town for ownership, operation and maintenance in accordance with the Town IGA. It is anticipated that certain parks and recreation improvements and drainage improvements will be dedicated to the District for ownership, operation and maintenance. Except for the Public Land Dedication (see “—Schools”), which is owned by the Town, the non-developable open space tracts within the Development are currently owned by a combination of the Developer and Bella Mesa HOA. Some such areas may be

conveyed to the District or a future homeowners association for ownership, operation and maintenance.

According to the Developer, construction of Public Improvements and private improvements in the Development began in 2018 and is anticipated to be completed by 2031. As of August 1, 2024, approximately 25% of the Public Improvements required for the Development are complete, which includes all of the Public Improvements and private improvements for the Richmond Development. Remaining trunk Public Improvements to be completed include the Roundabout (see “—Agreements Concerning Public Improvements—*Roundabout PIA*”) and remaining in-tract Public Improvements to be completed include streets, sidewalks, water, sewer, storm drainage and detention for the Remaining Development. Construction of the Roundabout has commenced and is anticipated to be completed by the end of 2024. Construction of the Public Improvements and private improvements in the Remaining Development is anticipated to commence in the fourth quarter of 2024 with completion by 2031.

According to the Developer, the total cost of remaining Public Improvements required to be constructed for the Development is estimated at approximately \$76,200,000. The total cost of remaining private improvements required to be constructed for the Development is estimated at approximately \$10,000,000. The foregoing does not include costs of Public Improvements and private improvements constructed in connection with the Richmond Development. According to the Developer, as of July 31, 2024 approximately \$10,500,000 has been expended for remaining Public Improvements, which includes drainage improvements, sanitary sewer improvements, water improvements and certain street improvements, and approximately \$3,000,000 has been expended for the remaining private improvements. According to the Developer, the Public Improvements to serve the Richmond Development, including the School Parcel, were completed at an approximate cost of \$11,000,000.

All remaining Public Improvements are anticipated to be funded and constructed by a combination of the District and the Developer and Cardel Homes, subject to reimbursement of a portion of the costs thereof by the District from proceeds of the Series 2024B Subordinate Bonds (estimated at \$\_\_\_\_\_\*). They will be applied either directly by the District to fund Public Improvements or to reimburse the Developer or Cardel Homes for a portion of the costs of the District-eligible Public Improvements funded directly by the Developer and Cardel Homes. See “THE DISTRICT—Material Agreements of the District—*Fourth Investment Advance Agreement*.” The costs of any Public Improvements in excess of the proceeds of the Series 2024B Subordinate Bonds and the costs of private improvements required for the Development are anticipated to be funded by the Developer and Cardel Homes from funds on hand.

The estimates of remaining Public Improvements and private improvements required for the Development described herein do not include the costs of vertical construction of any portion of the Remaining Development.

*No assurance is provided that the Public Improvements and private improvements will be constructed in the foregoing timeframe, in the amount anticipated, or at all. No assurance is provided that the District or the Developer or Cardel Homes will have sufficient financing available to cause the construction of the required Public Improvements and private improvements necessary for the development of the remaining property in the Development as described herein.*

## **Water and Sewer**

Water and sewer services are to be provided to the Development by the Town.

As a condition of annexation, a property owner was required to dedicate all rights to the groundwater underlying the annexed property to the Town or pay a cash in lieu payment to the Town. At

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\* Preliminary; subject to change.

such time, a water credit was provided to the property. The water credit is to be applied at the time of final plat approval by the total SFE assigned to all approved development within the final plat. The water credit is applied on a “first-come, first-served” basis to approved development within the property on a per unit basis. If the water credit is exhausted prior to full development, the developer or property owner is required to provide additional water resources or pay the Town cash-in-lieu of water rights. Without such additional water resources, the Town is not obligated to approve further development approvals for a development.

According to the Developer, the Development currently has 276.2 SFE units available for application to the water requirements for the Remaining Development. The Developer anticipates that such amount will be sufficient to complete the Remaining Development given reduction in water use due to stricter landscaping requirements. However, the ultimate SFEs required to serve the Remaining Development will not be known until the Remaining Development is subject to approved final plats. As a result, it is possible that there will be insufficient water credits available to fully serve the Remaining Development. In such case, the Developer and Cardel Homes are anticipated to purchase additional water rights. Pursuant to the Cardel SF PSA and the Cardel MF PSA, Cardel Homes is to be responsible for obtaining any additional water credits required to develop the Cardel SF Property and the Cardel MF Property; provided that, with respect to the Cardel SF Property, the Developer has the right, not the obligation, to purchase from the Town additional water credits sufficient for development of the property and assign such water credits to Cardel Homes. See “—Construction and Sales Activity; Purchase and Sale Agreements—*Purchase and Sale Agreements*” above. No assurance is provided that the current amount of water will be sufficient to fully serve the Remaining Development, and if not, that the Developer and Cardel Homes will be able to purchase sufficient water rights in the amount and timeframe needed for the Remaining Development to be completed as anticipated herein.

#### **Land Acquisition; Encumbrances on Land**

*The following describes certain encumbrances presently existing on all or portions of the property comprising the Development, to the extent known by the Developer. Such property is also subject to various easements and rights of way of record which, to the extent of record only, the Developer has reviewed, and the Developer does not believe is inconsistent with the development of the property as described herein.*

**Land Acquisition.** The Developer purchased all land within the Development in June 2017. There are no encumbrances on the remaining developable land in the Development associated with the Developer’s acquisition thereof.

**Appraisals.** No appraisals have been prepared for the property comprising the Development.

#### ***Declaration of Covenants, Conditions, and Restrictions.***

**Richmond Covenants.** The property within the Development is currently subject to a Declaration of Covenants, Conditions and Restrictions for Bella Mesa, as may be amended and supplemented from time to time (the “Richmond Covenants”) executed by Richmond on May 8, 2010 and recorded in the records of the County on May 10, 2019, for the purpose of, among other things, to provide a governance structure and a flexible system of standards and procedures for the overall development, expansion, administration, maintenance, and preservation of Bella Mesa as a planned community. The Richmond Covenants cover the 180 lots and certain open space tracts in the Richmond Development and will not encumber the Remaining Development.

Pursuant to the Richmond Covenants, in 2019, a homeowners association was established (the “Bella Mesa HOA”), to be comprised of all community real property owners, to own, operate, manage, and/or maintain amenities upon various common areas and community improvements, provide services for the benefit of the real property owners in the community and to administer and enforce the Richmond Covenants and the other governing documents referenced therein.

*Cardel Covenants.* According to the Developer, it is anticipated that the Remaining Development may be subject to one or more Declaration of Covenants, Conditions, and Restrictions (the “Cardel Covenants”), but as of the date of this Limited Offering Memorandum, no drafts of the Cardel Covenants are available.

*Other Encumbrances.* All of the developable property planned for the Development is presently owned by the Developer and homeowners with the remaining vacant developable land under contract to be sold by the Developer to Cardel Homes. Property within the Development may be subjected to additional encumbrances as development progresses. No assurance is given that encumbrances will not be recorded against portions of the Development that would impact the ability of the Development to be carried out as presently planned. The property is also subject to easements and rights of way of record.

## **Environmental Matters and Potential Nuisances**

Certain studies were undertaken with respect to the property in the Development. Only the reports related to the remaining undeveloped property in the Development are described herein. There is no assurance that there are not conditions that exist on the property in the Development that were unknown at the time of such studies, and such condition(s), if any, could require further action in addition to the recommendations provided in such studies. In addition, there can be no assurance that during or subsequent to the development of the property hazardous materials or other adverse environmental conditions, or adverse soil conditions will not be discovered on the property which could hinder or prohibit further development. Should such a discovery occur, it is possible that the Development and marketing of the Development could be materially adversely affected.

*District Phase I ESA.* As part of a project to remove an abandoned wastewater detention pond (the “Mitchell Dam”), the District commissioned ERO Resources to conduct a Phase I Environmental Site Assessment on approximately 281 acres comprising a portion of the Development, dated December 3, 2021 (the “District Phase I Assessment”). The scope of the District Phase I Assessment included a records review, a site reconnaissance, historical research, interviews, and documentation of findings. The District Phase I Assessment revealed no evidence of recognized environmental conditions in connection with the property.

*Mitchell Dam Removal; Wetlands.* The Mitchell Dam was a wastewater treatment reservoir, constructed by the Town in the 1980s. As part of its removal, a wetland delineation was obtained in 2020. In 2021, the U.S. Army Corps of Engineers determined that the wetlands and aquatic features around Mitchell Dam were not jurisdictional wetlands or waters of the United States. A similar determination that such wetlands were not “state waters” was made by Colorado Department of Public Health & Environment in 2024. The Mitchell Dam will be removed as part of the development of the Remaining Development.

*Other Property Assessments.* The foregoing describes certain assessments conducted with respect to the property comprising the Development. It is possible that current or future property owners will obtain additional geotechnical and other studies and/or assessments of the property for the purpose of identifying conditions of the subject property that may impact development and making recommendations for the appropriate course of particular development activities.

## **Market Study**

The District has retained Zonda Advisory, Centennial, Colorado, to prepare a report, dated July 22, 2024, as most recently revised August 12, 2024, and an addendum thereto entitled “Monthly Snapshot: Economic & Housing Indicators Impacting the Colorado Front Range” dated [\_\_\_\_], 2024 (together, as previously defined, the “Market Study”) to assesses the pricing and annual absorption for the Development

based upon an analysis of the market area as well as other competing communities, conceptually competitive developments and other factors more particularly set forth in the Market Study. The Market Study provides an assessment of absorption and home prices based on current market conditions, which conditions are comprised solely of those specifically identified in the Market Study. The Market Study is attached hereto as APPENDIX B and should be read in its entirety by prospective purchasers of the Series 2024B Subordinate Bonds. See also “FORWARD-LOOKING STATEMENTS” and “RISK FACTORS—Risks Inherent in Financial Forecast, Market Study, and Assessed Value Appreciation Report.”

*No assurance is provided that the Development will be completed in the manner and in the timeframes described herein or at all or that property within the Development will ultimately achieve the anticipated values described herein, in the Market Study or the Financial Forecast.*

### **Marketing and Advertising**

Marketing and advertising of the homes in the Development is expected to be undertaken by the Cardel Homes and any other Homebuilders, if any, and may include customary marketing tools, such as local signage, website, social media, print and radio advertising, grand opening events, and model homes with on-site sales force.

It is anticipated that Cardel Homes will provide information on its website regarding the Development as development therein progresses. However, none of such material should be deemed incorporated into this Limited Offering Memorandum.

### **Competition**

The Development is expected to compete with active competitive residential developments in the Town, the County and the Denver metropolitan area. Such competition may adversely affect the rate of development within the District, all as more particularly described in the Market Study attached as APPENDIX B hereto.

