

DRAFT - 8/10/2020

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER __, 2020**NEW ISSUE
BOOK-ENTRY ONLY****RATING: S&P: [to come]
See "RATING"**

In the opinion of Butler Snow LLP, Special Counsel, assuming continuous compliance with certain covenants described herein, the portion of the Base Rentals which is designated in the Lease as interest on the Certificates is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Certificates (the "Tax Code"), and such interest is not a specific preference item for purposes of the federal alternative minimum tax, and is excludable from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Certificates as described herein. See "TAX MATTERS."

\$9,835,000***CERTIFICATES OF PARTICIPATION, SERIES 2020**

Evidencing Proportionate Interests in the Base Rentals and other Revenues under an Annually Renewable Lease Purchase Agreement, dated October 6, 2020, between UMB BANK, n.a., solely in its capacity as Trustee under the Indenture, as lessor, and the TOWN OF CASTLE ROCK, COLORADO, as lessee

Dated: Date of Delivery**Due: December 1, as shown herein**

The Certificates of Participation, Series 2020 (the "Certificates") evidence a proportionate interest in the base rentals and certain other revenues under an annually renewable Lease Purchase Agreement dated as of October 6, 2020 (the "Lease"), entered into between UMB Bank, n.a., solely in its capacity as trustee under the Indenture (the "Trustee"), as lessor, and the Town of Castle Rock, Colorado, as lessee (the "Town"). The Certificates are being executed and delivered pursuant to an Indenture of Trust dated as of October 6, 2020 (the "Indenture"), executed and delivered by the Trustee.

The Certificates are issued as fully registered certificates in denominations of \$5,000 or any integral multiple thereof and initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), securities depository for the Certificates. Purchases of the Certificates are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Certificates. See "THE CERTIFICATES--Book-Entry Only System." The Certificates bear interest at the rates set forth herein, payable on June 1 and December 1 of each year, commencing on June 1, 2021, to and including the maturity dates shown herein (unless the Certificates are redeemed earlier), payable to the registered owner of the Certificates, initially Cede & Co. The principal of the Certificates will be payable upon presentation and surrender at the Trustee. See "THE CERTIFICATES."

The maturity schedule for the Certificates appears on the inside cover page of this Official Statement.

* Subject to change.

The Certificates are subject to redemption prior to maturity at the option of the Town as described in “THE CERTIFICATES--Redemption Provisions.” The Certificates are subject to extraordinary mandatory redemption upon the occurrence of an Event of Nonappropriation or an Event of Lease Default as described in “THE CERTIFICATES--Redemption Provisions - Extraordinary Redemption Upon the Occurrence of Certain Events.”

The proceeds from the issuance of the Certificates, together with other available moneys, will be used to: (i) acquire, construct, install and improve of certain public facilities, including, without limitation, the construction of a parking facility for Town purposes (the “Project”); and (ii) pay the costs of issuing the Certificates. See “SOURCES AND USES OF FUNDS.”

Neither the Lease nor the Certificates constitute a general obligation, a multiple fiscal year direct or indirect debt or other financial obligation or indebtedness of the Town within the meaning of any constitutional, or statutory debt limitation. None of the Lease, the Indenture or the Certificates directly or indirectly obligate the Town to make any payments beyond those appropriated for any fiscal year in which the Lease may be in effect. Except to the extent payable from the proceeds of the Certificates and income from the investment thereof, from the Net Proceeds (defined herein), from net proceeds from exercising certain remedies under the Lease or from other amounts made available under the Indenture, the Certificates are payable during the lease term solely from Base Rentals payable to the Trustee under the Lease and the income from certain investments under the Indenture. All payment obligations of the Town under the Lease are from year to year only. The Lease is subject to annual renewal by the Town. Upon termination of the Lease, the Certificates will be payable solely from moneys, if any, held by the Trustee under the Indenture and any amounts resulting from the exercise of various remedies by the Trustee under the Site Lease, the Lease and the Indenture, all as more fully described herein.

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

The Certificates are offered when, as, and if issued, subject to the approval of validity by Butler Snow LLP, Denver, Colorado, Special Counsel, and certain other conditions. Butler Snow LLP also has acted as special counsel to the Town in connection with this Official Statement. Certain legal matters will be passed upon for the Town by the Town Attorney. Hilltop Securities Inc., Denver, Colorado, is acting as Municipal Advisor to the Town. Stradling Yocca Carlson & Rauth, P.C., Denver, Colorado, is acting as counsel to the Underwriter. It is expected that the Certificates will be available for delivery through the facilities of DTC on or about October 6, 2020.*

[STIFEL LOGO]

* Subject to change.

