

CERTIFICATION TO THE TOWN OF CASTLE ROCK

CASTLE OAKS METROPOLITAN DISTRICT 2018 REFUNDING BONDS

In accordance with the provisions of the Town of Castle Rock Municipal Code (the “Town Code”), Section 11.02.110, Castle Oaks Metropolitan District (the “District”) hereby certifies the following:

1. The District will be undertaking issuance of its Limited Tax General Obligation Refunding Bonds, Series 2018 in the approximate principal amount of \$16,140,000, generally in accordance with the term sheet, attached hereto and incorporated herein as **Exhibit A** (the “**2018 Refunding Bonds**”), with an estimated closing date in October/November 2018. A detailed financial plan is attached hereto and incorporated herein as **Exhibit B**. The preliminary official statement is attached hereto as **Exhibit C**. The term sheet, financial plan, and preliminary official statement contain the dollar amount of the issue, the interest rate and other financing costs, and the types of revenues pledged, including the amount of the mill levy pledged.

2. The District operates pursuant to an Amended and Restated Service Plan approved by the Town on September 2, 2003 (the “**Service Plan**”). Section XII.A of the Service Plan provides, in part, “The District shall have the authority to issue up to the aggregate amount of Twenty Five Million Dollars (\$25,000,000) in General Obligation Bonds and/or subordinate bonds issued to the developer to finance District improvements.”

3. The Service Plan authorizes the District to impose a mill levy not in excess of 50 mills for the purpose of paying debt service on its general obligation bonds, as adjusted to take into account changes in the residential assessment ratio, which maximum mill levy is currently adjusted to 67.638 mills.

4. The District’s current general obligation debt consists of a loan made to the District by Compass Mortgage Corporation pursuant to a Loan Agreement dated December 11, 2015 in the original principal amount of \$18,825,000 (the “**Loan**”). The Loan bears interest at the rate of 3.21% per annum. The Loan matures on December 1, 2022, with a balloon payment due on such date in the estimated amount of \$16,322,661. In the event the Loan is not paid in full on December 1, 2022, the Loan bears default interest at the rate of 7.71% until paid. For tax collection year 2018, the District imposed 50.855 mills for debt service payment on the Loan.

5. The District intends on issuing the 2018 Refunding Bonds for the purpose of prepaying the Loan. The 2018 Refunding Bonds will be secured primarily by the District’s obligation to impose ad valorem property taxes in an amount not in excess of the amount permitted by the District’s approved Service Plan. The 2018 Refunding Bonds are estimated to be issued in the approximate amount of \$16,140,000 and are estimated to bear interest at the rate of 3.75%, which amounts may change. The 2018 Refunding Bonds are anticipated to mature on December 1, 2040 and are expected to be repaid with a mill levy of 42 mills starting in tax collection year 2019.

6. The sum of the District's outstanding Loan and the principal amount of the 2018 Refunding Bonds will exceed \$25,000,000; however, the \$25,000,000 limitation in the Service Plan applies only to new money general obligation debt and not as an aggregate cap to include refundings. The Bonds are being issued to refund the District's existing Loan and no new money general obligation debt is being incurred with the issuance of the Bonds.

7. The 2018 Refunding Bonds are authorized by and in compliance with the District's Amended and Restated Service Plan, approved by the Town Council for the Town of Castle Rock on September 2, 2003.

Certified to the Town of Castle Rock as of this 18th day of September, 2018.

By:



Christian M. Janke, President

Board of Directors of Castle Oaks Metropolitan
District