### **Schools**

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

<b>Schools</b>		
<b>Name of School</b>	<b>Grades Served</b>	<b>Approximate Distance from the Development</b>
Flagstone Elementary School	Pre-K-6	1 mile
Mesa Middle School	6-8	Located in Development
Douglas County High School	9-12	5 miles

**Public Land Dedication.** In accordance with the Bella Mesa PDP, the Developer has dedicated an approximately 12-acre parcel within the Remaining Development to the Town, which is anticipated to include an elementary school (the “Public Land Dedication”). The Town is expected to deed the site to the School District when student attendance from new homes within the Remaining Development makes the elementary school necessary. *There is no assurance that such expansion will occur in the near future, if ever.*

## **The Developer and Cardel Homes**

***The Developer.*** The developer of Bella Mesa is Fourth Investment USA, LLC, a Colorado limited liability company (the “Developer”). The primary persons at the Developer who are responsible for the development of Bella Mesa are Christiane Hepfer, Andreas K. Bremer, and consulting manager John V. Hill.

***Christiane Hepfer.*** Ms. Hepfer is the founder and Chairman of International Capital, LLC. Ms. Hepfer specializes in structuring real estate acquisitions, dispositions, asset management and strategic planning on behalf of investors, and has participated in more than \$350 Million in real estate transactions. Ms. Hepfer received a Masters in Economics from Wurzburg University.

***Andreas Bremer.*** Mr. Bremer is the President and CEO of International Capital, LLC. Mr. Bremer manages a real estate portfolio of more than \$320 Million on behalf of International Capital, LLC, and has over 30 years of financial and general management experience in corporate finance and commercial lending. Mr. Bremer is a Certified Commercial Investment Member (CCIM).

***John V. Hill, Consulting Manager.*** Mr. Hill’s 53-year career includes real estate planning, engineering, financing management, contracting, and construction management for both residential and commercial developments. Mr. Hill has worked in numerous states and internationally, serves on the board of directors of metropolitan districts, and currently manages the development operations of Colorado Land Management, LLC, Green Valley Homes, LLC and BV Firewheel, LLC, which are all active Colorado builder-developers. Mr. Hill graduated from Southern Methodist University in 1971 (BSCE) and 2023 (MDR). Mr. Hill has currently active professional engineering registrations in Texas and Florida.

***Cardel Homes.*** Cardel Homes is an international homebuilder that has constructed more than 20,000 homes across North America in Colorado, USA; Florida, USA; Alberta, Canada; and Ontario, Canada. It was founded in Calgary, Alberta, Canada in 1973. Cardel Homes is currently active in four Denver area communities, building homes at Westminster Station in Westminster; at Deer Creek at Ken Caryl Ranch; in Vivant in Douglas County; and in Three Hills in Jefferson County.

## **DISTRICT FINANCIAL INFORMATION**

The Series 2024B Subordinate 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 Subordinate 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 Series 2024B Subordinate Bonds. For a complete description of revenues pledged to the payment of the Series 2024B Subordinate Bonds, see “THE SERIES 2024B SUBORDINATE BONDS—Security for the Series 2024B Subordinate Bonds.”

### **Ad Valorem Property Taxes**

The 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.

***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 United States 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 persons 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 <sup>1</sup>	2025 Actual Value Adjustment	2026 Assessment Rate <sup>1</sup>	2026 Actual Value Adjustment	Assessment Rate <sup>1</sup>	Actual Value Adjustment
<b>Residential</b>											
Multi-Family	6.8%	6.7%	-\$55,000	6.7%	-\$55,000	6.15% (growth rate > 5%) <sup>2</sup>	-- <sup>3</sup>	6.7% (growth rate > 5%) <sup>2</sup>	- lesser of 10% of actual value or \$70,000 <sup>3,4</sup>	6.7% (growth rate > 5%) <sup>2</sup>	- lesser of 10% of actual value or \$70,000 <sup>3,4</sup>
						6.25% (growth rate < 5%) <sup>2</sup>		6.8% (growth rate < 5%) <sup>2</sup>		6.8% (growth rate < 5%) <sup>2</sup>	
All Other Residential	6.95%	6.7%	-\$55,000	6.7%	-\$55,000	6.15% (growth rate > 5%) <sup>2</sup>	-- <sup>3</sup>	6.7% (growth rate > 5%) <sup>2</sup>	- lesser of 10% of actual value or \$70,000 <sup>3,4</sup>	6.7% (growth rate > 5%) <sup>2</sup>	- lesser of 10% of actual value or \$70,000 <sup>3,4</sup>
						6.25% (growth rate < 5%) <sup>2</sup>		6.8% (growth rate < 5%) <sup>2</sup>		6.8% (growth rate < 5%) <sup>2</sup>	
<b>Non-Residential</b>											
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%	--
Footnotes on following page.											

<sup>1</sup> 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.

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

<sup>3</sup> 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.”

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

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 2020 Required Mill Levy and Subordinate Required Mill Levy in the event of in the event of changes in the method of calculating assessed valuation or any constitutionally mandated or statutorily authorized tax credit, cut, or abatement, 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.

*The Financial Forecast assumes that the residential assessment rate will adjust to 6.8% in property tax year 2026 and remain at 6.8% for the life of the Bonds. In addition, the Financial Forecast assumes that the actual value adjustments beginning in property tax year 2026 will be increased for inflation at the rate of 2% each reassessment cycle. It does not reflect any other changes to the assessment ratios that have been or may be enacted into law in the future. Any changes to the assessment ratios are not anticipated to affect the amount of revenue derived from the 2020 Required Mill Levy and Subordinate Required Mill Levy due to language in the definitions thereof requiring adjustment thereof in the event of changes in the method of calculating assessed valuation. See “RISK FACTORS—Risk of Reductions in Assessed Value; Assessed Valuation Procedures and Factors; Market Value of Land.”*

*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. Accordingly, the District’s voted authorization obtained at the Election is not impaired, 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 Series 2024B Subordinate Bonds are being issued in accordance with existing voted authorization of the District, as described in “DEBT STRUCTURE—Authorized but Unissued Debt.” Accordingly, it is anticipated that repayment of the Series 2024B Subordinate Bonds will not be subject to the Property Tax Limit and that the property tax revenue generated from the Subordinate Required Mill Levy will not be included in the calculation of the Property Tax Limit. It is also anticipated that repayment of the Series 2020 Senior Bonds will not be subject to the Property Tax Limit and that the property tax revenue generated from the 2020 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. [GENERAL COUNSEL TO CONFIRM]

**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 (collection year 2020) 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 Amendments Limiting Taxes and Spending” below.

**TABLE III  
History of Assessed Valuation and Mill Levies for the District <sup>1</sup>**

<b>Levy/Collection Year</b>	<b>Assessed Valuation</b>	<b>General Fund Mill Levy</b>	<b>Debt Service Fund Mill Levy</b>	<b>Total Mill Levy</b>
2019/2020	\$1,840,700	20.000	0.000	20.000
2020/2021	2,500,850	20.000	55.664	75.664
2021/2022	4,164,150	20.000	55.664	75.664
2022/2023	5,000,540	20.402	56.783	77.185
2023/2024	7,252,430	13.509	64.159	77.668
2024/2025 <sup>1</sup>	7,298,100	n/a	n/a	n/a

<sup>1</sup> Preliminary value as certified by the County Assessors on August 20, 2024. Such value is subject to change prior to the final December 10, 2024 certification date. See “—Ad Valorem Property Taxes” above. Mill levies for the 2024 levy year, for the collection of ad valorem property taxes in 2025, are to be certified in December 2024. Source: State of Colorado Property Tax Annual Reports 2019-2023 and the County Assessor

**TABLE IV**  
**History of Property Tax Collections <sup>1</sup>**

<b>Levy/Collection Year</b>	<b>Taxes Levied</b>	<b>Taxes Collected</b>	<b>Tax Collections as Percent of Tax Levied</b>
2019/2020	\$ 36,814	\$ 36,814	100.00%
2020/2021	189,224	189,225	100.00
2021/2022	315,076	315,077	100.00
2022/2023	385,967	385,726	99.94
2023/2024 <sup>2</sup>	563,282	558,056	99.07

<sup>1</sup> Figures do not include treasurer’s fees, abatements or interest payable on abatements.

<sup>2</sup> Collections through June 30, 2024.

Sources: State of Colorado Property Tax Annual Reports 2019-2023, the District’s 2019 application for exemption from audit, the District’s audited financial statements for the years ended December 31, 2020 through December 31, 2023, and the County Treasurer

The following tables set forth the preliminary 2024 assessed and statutory “actual” valuations of specific classes of real and personal property within the District as certified by the County Assessor, which is subject to change prior to the final December 10, 2024 certification date. As shown below, residential property accounts for the largest percentage of the District’s assessed valuation.

**TABLE V**  
**Preliminary 2024 Assessed and “Actual” Valuation of Classes of Property in the District <sup>1</sup>**

<b>Property Class</b>	<b>Assessed Valuation</b>	<b>Percent of Assessed Valuation</b>	<b>“Actual” Valuation</b>	<b>Percent of “Actual” Valuation</b>
Residential	\$6,817,550	93.42%	\$101,755,839	98.33%
Vacant Land	376,880	5.16	1,350,815	1.31
State Assessed	82,400	1.13	295,299	0.28
Agricultural	<u>21,270</u>	<u>0.29</u>	<u>80,594</u>	<u>0.08</u>
Total	<u>\$7,298,100</u>	<u>100.00%</u>	<u>\$103,482,547</u>	<u>100.00%</u>

<sup>1</sup> Preliminary value as certified by the County Assessors on August 20, 2024. Such value is subject to change prior to the final December 10, 2024 certification date.

Source: County Assessor’s Office

**Largest District Taxpayers.** Set forth below in the following table are the persons or entities which represent the 2023 largest taxpayers within the District, 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 of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the District. The District’s mill levy is uniformly applicable to all of the properties included in the table, and thus taxes expected to be received by the District from such taxpayers will be in proportion to the taxable valuation of the properties. The total tax bill for each of the properties is dependent upon the mill levies of the other taxing entities which overlap the properties.

**TABLE VI**  
**2023 Largest Taxpayers in the District <sup>1, 2</sup>**

Taxpayer Name	2023 Assessed Valuation	Percent of Total Assessed Valuation
Fourth Investment USA LLC	\$397,970	5.49%
Homeowner	43,170	0.60
Homeowner	41,660	0.57
Homeowner	40,740	0.56
Homeowner	40,630	0.56
Homeowner	40,130	0.55
Homeowner	39,770	0.55
Homeowner	39,550	0.54
Homeowner	39,500	0.54
Homeowner	<u>39,470</u>	0.54
Total	<u>\$762,590</u>	

<sup>1</sup> The District's 2023 certified assessed valuation used in computing the above is \$7,252,430.

<sup>2</sup> 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.