MATURITY SCHEDULE*
(CUSIP© 6-digit issuer number: _____)

\$9,835,000*

CERTIFICATES OF PARTICIPATION, SERIES 2020

**Evidencing Proportionate Interests in the Base Rentals and other Revenues under an
Annually Renewable Lease Purchase Agreement, dated October 6, 2020, between
UMB BANK, n.a., solely in its capacity as Trustee under the Indenture, as lessor,
and the TOWN OF CASTLE ROCK, COLORADO, as lessee**

Maturing (December 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP© Issue Number	Maturing (December 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP© Issue Number
2033	\$ 475,000				2042	\$ 345,000			
2034	505,000				2043	400,000			
2035	590,000				2044	425,000			
2036	620,000				2045	485,000			
2037	720,000				2046	515,000			
2038	760,000				2047	580,000			
2039	865,000				2048	620,000			
2040	275,000				2049	650,000			
2041	320,000				2050	685,000			

* Subject to change.

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USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Certificates in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Certificates, and if given or made, such information or representations must not be relied upon as having been authorized by the Town. The Town maintains an internet website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

The information set forth in this Official Statement has been obtained from the Town and from the sources referenced throughout this Official Statement, which the Town believes to be reliable. No representation is made by the Town, however, as to the accuracy or completeness of information provided from sources other than the Town. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

This Official Statement has been prepared only in connection with the original offering of the Certificates and may not be reproduced or used in whole or in part for any other purpose.

The Certificates have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. The Certificates have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

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

TOWN OF CASTLE ROCK, COLORADO

Town Council

Jason Gray, Mayor
Jason Bower, Mayor Pro Tem
Kevin Bracken, Council Member
Caryn Johnson, Council Member
George Teal, Council Member
James Townsend, Council Member

Town Administrative Officials

David Corliss, Town Manager
Trish Muller, Finance Director
Michael J. Hyman, Town Attorney

MUNICIPAL ADVISOR TO THE TOWN

Hilltop Securities Inc.
Denver, Colorado

TRUSTEE

UMB Bank, n.a.
Denver, Colorado

SPECIAL COUNSEL

Butler Snow LLP
Denver, Colorado

UNDERWRITER

Stifel, Nicolaus & Company, Incorporated
Denver, Colorado

UNDERWRITER'S COUNSEL

Stradling Yocca Carlson & Rauth, P.C.
Denver, Colorado

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NOTE: Tables marked with an (*) indicate Annual Financial Information to be updated pursuant to SEC Rule 15c2 12, as amended. See Appendix D - Form of Continuing Disclosure Certificate.

The information to be updated may be reported in any format chosen by the Town; it is not required that the format reflected in this Official Statement be used in future years. The budget information contained in the General Fund budget summary and comparison table is to be satisfied with the current year budget information found in the CAFR.

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OFFICIAL STATEMENT

\$9,835,000*

CERTIFICATES OF PARTICIPATION, SERIES 2020

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INTRODUCTION

General

This Official Statement, including the cover page, inside cover page and appendices, is furnished in connection with the execution, delivery and sale of \$9,835,000* aggregate principal amount of Certificates of Participation, Series 2020 (the “Certificates”), evidencing proportionate interests in the base rentals and other revenues under an annually renewable Lease Agreement dated as of October 6, 2020 (the “Lease”), between UMB Bank, n.a., Denver, Colorado, solely in its capacity of trustee under the Indenture (the “Trustee”), as lessor, and the Town of Castle Rock, Colorado, as lessee (the “Town”). The Certificates will be executed and delivered pursuant to the terms of an Indenture of Trust executed by the Trustee dated as of October 6, 2020 (the “Indenture”). Certain of the capitalized terms used herein and not otherwise defined are defined in Appendix B to this Official Statement.

The offering of the Certificates is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Certificates. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein, particularly the section entitled “CERTAIN RISK FACTORS.” Detachment or other use of this “INTRODUCTION” without the entire Official Statement, including the cover page and appendices, is unauthorized.

The Town

The Town was incorporated as a statutory town in 1881 and became a home rule municipality pursuant to Article XX of the Colorado constitution on September 22, 1987, upon the adoption of its home rule charter (the “Charter”). The Town is the county seat for Douglas County, Colorado (the “County”) and is located along Interstate 25 approximately 22 miles southeast of downtown Denver, Colorado, and approximately 40 miles north of Colorado Springs, Colorado. The Town encompasses approximately 34 square miles and, based upon home occupancy rates and the number of building permits issued, the Town estimates its current population to be approximately 72,168. See “THE TOWN.”

* Subject to change.

The Certificates; Prior Redemption

The Certificates are issued solely as fully registered certificates in the denomination of \$5,000, or any integral multiple thereof. The Certificates are dated as of their date of delivery and mature and bear interest (calculated based on a 360-day year consisting of twelve 30-day months) as set forth on the inside cover page hereof. The payment of principal and interest on the Certificates is described in “THE CERTIFICATES--Payment Provisions.” The Certificates initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), the securities depository for the Certificates. Purchases of the Certificates are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Certificates. See “THE CERTIFICATES--Book-Entry Only System.”

The Certificates are subject to redemption prior to maturity at the option of the Town as described in “THE CERTIFICATES--Redemption Provisions.” The Certificates are subject to extraordinary mandatory redemption upon the occurrence of an Event of Nonappropriation or an Event of Lease Default as described in “THE CERTIFICATES--Redemption Provisions - Extraordinary Redemption Upon the Occurrence of Certain Events.”

The Site Lease and the Leased Property Generally

The Site Lease Generally. The Town and UMB Bank, n.a., solely in its capacity as Trustee under the Indenture, will enter into a Site Lease Agreement dated as of October 6, 2020 (the “Site Lease”), pursuant to which the Town will lease to the Trustee the Town Hall Site (as further described below, the “Site”) and the premises, buildings and improvements located thereon (the “Leased Property”). The Site Lease term expires on December 31, 2060. Concurrently with the execution of the Site Lease, the Trustee will lease the Leased Property back to the Town pursuant to the terms of the Lease. The Town will own fee title to the Leased Property and the Trustee will have a leasehold interest in the Leased Property, subject to the terms and provisions of the Lease and the Indenture.

The Town Hall Site. The Town Hall Site includes [three] parcels of land totaling approximately 1.1 acres of land within the Town and the improvements thereon. One portion of the Town Hall Site (approximately 0.641) acres includes the Town Hall, described below. The other portion of the Town Hall Site (approximately 0.452 acres) is located near Town Hall and includes a small portion of the Town Hall.

In addition to the land included in the Town Hall Site, the Leased Property includes the Town Hall, which is comprised of a 34,705 net square-foot building located in the Town. The original portion of Town Hall was constructed in 2000 and another portion of Town Hall was constructed in 2016. Town Hall currently houses the following Town functions: the Town Manager’s Office (including Community Relations, Human Resources and the Town Clerk’s office); the Town Attorney’s office; the Finance Department; Information Technology and Development Services. The Leased Property also includes approximately 2,300 square feet of parking area in front of Town Hall (12 spaces).

Purpose

The proceeds from the issuance of the Certificates, together with other Town funds, will be used to: (i) acquire, construct, install and improve of certain public facilities,

including, without limitation, the construction of a parking facility for Town purposes (the “Project”); (ii) fund capitalized interest; and (iii) pay the costs of issuing the Certificates. See “SOURCES AND USES OF FUNDS.”

Security for the Certificates; Termination of Lease

General. The Certificates and the interest thereon are payable solely from the Base Rentals paid by the Town pursuant to the Lease and other revenues (the “Revenues”) received under the Lease, which include: (a) all amounts payable by or on behalf of the Town or with respect to the Leased Property pursuant to this Lease including, but not limited to, all Base Rentals, Prepayments, the Purchase Option Price and Net Proceeds, but not including Additional Rentals (except for payments made by the Town as Additional Rentals to initially fund or replenish the Reserve Fund, if any); (b) any portion of the proceeds of the Certificates deposited into Base Rentals Fund and the Reserve Fund, each created under the Indenture; (c) any moneys which may be derived from any insurance in respect of the Certificates; and (d) any moneys and securities, including investment income, held by the Trustee in the Funds and Accounts established under the Indenture (except for moneys and securities held in the Rebate Fund or any defeasance escrow account).

Under the Indenture, the Trustee, for the benefit of the Owners of the Certificates, is to receive Base Rentals payable by the Town under the Lease. The amount and timing of the Base Rentals are designed to provide sufficient money to the Trustee to pay the principal of and interest on the Certificates when due. The Trustee is to deposit to the Base Rentals Fund created under the Indenture all amounts payable by or on behalf of the Town or with respect to the Leased Property pursuant to the Lease, including all Base Rentals, Prepayments, the Purchase Option Price and Net Proceeds (but not Additional Rentals).

Neither the Lease nor the Certificates constitute a general obligation or other indebtedness or multiple fiscal year financial obligation of the Town within the meaning of any constitutional, statutory, or Charter debt limitation. Neither the Certificates nor the Lease will directly or indirectly obligate the Town to make any payments other than those which may be appropriated by the Town for each fiscal year.

The Trustee does not have any obligation to and will not make any payments on the Certificates pursuant to the Lease or otherwise.

Sources of Payment of Base Rentals. Amounts due under the Lease are payable from all general revenues of the Town and no particular revenues of the Town are pledged to the payment of Base Rentals. The Town currently intends to budget, appropriate and pay the Base Rentals (and Additional Rentals, if any) allocable to the Certificates from legally available funds in its General Fund. Notwithstanding the foregoing, Base Rentals and Additional Rentals may be budgeted, appropriated and paid from any of the Town’s available funds in the future.