Source: County Assessor's Office



**Overlapping Mill Levies.** Numerous entities are located wholly or partially within the District are authorized to levy taxes on property located within the District. According to the County Assessor’s Office, based on parcel information provided by the Developer, there are currently seven taxing entities overlapping all or a portion of the District. There is currently only one total mill levy assessed against all property owners within the District, as set forth in the following table; however, property owners within the District may be subject to different mill levies in the future depending on the location of their property. Additional taxing entities may overlap the District in the future. See also “DEBT STRUCTURE—General Obligation Debt—*Estimated Overlapping General Obligation Debt.*”

**TABLE VII**  
**Total 2023 Mill Levies of the District <sup>1</sup>**

<b>Taxing Entity</b>	<b>Mill Levy</b>
Castle Rock (Town of)	0.920
Cedar Hill Cemetery Association	0.104
Cherry Creek Basin Water Quality Authority	0.425
Douglas County	19.774
Douglas County School District RE-1	45.934
Douglas County Soil Conservation District	0.000
Douglas Public Library District	<u>3.513</u>
Total Overlapping Mill Levy	77.863
The District	<u>77.668</u>
Total Mill Levy	<u>148.338</u>

<sup>1</sup> One mill equals 1/10 of one cent. Mill levies certified in 2023 are for the collection of ad valorem property taxes in 2024.  
Sources: County Assessor’s office

**Fees**

The District does not currently impose any fees and is not 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 allocable to the District’s Subordinate Required Mill Levy is pledged to the payment of the Series 2024B Subordinate Bonds and are not available for other purposes. See “THE SERIES 2024B SUBORDINATE BONDS—Security for the Series 2024B Subordinate Bonds—*Specific Ownership Tax.*” The portion of specific ownership taxes that is allocable to the District’s 2020 Required Mill Levy is pledged to the payment of the Series 2020 Senior Bonds and are not available for other purposes. See “DEBT STRUCTURE.”

**Operating Mill Levy; Other Funding of Operations and Maintenance; Other Revenue Sources**

The Service Plan does not limit the mill levy that can be imposed by the District for administration, operation, and maintenance costs. See “THE DISTRICT—Service Plan Authorizations and Limitations.”

In 2023 (for collection in 2024), the District imposed an operating mill levy of 13.509 mills to pay operation and maintenance costs.

Other revenues available to the District for the funding of administration, operations, and maintenance costs and the payment of debt service include interest and other earnings of investments (excluding earnings on funds held by the Trustee) and, to the extent not prohibited by other contractual obligations, fees, rates, tolls, penalties, or charges allowed under the Service Plan.

The District may apply other legally available funds and revenues to the payment of debt service on the Series 2024B Subordinate Bonds, and upon the application of such other funds and revenues, the debt service mill levy imposed for the payment of the Series 2024B Subordinate Bonds may, to the extent, be diminished, subject to the requirements of the Subordinate Required Mill Levy. However, the Series 2024B Subordinate Bonds do not constitute a lien or encumbrance on such revenues.

### **District 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 has created three governmental funds: a General Fund to provide for the payment of general operating expenditures; a Debt Service Fund to provide for the payments of principal and interest on the Series 2024B Subordinate Bonds; and a Capital Projects Fund to provide for the infrastructure costs that are 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 the District's property tax revenue by the County Treasurer pending compliance.

**Historical Financial Information.** Set forth hereafter is a comparative statement of revenues, expenditures, 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 audited financial statements and accompanying notes appended as APPENDIX B hereto. Preceding years’ financial statements may be obtained from the sources noted in “INTRODUCTION—Additional Information.”

**TABLE VIII**  
**History of General Fund Revenues, Expenditures, and Changes in Fund Balances**

	<b>Unaudited</b>				
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Revenues:</b>					
Property Taxes	\$ 52,201	\$ 36,814	\$ 50,017	\$ 83,283	\$101,957
Specific Ownership Taxes	5,236	3,176	4,823	7,365	9,461
Interest Income	<u>5,493</u>	<u>920</u>	<u>27</u>	<u>1,515</u>	<u>1,909</u>
Total Revenues	<u>62,930</u>	<u>40,910</u>	<u>54,867</u>	<u>92,163</u>	<u>113,327</u>
<b>Expenditures:</b>					
General Government <sup>1</sup>	104,594	--	--	--	--
Accounting	--	11,168	18,825	24,269	26,417
Audit	--	--	5,000	5,500	6,100
Legal	--	12,050	10,617	18,831	47,816
Election Expense	--	--	--	3,894	5,813
Insurance and Bonds	--	2,612	2,677	2,469	5,680
District Management	--	45,750	42,000	42,000	42,000
County Treasurer’s Fees	--	552	750	1,249	1,530
Miscellaneous	--	--	--	57	--
Website	--	--	--	400	--
Dues and Subscriptions	--	<u>375</u>	<u>408</u>	<u>398</u>	<u>398</u>
Total Expenditures	<u>104,594</u>	<u>72,507</u>	<u>80,277</u>	<u>99,067</u>	<u>135,754</u>
Net Change in Fund Balance	(41,664)	(31,597)	(25,410)	(6,094)	(22,427)
Beginning Fund Balance	<u>249,402</u>	<u>207,739</u>	<u>176,142</u>	<u>150,732</u>	<u>143,828</u>
Ending Fund Balance	<u>\$207,738</u>	<u>\$176,142</u>	<u>\$150,732</u>	<u>\$143,828</u>	<u>\$121,401</u>

<sup>1</sup> The category “General Government” appears only in the District’s application for exemption from audit for the year ended December 31, 2019, and is not separated into the specific expenditure categories set forth in the above table.

Source: The District’s application for exemption from audit for the year ended December 31, 2019 and the District’s Audited Financial Statements for the years ended December 31, 2020 through December 31, 2023

**TABLE IX**  
**History of Debt Service Fund Revenues, Expenditures, and Changes in Fund Balances**

	2019 <sup>1</sup>	2020	2021	2022	2023
Revenues:					
Property Taxes	\$ --	--	\$ 139,208	\$ 231,794	\$ 283,769
Specific Ownership Taxes	--	--	13,425	20,497	26,331
Interest Income	--	<u>\$ 2,412</u>	<u>660</u>	<u>32,424</u>	<u>110,525</u>
Total Revenues	<u>--</u>	<u>2,412</u>	<u>153,293</u>	<u>284,715</u>	<u>420,625</u>
Expenditures:					
County Treasurer's Fees	--	--	2,088	3,477	4,258
Paying Agent Fees	<u>--</u>	<u>--</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
Total Expenditures	<u>--</u>	<u>--</u>	<u>6,088</u>	<u>7,477</u>	<u>8,258</u>
Excess (Deficiency) of Revenues Over Expenditures	--	2,412	147,205	277,238	412,367
Other Financing Sources (Uses):					
Transfers from (to) Other Funds	<u>--</u>	<u>1,574,796</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total	<u>--</u>	<u>1,574,796</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	--	1,577,208	147,205	277,238	412,367
Beginning Fund Balance	<u>--</u>	<u>--</u>	<u>1,577,208</u>	<u>1,724,413</u>	<u>2,001,651</u>
Ending Fund Balance	<u>\$ --</u>	<u>\$1,577,208</u>	<u>\$1,724,413</u>	<u>\$2,001,651</u>	<u>\$2,414,018</u>

<sup>1</sup> The District did not create a Debt Service Fund until 2020, as set forth in the District's Amended 2020 Budget. See "—Budget and Appropriation Procedure" below.

Source: The District's Audited Financial Statements for the years ended December 31, 2020 through December 31, 2023

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**TABLE X**  
**History of Capital Projects Fund Revenues, Expenditures, and Changes in Fund Balances**

	<b>Unaudited</b>				
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Revenues:</b>					
Interest Income	\$ --	\$ 14,127	\$ 1,996	\$ 43,475	\$ 108,534
Total Revenues	<u>--</u>	<u>14,127</u>	<u>1,996</u>	<u>43,475</u>	<u>108,534</u>
<b>Expenditures:</b>					
Accounting	--	135	--	--	--
Legal	--	256	--	2,268	1,194
District Management	--	42,186	--	70,725	139,458
Miscellaneous	--	--	275	--	--
Bond Issue Cost	20,343	619,810	--	--	--
Engineering	11,832	31,077	92,527	41,648	167,144
Construction Management	--	--	44,400	--	--
Parks and Recreation	--	305,889	1,055,651	43,212	--
Streets	--	3,919,861	1,635,638	451,970	519,854
Sewer	--	1,143,876	626,100	30,836	--
Storm Drainage	--	--	--	71,451	--
Water	--	960,335	412,655	30,860	--
Total Expenditures	<u>32,175</u>	<u>7,023,425</u>	<u>3,867,246</u>	<u>742,970</u>	<u>827,650</u>
Excess (Deficiency) of Revenues Over Expenditures	(32,175)	(7,009,298)	(3,865,250)	(699,495)	(719,116)
<b>Other Financing Sources (Uses):</b>					
Transfers from (to) Other Funds	--	(1,574,796)	--	--	--
Bond Issuance	--	15,747,961	--	--	--
Developer Advance	--	--	--	--	150,000
Total	<u>--</u>	<u>14,173,165</u>	<u>--</u>	<u>--</u>	<u>150,000</u>
Net Change in Fund Balance	(32,175)	7,163,867	(3,865,250)	(699,495)	(569,116)
Beginning Fund Balance	<u>--</u>	<u>(32,175)</u>	<u>7,131,692</u>	<u>3,266,442</u>	<u>2,566,947</u>
Ending Fund Balance	<u>\$(32,175)</u> <sup>1</sup>	<u>\$ 7,131,692</u>	<u>\$3,266,442</u>	<u>\$2,566,947</u>	<u>\$1,997,831</u>

<sup>1</sup> According to the District, the negative balance in the Capital Projects Fund for the year ended December 31, 2019, is due to year-end cutoff and timing.

Source: The District's application for exemption from audit for the year ended December 31, 2019 and the District's Audited Financial Statements for the years ended December 31, 2020 through December 31, 2023

### **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's 2024 budget and appropriation resolution pursuant to the procedures described above and filed such budget with the State Division of Local Government.

***Budgeted Financial Information.*** Set forth hereafter is a comparison of the District's 2023 and 2024 budgets (as adopted), as well as a comparison to the 2024 year-to-date unaudited figures for the District's General Fund, Debt Service Fund, and Capital Projects Fund.

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**TABLE XI**  
**General Fund Budget Summary**

	<b>2023 Budget (as adopted)</b>	<b>2024 Budget (as adopted)</b>	<b>2024 Actual Year-to-Date (unaudited) <sup>1</sup></b>
Beginning Fund Balance	\$142,715	\$118,349	\$121,401
Revenues			
Property Taxes	102,021	97,973	98,099
Specific Ownership Tax	9,182	8,818	3,624
Interest Income	<u>19,000</u>	<u>4,000</u>	<u>2,280</u>
Total Revenues	<u>130,203</u>	<u>110,791</u>	<u>104,003</u>
 Total Funds Available	 <u>272,918</u>	 <u>229,140</u>	 <u>225,404</u>
Expenditures			
General and Administrative			
Accounting	25,000	27,500	13,568
Auditing	6,000	7,000	4,000
County Treasurer's Fee	1,530	1,470	1,472
Dues and Membership	500	500	387
Insurance and Bonds	4,000	7,000	13,568
District Management	45,000	45,000	21,000
Legal Services	18,000	40,000	22,715
Website	1,000	1,030	--
Miscellaneous	--	100	--
Election	13,000	--	--
Contingency	5,970	8,400	--
Operations and Maintenance			
Drainage System Maintenance	<u>35,000</u>	<u>5,000</u>	<u>--</u>
Total Expenditures	<u>155,000</u>	<u>143,000</u>	<u>76,710</u>
 Ending Fund Balance	 <u>\$117,918</u>	 <u>\$ 86,140</u>	 <u>\$148,694</u>

<sup>1</sup> Unaudited actual year to date through June 30, 2024.