The major sources of the moneys deposited into the Town’s General Fund are the Town’s sales tax (the “Sales Tax”) and the use tax (the “Use Tax,” and together with the Sales Tax, the “Sales and Use Tax”), which are currently imposed at a rate of 4.0%. A portion of the Town’s Sales and Use Tax (imposed at a rate of 1.35%) and sales and use tax revenues received from a shareback agreement with Douglas County (the “County shareback”) must be used for voter-approved transportation purposes and are not available to pay Base Rentals. See

“CURRENT SOURCES OF AVAILABLE REVENUES” for a description of the Town’s Sales and Use Tax.

The Town expects to generate additional revenues from the Encore Project (defined in “SOURCES AND USES OF FUNDS--The Project) and may determine to use those revenues to pay Base Rentals under the Lease. The agreement describing the types of revenues expected to be available to the Town can be found in “CURRENT SOURCES OF AVAILABLE REVENUE--Existing Sales and Use Tax Agreements - Other Rebate/Development Agreements- - Encore Agreement.”

Termination of Lease; Annual Appropriation. The Lease constitutes a one-year lease of the Leased Property which is annually renewable for additional one-year terms as described in the Lease. The Town must take action annually in order to renew the Lease term for another year. If the Town fails to take such action, the Lease automatically will be terminated. The Town’s decision to terminate its obligations under the Lease will be determined by the failure of the Town Council of the Town (the “Council”) to specifically budget and appropriate moneys to pay all Base Rentals and reasonably estimated Additional Rentals for the ensuing Fiscal Year. The Finance Director or other officer of the Town at any time charged with the responsibility of formulating budget proposals for the Town is directed in the Lease to include in the annual budget proposals submitted to the Council, in any year in which the Lease is in effect, items for all payments required for the ensuing Renewal Term under the Lease until such time, if any, as the Town may determine to not renew and terminate the Lease. Notwithstanding this directive regarding the formulation of budget proposals, it is the intention of the Town that any decision to effect an Appropriation (defined in Appendix B) for the Base Rentals and Additional Rentals shall be made solely by the Council in its absolute discretion and not by any other official of the Town, as further provided in the Lease.

If on or before the December 31 prior to the beginning of any Fiscal Year of the Town, the Town fails to budget and appropriate sufficient funds to pay all Base Rentals and all reasonably estimated Additional Rentals, the Town will be considered to have terminated the Lease (subject to certain waiver and cure provisions). Upon termination of the Town’s obligations under the Lease, the Trustee may proceed to exercise certain remedies under the Lease and the Indenture, including the lease or sublease of the Leased Property, the sale or assignment of any interest the Trustee has in the Leased Property, including the Trustee’s leasehold interest in the Leased Property, or one or any combination of the steps described in the Lease. See APPENDIX B - THE LEASE--Nonappropriation by the Town. The net proceeds of any such disposition are required to be applied by the Trustee toward the payment of the Certificates.

Termination of the Site Lease. The Leased Property will be leased by the Town to the Trustee pursuant to the Site Lease. At the end of the term of the Site Lease, all right, title and interest of the Trustee, or any sublessee or assignee in and to the Leased Property will vest in the Town. The Site Lease will terminate on the earliest to occur of the following: (a) the termination of the Lease Term as provided in the Lease due to the payment of the Purchase Option Price by the Town, or upon payment by the Town of all Base Rentals and Additional Rentals for the entire Lease Term; or (b) discharge of the Indenture as a result of the fact that all Certificates have been paid or have been deemed to have been paid as provided in the Indenture; or (c) December 1, 2060. The Leased Property will no longer be subject to the provisions of the Site Lease, the Lease or the Indenture upon the termination of the Site Lease. See “CERTAIN

RISK FACTORS--Limited Duration of Site Lease” and Appendix B - Certain Definitions and Document Summaries--The Site Lease - Site Lease and Term.

Release of Leased Property; Purchase Option Price. The Town has the option to purchase the Trustee’s leasehold interest in the Leased Property and terminate the Site Lease and the Lease by paying the Purchase Option Price, which is equal to the amount necessary to pay all principal and interest due on all Outstanding Certificates and any other amounts necessary to defease and discharge the Indenture, as provided in the Lease. See APPENDIX B - THE LEASE--Purchase Option and Conditions for Purchase Option. The Trustee is required to use the Purchase Option Price to pay the principal, interest, and any premium on the Certificates. See “THE CERTIFICATES--Redemption Provisions.”

Release of Leased Property; Release and Substitution of Property. So long as no Lease Event of Default or Event of Nonappropriation shall have occurred and is continuing, the Trustee shall release the Leased Property, and shall execute all documents necessary or appropriate to convey or reconvey the same to the Town, free of all restrictions and encumbrances imposed or created by the Site Lease, this Lease or the Indenture, upon receipt by the Trustee of the following: (a) a written request of the Town Representative for such release, describing the Leased Property to be released; (b) a certificate of the Town Representative certifying (i) that the disposition of the Leased Property to be released and the substitution therefor of the real property to be substituted for the Leased Property to be released will not materially adversely affect the ability of the Town to operate the Leased Property or any leased property to be substituted therefor, or to fulfill its obligations under the Lease, (ii) that any real property to be substituted for the Leased Property to be released will be useful in the operation of the Town, and (iii) that the fair value of any real property to be substituted for the Leased Property to be released, as determined by the Council in a duly adopted resolution, together with remaining Leased Property and cash to be paid by the Town to the Trustee, if any, is at least equal to the aggregate principal amount of the Certificates then Outstanding; (c) a certified copy of the resolution referred to in clauses (b)(iii); and (d) supplements and amendments to the Lease, the Indenture and any other documents necessary to subject to the lien of the Indenture any real property to be substituted for the Leased Property to be released. The Town agrees that any cash paid to the Trustee pursuant to the Indenture provisions described above shall be deposited into the Principal Account or the Interest Account of the Base Rentals Fund, or both such accounts, as directed by the Town.

Upon completion of the portion of the parking garage facility which constitutes the Project, the Town may, at its sole discretion and without consent or notice to the Owners, substitute its interest in the Project for the Leased Property described in this Official Statement, so long as the insured value of the Town’s interest in the Project is at least equal to the principal amount of the Certificates then Outstanding.

Also see Appendix B - Certain Definitions and Document Summaries--The Lease - Partial Release and Substitution of Leased Property.

Additional Certificates. The Indenture permits the issuance of Additional Certificates without notice to or approval of the owners of the outstanding Certificates under the circumstances described in “THE CERTIFICATES--Additional Certificates.”

No Reserve Fund. The Certificates are not secured by a reserve fund.

Tax Status

In the opinion of Butler Snow LLP, Special Counsel, assuming continuous compliance with certain covenants described herein, the portion of the Base Rentals which is designated in the Lease as interest on the Certificates is excludable from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Certificates (the “Tax Code”), and such interest is not a specific preference item for purposes of the federal alternative minimum tax, and is excludable from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Certificates as described herein.

Notwithstanding the foregoing, Special Counsel has disclaimed any opinion regarding the tax status of the 2020 Certificates after termination of the Lease. See “CERTAIN RISK FACTORS--Effect of Termination on Exemption from Taxation and on Exemption from Registration,” “TAX MATTERS” and Appendix E.

Professionals

Butler Snow LLP, Denver, Colorado, has acted as Special Counsel to the Town in connection with execution and delivery of the Certificates and also has acted as special counsel to the Town in connection with preparation of this Official Statement. The fees of Butler Snow LLP will be paid only from Certificate proceeds at closing. Certain legal matters will be passed upon for the Town by the Town Attorney. UMB Bank, N.A., is serving as the Trustee. The Town’s audited basic financial statements as of and for the year ended December 31, 2019, including the report thereon of BKD, LLP, CPAs & Advisors, certified public accountants, Denver, Colorado, are attached hereto as Appendix A. See “INDEPENDENT AUDITORS.” Stifel, Nicolaus & Company, Incorporated, Denver, Colorado, is acting as the Underwriter for the 2020 Certificates (the “Underwriter”). See “UNDERWRITING.” Stradling Yocca Carlson & Rauth, P.C., Denver, Colorado, is acting as counsel to the Underwriter.

Continuing Disclosure Undertaking

The Town will execute a continuing disclosure certificate (the “Disclosure Certificate”) at the time of the closing for the Certificates. The Disclosure Certificate will be executed for the benefit of the beneficial owners of the Certificates and the Town has covenanted in the Lease to comply with its terms. The Disclosure Certificate will provide that so long as the Certificates remain outstanding, the Town will provide the following information to the Municipal Securities Rulemaking Board, acting through its Electronic Municipal Market Access (“EMMA”) system: (i) annually, certain financial information and operating data; and (ii) notice of the occurrence of certain listed events; all as specified in the Disclosure Certificate. The form of the Disclosure Certificate is attached hereto as Appendix D.