Source: District Adopted 2023 and 2024 Budgets and the District's accountant

**TABLE XII**  
**Debt Service Fund Budget Summary**

	<b>2023 Budget (as adopted)</b>	<b>2024 Budget (as adopted)</b>	<b>2024 Actual Year-to-Date (unaudited) <sup>1</sup></b>
Beginning Fund Balance	\$1,988,530	\$2,403,338	\$2,414,018
Revenues			
Property Taxes	283,946	465,309	465,908
Specific Ownership Tax	25,555	41,878	17,210
Interest Income	<u>32,000</u>	<u>100,000</u>	<u>67,980</u>
Total Revenues	<u>341,501</u>	<u>607,187</u>	<u>551,098</u>
 Total Funds Available	 <u>2,330,031</u>	 <u>3,010,525</u>	 <u>2,965,116</u>
Expenditures			
County Treasurer's Fee	4,259	6,980	6,989
Paying Agent Fees	4,000	4,000	4,000
Contingency	<u>1,741</u>	<u>2,020</u>	<u>--</u>
Total Expenditures	<u>10,000</u>	<u>13,000</u>	<u>10,989</u>
 Ending Fund Balance	 <u>\$2,320,031</u>	 <u>\$2,997,525</u>	 <u>\$2,954,127</u>

<sup>1</sup> Unaudited actual year to date through June 30, 2024.  
Source: District Adopted 2023 and 2024 Budgets and the District's accountant



**TABLE XIII**  
**Capital Projects Fund Budget Summary**

	<b>2023 Budget (as adopted)</b>	<b>2024 Budget (as adopted)</b>	<b>2024 Actual Year-to-Date (unaudited) <sup>1</sup></b>
Beginning Fund Balance	\$1,915,442	\$1,968,947	\$1,997,831
Revenues			
Interest Income	<u>143,000</u>	<u>10,000</u>	<u>1,958</u>
Total Revenues	<u>143,000</u>	<u>10,000</u>	<u>1,958</u>
 Total Funds Available	 <u>2,058,442</u>	 <u>1,978,947</u>	 <u>1,999,789</u>
Expenditures			
General and Administrative			
District Management	53,000	50,000	84,425
Legal Services	5,442	6,947	--
Bond Issue Costs	--	--	15,927
Capital Projects			
Storm Drainage	85,000	--	--
Park and Recreation	400,000	--	--
Streets	700,000	1,832,000	303,634
Engineering	75,000	90,000	115,369
Sewer	350,000	--	--
Water	<u>390,000</u>	<u>--</u>	<u>--</u>
Total Expenditures	<u>2,058,442</u>	<u>1,978,947</u>	<u>519,355</u>
 Ending Fund Balance	 \$ <u>          --</u>	 \$ <u>          --</u>	 <u>\$1,480,434</u>

<sup>1</sup> Unaudited actual year to date through June 30, 2024.

Source: District Adopted 2023 and 2024 Budgets and the District's accountant

**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 has received voter approval to waive such limitations.

### Management Discussion of Material Trends

The independent auditor's report attached hereto as APPENDIX H 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 Board believes to be adequate. Currently, the District maintains insurance through the Colorado Special Districts Property and Liability Pool (“CSDPLP”). CSDPLP was established by the Special District Association of Colorado in 1988 as an alternative to the traditional insurance market to provide special districts with general liability, auto/property liability, and public officials liability insurance coverage. Since 2001, CSDPLP has also offered workers compensation insurance. The District’s current policies expire on December 31, 2024, if not renewed by the District. There is no assurance that the District will continue to maintain its current levels of coverage.

The Subordinate Indenture require that the District 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.

## **Constitutional Amendment Limiting Taxes and Spending**

On November 3, 1992, Colorado voters approved an amendment to the State 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 State 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.*** At the Election, voters of the District approved an election question allowing the District to collect, receive, retain, and spend its 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 Subordinate Indenture, the District may issue Additional Obligations subject to certain conditions, as more particularly described in “THE SERIES 2024B SUBORDINATE BONDS—Certain Subordinate 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 District’s 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 such special district’s assessed valuation. Since, upon issuance of the Series 2024B Subordinate Bonds, the general obligation indebtedness of the District represented by the Series 2024B Subordinate Bonds will exceed 50% of the District’s assessed valuation, the District has determined to restrict the sale of the Series 2024B Subordinate Bonds to “financial institutions or institutional investors” as such terms are defined in Section 32-1-103(6.5), C.R.S., and thus the Series 2024B Subordinate Bonds are permitted under Section 32-1-1101(6), 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 Series 2024B Subordinate 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 it may issue. See “—General Obligation Debt—*Service Plan Debt Limits*” below.

### **General Obligation Debt**

***Election.*** At the Election, the District’s eligible electors voting at such election approved indebtedness of \$40,474,600 to finance the costs of designing, acquiring, constructing, relocating, installing, completing and otherwise providing Public Improvements. The District has previously allocated the original principal amount of the Series 2020 Senior Bonds (\$15,747,961) and, as a result, has \$24,726,639 in authorization remaining for Public Improvements. The District’s eligible electors also

approved, among other things, an additional \$40,474,600 of indebtedness to refund certain existing debt of the District.

**Voter Authorized but Unissued Debt and Outstanding General Obligation Debt.** The District expects to allocate voted authorization from the categories of Public Improvements and refundings obtained at the Election to the indebtedness of the Series 2024B Subordinate Bonds. The District is allocating the total Series 2024B Subordinate Bond principal of \$[\_\_\_\_\_]\* to the voted authorization for Public Improvements.

Following the issuance of the Series 2024B Subordinate Bonds, the District will have voter authorized but unissued indebtedness authorized at the Election in the amount of \$[\_\_\_\_\_]\* for Public Improvements and \$40,474,600 for refundings. See “—*Service Plan Debt Limits*” below for additional limitations on the District’s ability to issue debt.

**Service Plan Debt Limits.** The Service Plan does not provide for a maximum principal amount of debt that District may issue.

**Outstanding General Obligation Debt.** Following the issuance of the Series 2024B Subordinate Bonds, the Series 2020 Senior Bonds and the Series 2024B Subordinate Bonds will constitute the District’s only outstanding general obligation debt.

<b>TABLE __</b>			
<b>Summary of Outstanding General Obligation Debt <sup>1</sup></b>			
<b>Series</b>	<b>Lien Priority</b>	<b>Mill Levy Pledge <sup>2</sup></b>	<b>Principal Amount Outstanding</b>
Series 2020 Senior Bonds	First	50 mills <sup>3</sup>	\$ _____
Series 2024B Subordinate Bonds	Second	50 mills <sup>3</sup> less the Senior Obligation Mill Levy <sup>4</sup>	\$[PAR B]*
<b>TOTAL</b>			<b>\$ _____</b>

<sup>1</sup> Assumes the issuance of the Series 2024B Subordinate Bonds.  
<sup>2</sup> Describes the basic source of payment. A full description of the mill levy pledge and security for the Series 2024B Subordinate Bonds is provided in “SERIES 2024B SUBORDINATE BONDS” and a full description of the mill levy pledge and security for the Series 2020 Senior Bonds is provided below.  
<sup>3</sup> Subject to adjustment in the event that the method of calculating assessed valuation is changed after August 24, 2004. See “SERIES 2024B SUBORDINATE BONDS—Security for the Series 2024B Subordinate Bonds—*Subordinate Required Mill Levy*.”  
<sup>4</sup> “*Senior Obligation Mill Levy*” means the sum of the 2020 Required Mill Levy and any other ad valorem property tax levy required to be imposed by the District for the payment of Senior Obligations.

**Series 2020 Senior Bonds.** For the purpose of funding the costs of Public Improvements, the District has previously issued its Limited Tax General Obligation Convertible Capital Appreciation Bonds, Series 2020A(3) (as previously defined, the “Series 2020 Senior Bonds”), dated as of May 27, 2020, in the original principal amount of \$15,747,960.95 (\$22,705,000 value at the current interest conversion date), and currently outstanding in the principal amount of \$\_\_\_\_\_, pursuant to an Indenture of Trust, dated as of May 1, 2020 (as previously defined, the “2020 Senior Indenture”), by and between the District and UMB Bank, n.a., as trustee (as previously defined, the “2020 Trustee”). Prior to the Current Interest Conversion Date (December 1, 2025), the Series 2020 Senior Bonds pay no current interest and accrete in value at an

accretion rate of 6.75% in accordance with the Accretion Table below, compounding semi-annually on each June 1 and December 1, commencing June 1, 2026. On and after the Current Interest Conversion Date, the Series 2020 Senior Bonds bear interest at the rate of 6.75%, payable semiannually on each June 1 and December 1, commencing on June 1, 2026. The Series 2020 Senior Bonds mature on December 1, 2049.

**TABLE \_\_**  
**Accretion Table (Series 2020 Senior Bonds)**

Date	Conv. Capital Appreciation Bond due 2049 6.75%
05/27/2020	3,467.95
06/01/2020	3,470.55
12/01/2020	3,587.65
06/01/2021	3,708.75
12/01/2021	3,833.90
06/01/2022	3,963.30
12/01/2022	4,097.10
06/01/2023	4,235.35
12/01/2023	4,378.30
06/01/2024	4,526.05
12/01/2024	4,678.80
06/01/2025	4,836.75
12/01/2025	5,000.00

The Series 2020 Bonds are payable from the “Pledged Revenue” (referred to herein as the “2020 Pledged Revenue”) consisting of the following: (a) all Property Tax Revenues (generally defined as all moneys derived from the imposition by the District of the 2020 Required Mill Levy (described below); (b) all Specific Ownership Tax Revenues; (c) all Capital Fees, if any; and (d) any other legally available moneys which the District determines, in its absolute discretion to the credit to the Senior Bond Fund. The Series 2020 Bonds are additionally secured by the 2020 Reserve Fund to be funded in the amount of \$1,574,796 (the “2020 Reserve Requirement”) and the 2020 Surplus Fund funded from excess 2020 Pledged Revenue up to \$1,574,796 (the “2020 Maximum Surplus Amount”). Notwithstanding anything in the 2020 Senior Indenture to the contrary, in the event that, on December 1, 2059, any amount of principal of or interest on the Series 2020 Senior Bonds remains unpaid after the application of all 2020 Pledged Revenue available therefor in accordance with the 2020 Indenture, the Series 2020 Senior Bonds are to be deemed discharged.