[Discussion of any material failures to comply to come after receipt of Stifel report]

Additional Information

This introduction is only a brief summary of the provisions of the Certificates, the Indenture, the Lease, the Site Lease and other documents described herein; a full review of the entire Official Statement should be made by potential investors. Brief descriptions of the Project,

the Town, the Certificates, the Indenture, the Lease, the Site Lease and other documents are included in this Official Statement. All references herein to the Certificates, the Lease, the Site Lease, the Indenture and other documents are qualified in their entirety by reference to such documents. *This Official Statement speaks only as of its date and the information contained herein is subject to change without notice.*

Additional information and copies of the documents referred to herein are available from the Town or the Underwriter as follows:

Town of Castle Rock, Colorado
Attn: Finance Director
100 N. Wilcox Street
Castle Rock, Colorado 80104
Telephone: (303) 660-1015

Stifel, Nicolaus & Company, Incorporated
1401 Lawrence Street, Suite 900
Denver, Colorado 80202
Telephone: (303) 296-2300.

CERTAIN RISK FACTORS

Investment in the Certificates involves certain risks. Each prospective investor in the Certificates is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described below which could affect the payment of rentals under the Lease and could affect the market price of the Certificates to an extent that cannot be determined at this time. The factors set forth below are not intended to provide an exhaustive list of the risks associated with the purchase of the Certificates.

Nonappropriation

Prospective purchasers of the Certificates should look to the ability of the Town to pay Base Rentals pursuant to the Lease; such Base Rentals will provide funds for payment of principal and interest on the Certificates. The Town is not obligated to pay Base Rentals or Additional Rentals under the Lease unless funds are budgeted and appropriated for such rentals by the Town each year. If, by the last date of each Fiscal Year, the Town does not specifically budget and appropriate amounts sufficient to pay all Base Rentals due in the next Fiscal Year, and to pay such Additional Rentals as are estimated to become due in the next Fiscal Year, an “Event of Nonappropriation” occurs. If an Event of Nonappropriation occurs, the Town is deemed to have terminated its obligations under the Lease, and the Town will not be obligated to make payment of the Base Rentals or Additional Rentals which accrue after the last day of the fiscal year during which such Event of Nonappropriation occurs (except for any period for which the Town continues to retain possession of the Leased Property).

Various political, legal and economic factors could lead to the nonappropriation of sufficient funds to make the payments under the Lease, and prospective investors should carefully consider any factors which may influence the budgetary process. There is no assurance that the Council will appropriate sufficient funds to renew the Lease each year and the Town has no obligation to do so. In addition, the ability of the Town to maintain adequate revenues for its operations and obligations in general (including obligations associated with the Lease) is dependent upon several factors outside the Town’s control, such as the general economy, collections of Sales and Use Tax and changes in law. See “LEGAL MATTERS--Certain Constitutional Limitations,” “SECURITY FOR THE CERTIFICATES,” and “TOWN FINANCIAL INFORMATION.”

The obligation of the Town to pay Base Rentals and Additional Rentals is limited to those Town funds that are specifically budgeted and appropriated annually by the Council for such purpose. The Lease directs the officer of the Town charged at any time with the responsibility of formulating budget proposals with respect to the Leased Property to include, in the annual budget proposals submitted to the Council, items for all payments required under the Lease for the ensuing Fiscal Year, until such time (if any) as the Town determines not to renew the Lease. The Lease provides that it is the intention of the Town that any decision not to renew the Lease is to be made solely by the Council and not by any other official or employee of the Town.

Effect of a Termination of the Lease Term

In the event of termination of the Town’s obligations under the Lease upon the occurrence of an Event of Nonappropriation or an Event of Lease Default, the Town is required to vacate and surrender the Leased Property by March 1 of any Renewal Term in respect of

which an Event of Nonappropriation or an Event of Lease Default has occurred. If an Event of Lease Default shall have occurred and remain uncured, the Trustee may take any of the following actions: (i) terminate the Lease Term and give notice to the Town to vacate and surrender possession of the Leased Property which vacation and surrender the Town agrees under the Lease to complete within sixty (60) days from the date of such notice (in the event the Town does not vacate and surrender possession on the termination date, the “holdover tenant” provisions of the Lease shall apply); (ii) lease or sublease the Leased Property or sell or assign any interest the Trustee has in the Leased Property, including the Trustee’s leasehold interest in the Leased Property pursuant to the Site Lease; (iii) recover from the Town (a) the portion of Base Rentals and Additional Rentals, for which a specific Appropriation has been effected by the Town for such purpose, which would otherwise have been payable under the Lease, during any period in which the Town continues to occupy, use or possess the Leased Property; and (b) Base Rentals and Additional Rentals, for which a specific Appropriation has been effected by the Town for such purpose, which would otherwise have been payable by the Town under the Lease during the remainder, after the Town vacates and surrenders possession of the Leased Property, of the Fiscal Year in which such Event of Lease Default occurs; or (iv) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under the Site Lease, the Lease and the Indenture.

A potential purchaser of the Certificates should not assume that the amount of money received by the Trustee upon the exercise of its rights under the Site Lease, the Lease and the Indenture after a termination of the Lease Term will be sufficient to pay the aggregate principal amount of the Certificates then outstanding plus accrued interest thereon. This may be due to the inability to recover certain of the costs incurred in connection with the issuance of the Certificates. The insured value of the Town Hall building currently is \$_____. That figure represents the insurance valuation of the buildings, excluding contents. No current valuation of the land comprising the Leased Property is available. No appraisals of the Leased Property have been completed.

There is no guarantee that the Trustee will be able to sublease the Leased Property or otherwise sell or dispose of its leasehold interest in the Leased Property in an amount equal to the amount of the outstanding Certificates.

IF THE CERTIFICATES (AND ANY ADDITIONAL CERTIFICATES) ARE REDEEMED SUBSEQUENT TO A TERMINATION OF THE LEASE TERM FOR AN AMOUNT LESS THAN THE AGGREGATE PRINCIPAL AMOUNT THEREOF AND ACCRUED INTEREST THEREON, SUCH PARTIAL PAYMENT WILL BE DEEMED TO CONSTITUTE A REDEMPTION IN FULL OF THE CERTIFICATES PURSUANT TO THE INDENTURE; AND UPON SUCH A PARTIAL PAYMENT, NO OWNER OF ANY CERTIFICATE WILL HAVE ANY FURTHER CLAIMS FOR PAYMENT UPON THE TRUSTEE OR THE TOWN.

Factors that May Cause Insufficiency of Expected Revenues

Economic and Other Factors Beyond the Control of the Town. Although the Town is not obligated to pay Base Rentals and Additional Rentals from any particular revenue source, it is the current expectation of the Town that Base Rentals and Additional Rentals will be paid (to the extent funds are appropriated therefor each year) from revenues in the General Fund. See “CURRENT SOURCES OF AVAILABLE REVENUES.”

Various circumstances and developments, most of which are beyond the control of the Town, may have an adverse effect on the future level of Sales and Use Tax revenues. Such circumstances may include, among others, adverse changes in national and local economic and financial conditions generally, reductions in the rates of employment and economic growth in the Town, the County, the State and the region, a decrease in rates of population growth and rates of residential and commercial development in the Town, the County, the State and the region and various other factors. See “CURRENT SOURCES OF AVAILABLE REVENUES--Finance Director’s Summary of Material Trends in Town Sales and Use Tax Collections.”

As an example, the currently circulating COVID-19 virus and resulting actions by the local, State, and federal government may negatively impact the operations of retail businesses generating Sales and Use Tax revenues within the Town. In response to the current spread of the COVID-19 virus, the Governor of Colorado (the “Governor”) issued an executive order limiting business operating capacity to 50% until August 8, 2020. Pursuant to the order, all businesses and activities must operate with at least six feet between non-household members and have no more than 500 people in one setting at a time. These actions are likely to decrease Sales and Use Tax collections within the Town to an extent, and over a period of time, that cannot be quantified at this time. It is impossible to predict whether businesses will be financially able to remain open while operating under the capacity requirements set forth in the order.

These actions have resulted in significant increases in unemployment rates in the last several months. It is also not possible to predict the duration or severity of the unemployment resulting from the closures or the resulting impact on Sales and Use Tax revenues.

[Specific information about COVID impact on Town/S&U Tax to come]

In addition, collections of the Sales and Use Tax revenues are subject to fluctuations in consumer spending. Such fluctuations cause Sales and Use Tax revenues to increase along with the increasing prices brought about by inflation, but also cause collections to be vulnerable to adverse economic conditions and reduced spending. Consequently, the rate of Sales and Use Tax collections can be expected to correspond generally to economic cycles. The Town has no control over general economic cycles and is unable to predict what general economic factors or cycles will occur while the Certificates remain outstanding.

Existing Obligations Payable from Legally Available Revenues; Additional Bonds. The Town has several obligations outstanding that are paid from Sales Tax revenues. See “CURRENT SOURCES OF AVAILABLE REVENUES--Existing Sales and Use Tax Agreements,” and “DEBT STRUCTURE--Other Obligations” for a description of the obligations that are currently payable from legally available revenues in the General Fund.

Further, the Town is authorized to issue bonds secured in whole or in part by its Sales and/or Use Tax after satisfying all legal conditions. Should the Town issue bonds secured by the Sales and/or Use Tax, debt service on those bonds will be paid prior to any Sales and/or Use Tax revenues being available to pay Base Rentals or Additional Rentals. The Town currently has several series of bond outstanding that are payable from the 1.35% Sales and Use Tax imposed for transportation purposes. The Town currently has no plans to issue bonds secured by its remaining 2.65% Sales Tax and/or Use Tax.