The 2020 Required Mill Levy generally consists of an ad valorem mill levy imposed upon all taxable property of the District each year in an amount which, if imposed by the District for collection in the succeeding calendar year, would generate Property Tax Revenues sufficient to pay the Series 2020 Senior Bonds, fund the 2020 Surplus Fund up to the 2020 Maximum Surplus Amount, and replenish the 2020 Reserve Fund to the 2020 Reserve Requirement, but not in excess of 50 mills (subject to adjustment in the event that the method of calculating assessed valuation is changed after August 24, 2004), provided that so long as the 2020 Surplus Fund is less than the 2020 Maximum Surplus Amount, the 2020 Required Mill Levy shall be equal to 50 mills (subject to adjustment in the event that the method of calculating assessed valuation is changed after August 24, 2004).

The Series 2020 Senior Bonds will remain outstanding upon issuance of the Series 2024B Subordinate Bonds, and the Series 2024B Subordinate Bonds are being issued on a subordinate basis to the Series 2020 Subordinate Bonds.

**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 Limited Offering Memorandum, the percentage of each entity’s outstanding debt chargeable to District’s 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 the District’s property owners are responsible will also change. The District is not financially or legally obligated with regard to any of the overlapping general obligation indebtedness. 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.

Douglas County School District RE-1 has outstanding general obligation debt in the amount of \$310,405,000. The percentage of such debt chargeable to owners of property comprising the District is approximately 0.07%, or \$217,284. Other entities overlap the District; however, such other entities do not currently have any outstanding general obligation debt. See “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Tax Data—Overlapping Mill Levies.”

**General Obligation Debt Ratios.** Set forth in the following table are select historical general obligation debt ratios for the District since December 31, 2020. See “INTRODUCTION—Debt Ratios” for general obligation debt ratios for the District upon issuance and delivery of the Series 2024B Subordinate Bonds.

**TABLE XIV  
District Historical Debt Ratios**

	<b>Fiscal Years Ended December 31</b>			
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
General Obligation (Limited Tax)				
Debt Outstanding <sup>1</sup>	\$16,383,305	\$17,507,840	\$18,709,561	\$19,993,768
Estimated Population <sup>2</sup>	173	320	473	509
Debt Per Capita	\$94,701	\$54,712	\$39,555	\$39,280
District Assessed Value	\$2,500,850	\$4,164,150	\$5,000,540	\$7,252,430
Ratio of Debt to Assessed Value	655.11%	420.44%	374.15%	275.68%
Personal Income Per Capita (Douglas County)	\$83,745	\$90,447	\$99,168	n/a
Ratio of Debt Per Capita to Personal Income Per Capita (Douglas County)	113.08%	60.49%	39.89%	n/a

<sup>1</sup> Comprised of the Series 2020 Senior Bonds.

<sup>2</sup> Estimate based 2.83 residents per home (being the U.S. Census persons per household average for 2018-2022 in the County), based on certificates of occupancy at each year end as reflected on the District’s required filings pursuant to its continuing disclosure undertaking entered into in connection with the Series 2020 Senior Bonds. See “MISCELLANEOUS—Continuing Disclosure Agreement.”

Sources: County Assessor’s Office, District Audited Financial Statements, 2020-2023; State of Colorado, Division of Property Taxation, Annual Reports 2019-2022; 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 the District's 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—Material Agreements of the District," 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 \$350,000 for claims accruing before January 1, 2018, or the sum of \$387,000 for claims accruing on or after January 1, 2018, and before January 1, 2022, or the sum of \$424,000 for claims accruing on or after January 1, 2022, and before January 1, 2026; (b) for an injury to two or more persons in any single occurrence, the sum of \$990,000 for claims accruing before January 1, 2018, except in such instance, no person may recover in excess of \$350,000, or the sum of \$1,093,000 for claims accruing on or after January 1, 2018, and before January 1, 2022, except in such instance, no person may recover in excess of \$387,000, or the sum of \$1,195,000 for claims accruing on or after January 1, 2022, and before January 1, 2026, except in such instance, no person may recover in excess of \$424,000. These amounts increase every four years pursuant to a formula based on the Denver-Boulder-Greeley Consumer Price Index. 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 Series 2024B Subordinate Bonds are subject to approval by Ballard Spahr LLP, Denver, Colorado, as Bond Counsel. Such opinions will be dated as of and delivered at closing in substantially the form set forth in “APPENDIX F—FORMS OF BOND COUNSEL OPINIONS.” Certain legal matters will be passed upon for the District by Icenogle Seaver Pogue, P.C., Denver, Colorado, as General Counsel to the District. Kutak Rock LLP, Denver, Colorado, is acting as counsel to the Underwriter and has also assisted in the preparation of this Limited Offering Memorandum in such capacity. Ballard Spahr LLP represents the Underwriter from time to time on matters unrelated to the District or the Series 2024B Subordinate Bonds. Ballard Spahr LLP does not represent the Underwriter or any other party, except the District, in connection with the issuance of the Series 2024B Subordinate Bonds.

The legal opinions to be delivered concurrently with the delivery of the Series 2024B Subordinate 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. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### **Pending and Threatened Litigation**

In connection with the issuance of the Series 2024B Subordinate Bonds, General Counsel to the District is expected to render an opinion stating that, to the best of its actual knowledge, and with reasonable inquiry of the electronic docket of the District Court in and for Douglas County, the United States District Court for the District of Colorado, and the United States Bankruptcy Court for the District of Colorado, there is no pending action, suit, proceeding, inquiry or investigation at law or in equity before or by any such court to which the District is a party seeking to restrain or enjoin the issuance of any District Documents (meaning the Subordinate Indenture, the Bond Purchase Agreement, the Continuing Disclosure Agreement, and the Bond Resolution) or the District entering into any District Documents on the date of the opinion, contesting or affecting the validity or enforceability of the District Documents or the collection or pledge of revenues pursuant to the District Documents, wherein an unfavorable decision, ruling, or finding would materially adversely affect the District Documents or the transactions contemplated therein pending in which the District is a party. In addition, it is also anticipated that, in connection with the issuance of the Series 2024B Subordinate Bonds, the District will execute a certificate stating that there is no action, suit or proceeding now pending or, to the best of its actual knowledge, threatened against the District, wherein an unfavorable decision, ruling or finding would materially and adversely affect the financial condition or operations of the, the District’s power to issue and deliver the Series 2024B Subordinate Bonds and the District’s power to execute and perform the obligations of the Subordinate Indenture, including the power to levy ad valorem taxes as provided therein.

### **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 and fees.

### **Limitations on Remedies Available to Bondholders**

The enforceability of the rights and remedies of the Owners, and the obligations incurred by District in issuing the Series 2024B Subordinate 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 Series 2024B Subordinate 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 Subordinate Indenture provide that it constitutes a contract among the District, the Trustee, and the Owners of the Series 2024B Subordinate Bonds, and that it will remain in full force and effect until the Series 2024B Subordinate Bonds are no longer Outstanding.

## **TAX MATTERS**

### **Federal Tax Matters**

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of restrictions and requirements that apply to the Series 2024B Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate Bonds may affect the federal tax status of the interest on the Series 2024B Subordinate Bonds. Failure to comply with certain of the Tax Covenants could result in the inclusion of the interest on the Series 2024B Subordinate Bonds in the gross income of the owners for federal income tax purposes, retroactive to the date of issuance of the Series 2024B Subordinate 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 Series 2024B Subordinate Bonds may be changed and certain actions (including, without limitation, defeasance of the Series 2024B Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate Bonds will not address any such actions.

**Original Issue Discount.** Certain of the Series 2024B Subordinate 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 Series 2024B Subordinate Bond accrues periodically over the term of such Series 2024B Subordinate Bond as interest, with the same tax exemption and alternative minimum tax status as stated interest. The accrual of original issue discount increases the Series 2024B Subordinate Bondholder's tax basis in the Series 2024B Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate Bond through reductions in the Series 2024B Subordinate Bondholder's tax basis for the Series 2024B Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate Bondholder's taxpayer identification number or basis of exemption from backup withholding.

If a holder purchasing a Series 2024B Subordinate 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 Series 2024B Subordinate Bond.

If backup withholding occurs, it does not affect the excludability of the interest on the Series 2024B Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate Bonds, including whether interest on the Series 2024B Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate 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**

### **No Rating**

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

### **Registration of Series 2024B Subordinate Bonds**

Registration or qualification of the offer and sale of the Series 2024B Subordinate Bonds (as distinguished from registration of the ownership of the Series 2024B Subordinate 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 SERIES 2024B SUBORDINATE BONDS FOR SALE UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THE SERIES 2024B SUBORDINATE

## BONDS MAY BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED.

The “Colorado Municipal Bond Supervision Act,” Article 59 of Title 11, C.R.S., generally provides for the Colorado Securities Commissioner (the “Commissioner”) to regulate and monitor the issuance of municipal securities by special districts and certain other entities. Among other things, the act requires that all bonds, debentures, or other obligations (defined in the act as “bonds”) issued by a special district must first be registered with the Commissioner unless exempt under the Act.

The Series 2024B Subordinate Bonds qualify for an exemption from registration because the Series 2024B Subordinate Bonds are being issued in authorized denominations of not less than \$500,000.

### **Continuing Disclosure Agreement**

The Underwriter has determined that the Series 2024B Subordinate Bonds are exempt from the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (“Rule 15c2-12”). The District and the Developer have, however, agreed to enter into an agreement upon issuance of the Series 2024B Subordinate Bonds (the “Continuing Disclosure Agreement”) pursuant to which the District and the Developer are to provide certain information to the Trustee on a quarterly basis and certain additional information on an annual basis, which the Trustee is to file in the manner prescribed by the Municipal Securities Rulemaking Board (MSRB). The form of the Continuing Disclosure Agreement is appended as APPENDIX E to this Limited Offering Memorandum. A failure by the District to comply with the requirements of the Continuing Disclosure Agreement will not constitute an Event of Default under the Subordinate Indenture. The Continuing Disclosure Agreement provides that if the District fails to comply with its obligations thereunder, any Beneficial Owner of the Series 2024B Subordinate Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations thereunder.

***Prior Continuing Disclosure Obligations.*** The District entered into a Continuing Disclosure Agreement in connection with its issuance of the Series 2020 Senior Bonds (the “Previous Undertaking”). During the previous five years, the District has not failed to comply, in all material respects, with the Previous Undertaking it entered into with respect to Rule 15c2-12.

### **Interest of Certain Persons Named in this Limited Offering Memorandum**

The legal fees to be paid to Bond Counsel and Underwriter’s Counsel are contingent upon the sale and delivery of the Series 2024B Subordinate Bonds.

### **Independent Auditors**

The basic financial statements of the District for the fiscal year ended December 31, 2023, which are appended hereto as Appendix H, have been audited by independent auditor Haynie & Company, Certified Public Accountants & Management Consultants, Littleton, Colorado, as stated in their report appearing therein. Such basic financial statements and auditor’s opinion have been included in this Official Statement without the prior consent or review of the auditors. These are the most recent audited financial statements available for the District.

## **Underwriting**

The Underwriter has agreed to purchase the Series 2024B Subordinate Bonds from the District under a Bond Purchase Agreement between the District and the Underwriter (the “Bond Purchase Agreement”). The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2024B Subordinate Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including, among others, the approval of certain legal matters by counsel.

Under the Bond Purchase Agreement, the Underwriter has agreed to purchase the Series 2024B Subordinate Bonds from the District at a purchase price equal to \$\_\_\_\_\_ (which is equal to the par amount of the Series 2024B Subordinate Bonds of \$\_\_\_\_\_ less the Underwriter’s discount of \$\_\_\_\_\_).

Expenses associated with the issuance of the Series 2024B Subordinate 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 Series 2024B Subordinate Bonds. The Underwriter has initially offered the Series 2024B Subordinate Bonds at the prices set forth on the cover page of this Limited Offering Memorandum. 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 Series 2024B Subordinate Bonds.

## **Additional Information**

Copies of statutes, resolutions, opinions, contracts, agreements, financial and statistical data, and other related reports and documents described in this Limited Offering Memorandum are either publicly available or available upon request and the payment of a reasonable copying, mailing, and handling charge from the sources noted in the “INTRODUCTION—Additional Information” herein.

**Limited Offering Memorandum Certification**

The preparation of this Limited Offering Memorandum and its distribution have been authorized by the Board. This Limited Offering Memorandum is hereby duly approved by the Board as of the date on the cover page hereof. This Limited Offering Memorandum is not to be construed as an agreement or contract between the District and the purchasers or owners of any Series 2024B Subordinate Bond.

**BELLA MESA METROPOLITAN DISTRICT**

By /s/ \_\_\_\_\_  
President

**APPENDIX A**  
**FINANCIAL FORECAST**  
*(Attached)*

**APPENDIX B**  
**MARKET STUDY**  
*(Attached)*



## APPENDIX C

### SELECTED DEFINITIONS

“*Additional Obligations*” means (a) all obligations of the District for borrowed money and reimbursement obligations, (b) all obligations of the District payable from or constituting a lien or encumbrance upon ad valorem tax revenues of the District or any part of the Subordinate Pledged Revenue, (c) all obligations of the District evidenced by bonds, debentures, notes, or other similar instruments, including without limitation any Subordinate Parity Bonds, Senior Obligations, and Junior Lien Obligations, (d) all obligations of the District to pay the deferred purchase price of property or services, (e) all obligations of the District as lessee under leases, but excluding such obligations outstanding from time to time with respect to which the aggregate maximum repayment costs for all terms thereof do not exceed \$500,000; and (f) all obligations of others guaranteed by the District; provided that notwithstanding the foregoing, the term “Additional Obligations” does not include:

(i) obligations which do not obligate the District to impose any tax, fee, or other governmental charge and either: (A) are subject to termination by the District at least annually; or (B) the repayment of which is contingent upon the District’s annual determination to appropriate moneys therefor (other than leases as set forth in (e) above);

(ii) obligations issued solely for the purpose of paying operations and maintenance costs of the District and either: (A) are subject to termination by the District at least annually; or (B) the repayment of which is contingent upon the District’s annual determination to appropriate moneys therefor (other than leases as set forth in (e) above);

(iii) obligations which are payable solely from the proceeds of Additional Obligations, when and if issued;

(iv) obligations payable solely from periodic, recurring service charges (and not Capital Fees) imposed by the District for the use of any District facility or service, which obligations do not constitute a debt or indebtedness of the District or an obligation required to be approved at an election under State law;

(v) obligations with respect to which the District has irrevocably committed funds equal to the full amount due or to become due thereunder;

(vi) obligations to reimburse any person in respect of surety bonds, financial guaranties, letters of credit, or similar credit enhancements so long as (A) such surety bonds, financial guaranties, letters of credit, or similar credit enhancements guarantee payment of principal or interest on any Subordinate Parity Bonds, Senior Obligations, or Junior Lien Obligations, (B) the reimbursement obligation does not arise unless payment of an equivalent amount (or more) of principal on the Subordinate Parity Bonds, Senior Obligations or Junior Lien Obligations has been made, and (C) such reimbursement obligations are payable from the same or fewer revenue sources, with the same or a subordinate lien priority as the Subordinate Parity Bonds, Senior Obligations or Junior Lien Obligations supported by the surety bonds, financial guaranties, letters of credit, or similar credit enhancements;

(vii) any payroll obligations, accounts payable, or taxes incurred or payable in the ordinary course of business of the District; and

(viii) any obligation payable solely from Assessments.

“*Assessments*” means assessments collected by the District within a special improvement district established by the District in accordance with the provisions of Section 32-1-1101.7, C.R.S., or any successor statute, including the revenue derived from any action to enforce the collection of such assessments, and the revenue derived from the sale or other disposition of property acquired by the District from any action to enforce the collection of such assessments.

“*Authorized Denominations*” means the amount of \$500,000 or any integral multiple of \$1,000 in excess thereof, provided that:

(a) no individual Series 2024B Subordinate Bond may be in an amount which exceeds the principal amount coming due on any maturity date; and

(b) in the event a Series 2024B Subordinate Bond is partially redeemed and the unredeemed portion is less than \$500,000, such unredeemed portion of such Series 2024B Subordinate Bond may be issued in the largest possible denomination of less than \$500,000, in an integral multiple of \$1,000.

“*Beneficial Owner*” means any person for which a Participant acquires an interest in the Series 2024B Subordinate Bonds, as evidenced by an affidavit of such person, records or written notice of a Participant provided to the Trustee, upon which the Trustee may conclusively rely.

“*Board*” means the Board of Directors of the District.

“*Bond Counsel*” means any firm of nationally recognized municipal bond attorneys selected by the District and experienced in the issuance of municipal bonds and the exclusion of the interest thereon from gross income for federal income tax purposes.

“*Bond Resolution*” means the resolution authorizing the issuance of the Series 2024B Subordinate Bonds and the execution of the Subordinate Indenture, certified by the Secretary or Assistant Secretary of the District to have been duly adopted by the District and to be in full force and effect on the date of such certification, including any amendments or supplements made thereto.

“*Business Day*” means a day on which the Trustee or banks or trust companies in Denver, Colorado, or in New York, New York, are not authorized or required to remain closed and on which the New York Stock Exchange is not closed.

“*Capital Fees*” means all fees, rates, tolls, penalties, and charges of a capital nature (excluding periodic, recurring service charges) now or hereafter imposed by the District or any District-owned “enterprise” under Article X, Section 20 of the State Constitution, for services, programs, or facilities furnished by the District; and including the revenue derived from any action to enforce the collection of Capital Fees, and the revenue derived from the sale or other disposition of property acquired by the District from any action to enforce the collection of Capital Fees. Notwithstanding any of the foregoing, Capital Fees does not include Assessments or any fee imposed solely for the purpose of funding operation and maintenance expenses.

“*Cede & Co.*” means Cede & Co., the nominee of DTC as record owner of the Series 2024B Subordinate Bonds, or any successor nominee of DTC with respect to the Series 2024B Subordinate Bonds.

“*Certified Public Accountant*” means a certified public accountant within the meaning of Section 12-100-112, C.R.S., and any amendment thereto, licensed to practice in the State.

“Code” means the Internal Revenue Code of 1986, as amended and in effect as of the date of issuance of the Series 2024B Subordinate Bonds.

“Colorado Municipal Bond Supervision Act” means Title 11, Article 59, C.R.S.

“Consent Party” means the Owner of a Series 2024B Subordinate Bond or, if such Series 2024B Subordinate Bond is held in the name of Cede, either: (i) the Participant (as determined by a list provided by DTC) with respect to such Series 2024B Subordinate Bond or (ii) the Beneficial Owner of such Series 2024B Subordinate Bond.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement relating to the Series 2024B Subordinate Bonds dated October \_\_, 2024, by and between the District, the Developer, and UMB Bank, n.a., as dissemination agent.

“Counsel” means a person, or firm of which such a person is a member, authorized in any state to practice law.

“County” means Douglas County, Colorado.

“C.R.S.” means the Colorado Revised Statutes, as amended and supplemented as of the date of the Subordinate Indenture.

“Depository” means any securities depository that the District may provide and appoint, in accordance with the guidelines of the Securities and Exchange Commission, which is to act as securities depository for the Series 2024B Subordinate Bonds.

“Developer” means Fourth Investment USA, LLC, and its successors and assigns.

“District” means Bella Mesa Metropolitan District, in the Town of Castle Rock, Douglas County, Colorado.

“District Representative” means the District President or the person or persons at the time designated to act on behalf of the District by the Bond Resolution or as designated by written certificate furnished to the Trustee containing the specimen signatures of such person or persons and signed on behalf of the District by its President and attested by its Secretary or Assistant Secretary, and any alternate or alternates designated as such therein.

“DTC” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns. References in the Subordinate Indenture to DTC are to include any nominee of DTC in whose name any Series 2024B Subordinate Bonds are then registered.

“Election” means the election held within the District on November 2, 2004.

“Event of Default” means any one or more of the events set forth in the Subordinate Indenture, as described in “THE SERIES 2024B SUBORDINATE BONDS—Certain Subordinate Indenture Provisions.”

“Federal Securities” means direct obligations of (including obligations issued or held in book-entry form on the books of), or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

“*Fiscal Year*” means the 12-month period ending December 31 of each calendar year.

“*Fourth Investment Advance Agreement*” means the Advance and Reimbursement Agreement (Capital Expenses) dated November 28, 2023, by and between the District and the Developer.

“*Governmental Immunity Act*” means Title 24, Article 10, Part 1, C.R.S.

“*Junior Lien Obligations*” means bonds, notes, debentures, or other multiple fiscal year financial obligations having a lien upon the Subordinate Pledged Revenue or any part thereof junior and subordinate to the lien thereon of the Series 2024B Subordinate Bonds, and any other obligation secured by a lien on any ad valorem property taxes of the District and designated by the District, in the resolutions, indentures, or other documents pursuant to which such obligations are issued, as constituting a Junior Lien Obligation under the Subordinate Indenture, provided that such obligations are required to be issued in accordance with the provisions of the Subordinate Indenture. Any Junior Lien Obligation issued after the issuance of the Series 2024B Subordinate Bonds may be issued pursuant to such resolutions, indentures, or other documents as may be determined by the District.

“*Letter of Representations*” means the Blanket Issuer Letter of Representations from the District to DTC to induce DTC to accept the Series 2024B Subordinate Bonds as eligible for deposit at DTC.

“*Mandatory Redemption Date*” means December 15 of each year.

“*Mandatory Redemption Price*” means the redemption price equal to the principal amount of the Series 2024B Subordinate Bonds (with no redemption premium), plus accrued interest to the redemption date.

“*Outstanding*” or “*Outstanding Series 2024B Subordinate Bonds*” means, as of any particular time, all Series 2024B Subordinate Bonds which have been duly authenticated and delivered by the Trustee under the Subordinate Indenture, except:

(a) Series 2024B Subordinate Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation because of payment at maturity or prior redemption;

(b) Series 2024B Subordinate Bonds for the payment or redemption of which moneys or Federal Securities in an amount sufficient (as determined pursuant to the Subordinate Indenture) are to have been theretofore deposited with the Trustee, or Series 2024B Subordinate Bonds for the payment or redemption of which moneys or Federal Securities in an amount sufficient (as determined pursuant to the Subordinate Indenture) are to have been placed in escrow and in trust; and

(c) Series 2024B Subordinate Bonds in lieu of which other Series 2024B Subordinate Bonds have been authenticated and delivered pursuant to the Subordinate Indenture.

“*Owner(s)*” or “*Owner(s) of Series 2024B Subordinate Bonds*” means the registered owner(s) of any Series 2024B Subordinate Bond(s) as shown on the registration books maintained by the Trustee, including the Depository for the Series 2024B Subordinate Bonds, if any, or its nominee.

“*Participants*” means any broker-dealer, bank, or other financial institution from time to time for which DTC or another Depository holds the Series 2024B Subordinate Bonds.

“*Permitted Investments*” means any investment or deposit the District is permitted to make under then applicable law.

“*Project*” means the financing, acquisition, construction, or installation of the Public Improvements.

“*Project Costs*” means the District’s costs properly attributable to the Project or any part thereof, including, reimbursement or payment of such costs in accordance with the Richmond Public Improvements Agreement and the Fourth Investment Advance Agreement, including without limitation:

- (a) the costs of labor and materials, of machinery, furnishings, and equipment, and of the restoration of property damaged or destroyed in connection with construction work;
- (b) the costs of insurance premiums, indemnity and fidelity bonds, financing charges, bank fees, taxes, or other municipal or governmental charges lawfully levied or assessed;
- (c) administrative and general overhead costs;
- (d) the costs of surveys, appraisals, plans, designs, specifications, and estimates;
- (e) the costs, fees, and expenses of printers, engineers, architects, construction management, financial consultants, accountants, legal advisors, or other agents or employees;
- (f) the costs of publishing, reproducing, posting, mailing, or recording documents;
- (g) the costs of contingencies or reserves;
- (h) the costs of issuing the Series 2024B Subordinate Bonds;
- (i) the costs of amending the Subordinate Indenture, the Bond Resolution, or any other instrument relating to the Series 2024B Subordinate Bonds, or the Project;
- (j) the costs of repaying any short-term financing, construction loans, and other temporary loans, and of the incidental expenses incurred in connection with such loans;
- (k) the costs of acquiring any property, rights, easements, licenses, privileges, agreements, and franchises;
- (l) the costs of demolition, removal, and relocation;
- (m) the costs of organizing the District; and
- (n) all other lawful costs as determined by the Board.

“*Public Improvements*” means public facilities the debt for which was approved at the Election, including, without limitation, necessary or appropriate equipment.

“*Refunding Senior Obligations*” means Senior Obligations issued solely for the purpose of refunding all or any portion of the Series 2020 Senior Bonds, any other Senior Obligations, the Series 2024B Subordinate Bonds, or any other Subordinate Parity Bonds; provided, however, that proceeds of such Senior Obligations may also be applied to pay all expenses in connection with such refunding, to fund

reserve funds, surplus funds and capitalized interest, and to pay the costs of letters of credit, credit facilities, interest rate exchange agreements, bond insurance, or other financial products pertaining to such refunding.

“*Richmond*” means Richmond Homes of Colorado, Inc., a Delaware corporation.

“*Richmond Public Improvements Agreement*” means the Advance and Reimbursement and Facilities Acquisition Agreement dated December 28, 2018, by and among the District, the Developer, and Richmond.

“*Senior Bond Year*” means the period commencing on the date of issuance of the Series 2020 Senior Bonds to December 1, 2020, and, thereafter, the period from December 2 of any calendar year to December 1 of the following calendar year.

“*Senior Obligations*” means collectively, the Series 2020 Senior Bonds, any obligations constituting “Parity Bonds” under the 2020 Indenture, and any other obligation of the District so designated by the District as a Senior Obligation (such that any ad valorem property taxes imposed for the payment thereof will constitute a Senior Obligation Mill Levy under the Subordinate Indenture), provided that such obligations are required to be issued in accordance with the provisions of the Subordinate Indenture. Senior Obligations includes any obligation of the District issued as unlimited mill levy debt. Any Senior Obligations issued after the issuance of the Series 2024B Subordinate Bonds may be issued pursuant to such resolutions, indentures, or other documents as may be determined by the District, and are to be designated in such resolutions, indentures or other documents as constituting Senior Obligations under the Subordinate Indenture.

“*Senior Obligation Bond Fund*” means any fund or account created for the purpose of accumulating revenues to pay, with respect to any Senior Obligations, the current year’s principal and interest due thereon, including any scheduled mandatory or cumulative sinking fund payments, and customary periodic fees due with respect to any Senior Obligations, (including, but not limited to, fees of a trustee, paying agent, rebate agent, lender and provider of liquidity or credit facility), and any reimbursement due to a provider of liquidity or credit facility securing any Senior Obligations.

“*Senior Obligation Mill Levy*” means the sum of the 2020 Required Mill Levy and any other ad valorem property tax levy required to be imposed by the District for the payment of Senior Obligations.

“*Senior Obligation Reserve Fund*” means any fund or account created for the purpose of securing the payment of Senior Obligations, which fund or account is fully funded as of the date of issuance of the applicable Senior Obligation; excluding, however, any Senior Obligation Bond Fund and any Senior Obligation Surplus Fund.

“*Senior Obligation Surplus Fund*” means any fund or account created for the purpose of securing the payment of Senior Obligations, which fund or account is not initially fully funded on the date of issuance of the Senior Obligations, but, rather, is to be funded from revenues accumulated after the date of issuance of such Senior Obligations; excluding, however, any Senior Obligation Bond Fund.

“*Senior Parity Bonds*” means any bonds, notes, debentures, or other multiple fiscal year financial obligations having a lien upon the 2020 Pledged Revenue or any part thereof on parity with the lien thereon of the Series 2024B Subordinate Bonds, and any other obligation secured by a lien on any ad valorem property taxes of the District and designated by the District, in the resolutions, indentures, or other documents pursuant to which such obligations are issued, as constituting a Senior Parity Bond under the 2020 Indenture, provided that such obligations are required to be issued in accordance with the provisions of the 2020 Indenture. Any Senior Parity Bonds issued after the Series 2020 Senior Bonds may be issued

pursuant to such resolutions, indentures, or other documents as may be determined by the District, and are to be designated in such resolutions, indentures, or other documents as constituting Senior Parity Bonds under the 2020 Indenture.

“*Senior Parity Bonds Maximum Amount*” means, with respect to any particular series of Senior Parity Bonds, an amount equal to 10% of the original par amount of such Senior Parity Bonds.

“*Senior Property Tax Revenues*” means all moneys derived from imposition by the District of the 2020 Required Mill Levy. Senior 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, Senior Property Tax Revenues do not include specific ownership tax revenues.)

“*Series 2020 Senior Bonds*” means the District’s Limited Tax General Obligation Convertible Capital Appreciation Refunding and Improvement Bonds, Series 2020A(3), in the Original Principal Amount of \$15,747,960.95 (\$22,705,000 value at the current interest conversion date) dated as of May 27, 2020, and issued by the District pursuant to the 2020 Indenture.

“*Series 2024B Subordinate Bonds*” means the Subordinate Limited Tax General Obligation Bonds, Series 2024B, in the aggregate principal amount of \$[PAR-B]\* dated as of the date of issuance, and issued by the District pursuant to the Subordinate Indenture and the Bond Resolution.

“*Service Plan*” means the Vistas at Rock Canyon Metropolitan District Service Plan approved by the Town Council on August 24, 2004, as amended on May 4, 2006, June 19, 2018, and February 18, 2020 (as the same may be further amended or restated from time to time).

“*Special District Act*” means the “Special District Act,” Title 32, Article 1, C.R.S.

“*Special Record Date*” means the record date for determining Series 2024B Subordinate Bond ownership for purposes of paying unpaid interest, as such date may be determined pursuant to the Subordinate Indenture.

“*State*” means the State of Colorado.

“*Subordinate Bond Fund*” means the “Bella Mesa Metropolitan District Subordinate Limited Tax General Obligation Bonds, Series 2024B, Subordinate Bond Fund,” established by the Subordinate Indenture for the purpose of paying the principal of, premium if any, and interest on the Series 2024B Subordinate Bonds.

“*Subordinate Bond Year*” means the period commencing on the date of issuance of the Series 2024B Subordinate Bonds through and including December 15, 2024, and, thereafter, the period from December 16 of any calendar year through and including December 15 of the following calendar year.

“*Subordinate Capital Fee Revenue*” means any revenue from Capital Fees remaining after deduction of any amount thereof used, paid, pledged, or otherwise applied to the payment of any Senior Obligations.

“*Subordinate Indenture*” means the Indenture of Trust (Subordinate) dated as of [INDENTURE MONTH] 1, 2024, by and between the District and UMB Bank, n.a., as trustee, pursuant to which the Series 2024B Subordinate Bonds are issued.

“*Subordinate Interest Payment Date*” means December 15 of each year, commencing December 15, 2024, and continuing for so long as the Series 2024B Subordinate Bonds are Outstanding.

“*Subordinate Parity Bonds*” means any bonds, notes, debentures, or other multiple fiscal year financial obligations having a lien upon the Subordinate Pledged Revenue or any part thereof on parity with the lien thereon of the Series 2024B Subordinate Bonds, and any other obligation secured by a lien on any ad valorem property taxes of the District and designated by the District, in the resolutions, indentures, or other documents pursuant to which such obligations are issued, as constituting a Subordinate Parity Bond under the Subordinate Indenture, provided that such obligations are required to be issued in accordance with the provisions of the Subordinate Indenture. Any Subordinate Parity Bonds issued after the issuance of the Series 2024B Subordinate Bonds may be issued pursuant to such resolutions, indentures, or other documents as may be determined by the District, and are to be designated in such resolutions, indentures or other documents as constituting Subordinate Parity Bonds under the Subordinate Indenture.

“*Subordinate Pledged Revenue*” means the following:

- (a) all Subordinate Property Tax Revenues;
- (b) all Subordinate Specific Ownership Tax Revenues;
- (c) all Subordinate Capital Fee Revenue, if any; and
- (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

“*Subordinate Project Fund*” means the “Bella Mesa Metropolitan District Subordinate Limited Tax General Obligation Bonds, Series 2024B, Subordinate Project Fund,” established by the provisions of the Subordinate Indenture for the purpose of paying the Project Costs.

“*Subordinate Property Tax Revenues*” means all moneys derived from imposition by the District of the Subordinate Required Mill Levy. Subordinate 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, Subordinate Property Tax Revenues do not include specific ownership tax revenues.)

“*Subordinate Record Date*” means the last day of the calendar month next preceding the Subordinate Interest Payment Date.

“*Subordinate Required Mill Levy*” means an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount equal to (i) 50 mills less the Senior Obligation Mill Levy, or (ii) such lesser amount which, if imposed by the District for collection in the succeeding calendar year, would generate Subordinate Property Tax Revenues which, when combined with moneys then on deposit in the Subordinate Bond Fund, will pay the Series 2024B Subordinate Bonds in full in the year such levy is collected; provided however, that:

- (a) in the event of a legislative or constitutionally imposed adjustment in assessed values or the method of their calculation, or any mandated tax credit, cut or abatement after August 24, 2004, the mill levy of 50 mills (less the Senior Obligation Mill Levy) provided in the Subordinate 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; and



(b) notwithstanding anything in the Subordinate Indenture to the contrary, in no event may the Subordinate Required Mill Levy be established at a mill levy which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Subordinate Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Subordinate Required Mill Levy is to be reduced to the point that such maximum tax increase is not exceeded.

“*Subordinate Specific Ownership Tax Revenues*” means 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 its imposition of the Subordinate Required Mill Levy in accordance with the provisions of the Subordinate Indenture.

“*Supplemental Public Securities Act*” means the “Supplemental Public Securities Act,” being Title 11, Article 57, Part 2, C.R.S., as amended.

“*Tax Certificate*” means the certificate to be signed by the District relating to the requirements of Sections 103 and 141-150 of the Code, and any amendment or modification of any such certificate, instrument or instructions that is accompanied by an opinion of Bond Counsel stating that the amendment or modification will not adversely affect the exclusion of interest on the Series 2024B Subordinate Bonds from gross income for federal income tax purposes.

“*Town*” means the Town of Castle Rock, Colorado.

“*Town Council*” means the Town Council of the Town.

“*Trust Estate*” means the moneys, securities, revenues, receipts, and funds transferred, pledged, and assigned to the Trustee pursuant to the Granting Clauses of the Subordinate Indenture.

“*Trustee*” means UMB Bank, n.a., in Denver, Colorado, in its capacity as trustee under the Subordinate Indenture, or any successor Trustee, appointed, qualified, and acting as trustee, paying agent, and bond registrar under the provisions of the Subordinate Indenture.

“*Trustee Fees*” means the amount of the fees and expenses of the Trustee charged or incurred in connection with the performance of its ordinary services and duties under the Subordinate Indenture (and under any other indenture entered into by the District in connection with Subordinate Parity Bonds or Junior Lien Obligations), as the same become due and payable as described in the Subordinate Indenture, but not in excess of \$4,000 annually per bond issue then outstanding; provided however, that (i) the foregoing \$4,000 is to be reduced to \$3,000 for the Series 2024B Subordinate Bonds, (ii) for purposes of the Subordinate Indenture, the Trustee Fees are to be reduced by the amount thereof, if any, previously funded from revenues pledged to Senior Obligations, and (iii) this definition does not include expenses incurred by the Trustee in connection with the performance of extraordinary services and duties as described in the Subordinate Indenture, which expenses are to be payable by the District in accordance with the provisions thereof.

“*Underwriter*” means D.A. Davidson & Co., of Denver, Colorado, the original purchaser of the Series 2024B Subordinate Bonds.

“*2020 Indenture*” means the Indenture of Trust dated as of May 1, 2020, by and between the District and UMB Bank, n.a., as trustee, pursuant to which the Series 2020 Senior Bonds are issued.

“2020 Required Mill Levy” means the 2020 Required Mill Levy required to be imposed by the District in accordance with the 2020 Indenture.

## APPENDIX D

### 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 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 their 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”).

Year	Population							
	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 <sup>1</sup>	81,415	10.40	383,906	7.24	3,252,355	0.35	5,877,610	1.80

<sup>1</sup> Estimate.

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

## Housing Stock

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

<b>Housing Units</b>			
	<b>2010</b>	<b>2020</b>	<b>2022<sup>1</sup></b>
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

<sup>1</sup> 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.

<b>Per Capita Personal Income</b>					
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
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.

<b>Douglas County School District RE-1</b>		
<b>Year</b>	<b>Fall Enrollment</b>	<b>Percent Increase</b>
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 <sup>1</sup>	613	199,978,122	31	22,024,420	82	70,982,284

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

<sup>1</sup> 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.

<sup>2</sup> 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.

Year	Retail Sales (in thousands)					
	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 <sup>1</sup>	7,414,817	--	69,452,144	--	118,164,291	--

<sup>1</sup> Retail sales through May 31, 2024.

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

## 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 <sup>1</sup>	Fourth Quarter 2022		Fourth Quarter 2023		Quarterly Change	
	Units	Average Employment	Units	Average Employment	Units	Average Employment
Agriculture, Forestry, Fishing and Hunting	51	241	59	298	8	57
Mining	53	210	63	162	10	(48)
Utilities	19	530	21	564	2	34
Construction	1,228	10,980	1,233	11,292	5	312
Wholesale Trade	1,372	6,235	1,392	5,985	20	(250)
Information	492	5,142	526	4,844	34	(298)
Finance and Insurance	1,211	12,587	1,206	12,291	(5)	(296)
Real Estate, Rental and Leasing	1,003	2,237	987	2,446	(16)	209
Professional and Technical Services	4,375	17,847	4,614	18,060	239	213
Management of Companies and Enterprises	468	4,052	446	4,419	(22)	367
Administrative and Waste Services	941	6,373	939	6,165	(2)	(208)
Educational Services	341	11,497	370	12,623	29	1,126
Health Care and Social Assistance	1,258	15,879	1,362	16,823	104	944
Arts, Entertainment and Recreation	260	3,632	259	3,996	(1)	364
Accommodation and Food Services	656	13,612	670	14,167	14	555
Other Services, Excluding Public Admin	1,195	4,395	1,230	4,975	35	580
Public Administration	48	3,865	51	4,166	3	301
Unclassified	12	57	15	62	3	5
<b>Total <sup>2</sup></b>						
<b>Government <sup>3</sup></b>						
Federal	28	580	31	715	3	135
Local	49	13,346	48	14,292	(1)	946
State	16	411	16	395	0	(16)

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

<sup>2</sup> Totals may not add due to rounding.

<sup>3</sup> 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 <sup>1</sup>	194,649	5.8	1,669,888	7.5	3,122,237	7.3
2021 <sup>1</sup>	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 <sup>2</sup>	208,562	3.6	1,727,223	3.9	3,224,462	3.9

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

<sup>2</sup> 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 <sup>1</sup>

Firm	Product or Service	Estimated Number of Employees <sup>2</sup>
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

<sup>1</sup> 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.

<sup>2</sup> As of December 31, 2023.

Source: Denver Business Journal, July 31, 2024



**APPENDIX E**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

[TO COME]

**APPENDIX F**  
**FORM OF BOND COUNSEL OPINION**

[TO COME]

## APPENDIX G

### 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 Series 2024B Subordinate Bonds. The Series 2024B Subordinate 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 Series 2024B Subordinate Bonds, as set forth on the cover page hereof, in the aggregate principal amount of each maturity of the Series 2024B Subordinate 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](http://www.dtcc.com).

Purchases of the Series 2024B Subordinate Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024B Subordinate Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2024B Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate Bonds, except in the event that use of the book entry-system for the Series 2024B Subordinate Bonds is discontinued.

To facilitate subsequent transfers, all Series 2024B Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2024B Subordinate 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 Series 2024B Subordinate Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2024B Subordinate Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2024B Subordinate Bond documents. For example, Beneficial Owners of the Series 2024B Subordinate Bonds may wish to ascertain that the nominee holding the Series 2024B Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate 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 Series 2024B Subordinate Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2024B Subordinate 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 Series 2024B Subordinate Bonds purchased or tendered, through its Participant, to Tender or Remarketing Agent, and shall effect delivery of such Series 2024B Subordinate Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2024B Subordinate Bonds, on DTC's records, to Tender or Remarketing Agent. The requirement for

physical delivery of the Series 2024B Subordinate Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2024B Subordinate Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit for tendered Series 2024B Subordinate Bonds to Tender or Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Series 2024B Subordinate 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, Series 2024B Subordinate 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.

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**APPENDIX H**

**AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED DECEMBER 31, 2023**

*(attached)*

## APPENDIX I

### FORM OF INVESTOR LETTER

\_\_\_\_\_, 2024

Bella Mesa Metropolitan District  
Douglas County, Colorado

D.A. Davidson & Co.  
Denver, Colorado

Ladies and Gentlemen:

The undersigned as an authorized representative of [PURCHASER] (the Purchaser), does hereby represent and agree, as follows:

1. The Purchaser is this day purchasing \$[\_\_\_\_\_] outstanding aggregate principal amount of the Subordinate Limited Tax General Obligation Bonds, Series 2024B (the “Bonds”) of Bella Mesa Metropolitan District, in the Town of Castle Rock, Douglas County, Colorado (the “District”), which Bonds have been issued and delivered on the date of this Certificate.

2. The Purchaser states that: (a) it is (i) an accredited investor within the meaning of Rule 501(a)(1) of Regulation D under the Securities Act of 1933, as amended (the “1933 Act”); or (ii) a Qualified Institutional Buyer as defined in Rule 144A under the 1933 Act; and (b) it has sufficient knowledge and experience in business and financial matters in general, and investments such as the Bonds in particular, to enable the Purchaser to evaluate the merits and risks of its investment in the Bonds.

3. The Purchaser states that it is a financial institution or institutional investor, as such terms are defined in Section 32-1-103(6.5), C.R.S., with sufficient knowledge and experience in financial and business matters, including the purchase and ownership of non-rated tax-exempt obligations, to be able to evaluate the merits and risks of an investment in the Bonds.

4. The Purchaser acknowledges that the Bonds are being issued in minimum denominations of \$500,000.

5. The Purchaser is purchasing the Bonds solely for its own account for investment purposes only, with a present intent to hold the securities for an indefinite period of time, and not with a view to, or in connection with, any distribution, resale, pledging, fractionalization, subdivision, or other disposition thereof (subject to the understanding that disposition of Purchaser’s property will remain at all times within its control).

6. In the event the Purchaser is a registered investment advisor and intends to distribute and/or allocate the Bonds to another account, the Purchaser hereby certifies that such account holder(s) have sufficient knowledge and experience in financial and business matters in general, and investments such as the Bonds in particular, to evaluate the merits and risks of its investment in the Bonds. Indicate below the number of funds or accounts that will hold the Bonds.

Not Applicable \_\_\_\_\_

OR

Funds: \_\_\_\_\_

Accounts: \_\_\_\_\_

7. The Purchaser acknowledges that the sale of the Bonds to the Purchaser is made in reliance upon the certifications, representations and warranties herein by the addressee hereto and all representations contained herein shall be effective on the date of the delivery of the Bonds.

Very truly yours,

[PURCHASER], as investment adviser on behalf of  
certain funds listed below

By \_\_\_\_\_  
[\_\_\_\_], [TITLE]

Date: \_\_\_\_\_, 2024

**Purchasing Funds**

[FUNDS]