Factors that Could Impact Value of Property if Lease is Terminated

General. The Town will retain fee simple title to the Leased Property and the Trustee will have a leasehold interest in the Leased Property pursuant to the Site Lease. Upon the termination of the Lease, the Trustee will have the right to use and possession of the Leased Property. However, a potential purchaser of the Certificates should not assume that it will be possible for the Trustee to sublease the Leased Property or otherwise sell or dispose of its leasehold interest in the Leased Property, or any portion thereof, for an amount equal to the aggregate principal amount of the Certificates then outstanding plus accrued interest thereon or that such subleasing or disposal can be accomplished in time to pay any installment of principal or interest on the Certificates when due.

Current Uses of Property; Restrictions; Valuation. No current appraised valuation of the Leased Property is available. For insurance purposes, the Town has assigned a value of \$_____ to the Town Hall. However, the Trustee is not able to sell the Town Hall Site, the Town Hall or any associated improvements upon the occurrence of an Event of Lease Default or an Event of Nonappropriation and the insured value of the facility may not be indicative of amounts the Trustee may receive in exercising its remedies under the Lease. There is no assurance that the current level of value of the Leased Property will continue in the future and there is no guarantee that the Trustee will be able to sublease or otherwise sell or dispose of its leasehold interest in the Leased Property under the Site Lease in an amount equal to the amount of the outstanding Certificates.

Further, the Town Hall Site is subject to present and future zoning requirements or other land use regulations imposed by the Town. The Town Hall Site currently is zoned B (commercial) and is located within the downtown overlay. Future zoning changes could limit alternate uses of the Leased Property, which could make the Leased Property less attractive to potential users if the Trustee must sublease or otherwise sell or dispose of its leasehold interest in the Leased Property. Zoning and land use regulations in effect in the future may restrict the future uses of the Property. Should that occur, the Leased Property may have less value to third parties than the insured value would indicate. *There is no guarantee that the Trustee will be able to liquidate its interest in the Leased Property in an amount equal to the amount of the outstanding Certificates.*

[Former Uses of Town Hall Site. The Town Hall portion of the Site was formerly used as a gas station and the Town is required to monitor and file periodic reports with the U.S. Environmental Protection Agency (the “EPA”) regarding a plume from a leaking underground storage tank located on the site. The Town has engaged a professional monitoring company to assist it in compliance with the EPA requirements and is up to date in its reporting. As of this date, no further remediation of the Town Hall portion of the Town Hall Site is required and if further remediation is required, the Town would remain responsible for the costs of any required

remediation. However, should the EPA require further remediation in the future, it may be more difficult for the Trustee to sublease or otherwise dispose of the leasehold interest in the Leased Property.]

Limited Duration of Site Lease

The term of the Site Lease is 10 years longer than the term of the Certificates. Upon termination of the Lease for any reason (including the occurrence of an Event of Nonappropriation), the Trustee may assign its interest in the Site Lease and may foreclose through the courts on or sell, lease, sublease or otherwise liquidate or dispose of its interest in the Leased Property. The net proceeds received from those activities are to be applied to pay the Certificates. However, due to the limited term of the Site Lease, the Trustee may find it difficult or impossible to locate third parties that are interested in accepting an assignment of the Trustee's rights in the Leased Property. Further, the limited term of the Site Lease may make it difficult or impossible for the Trustee to collect revenues over the remaining term of the Site Lease that are sufficient to pay the Certificates.

Enforceability of Remedies; Liquidation Delays

Under the Lease and the Site Lease, the Trustee has the right to take possession of and dispose of the Trustee's leasehold interest in the Leased Property upon an Event of Nonappropriation or an Event of Lease Default and a termination of the Lease. However, the enforceability of the Lease is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, and the police powers of the Town, which may delay an action brought to enforce the remedy of the Trustee to take possession of the Leased Property or may delay repossession for an indefinite period, even though the Town may have terminated the Lease or be in default thereunder. As long as the Trustee is unable to take possession of the Leased Property or any other projects or property which may subsequently be approved in connection with the issuance of Additional Certificates, it will be unable to sublease or otherwise dispose of its leasehold interests in the Leased Property as permitted under the Site Lease and the Indenture or to redeem or pay the Certificates except from funds otherwise available to the Trustee under the Indenture. See "SECURITY FOR THE CERTIFICATES."

Effect of Termination on Exemption from Taxation and on Exemption from Registration

Special Counsel has specifically disclaimed any opinion as to the effect that termination of the Lease may have upon the treatment for federal or State income tax purposes of amounts received by the registered owners of the Certificates. There is no assurance that any amounts representing interest received by the registered owners of the Certificates after termination of the Lease as a consequence of an Event of Nonappropriation or an Event of Default will be excluded from gross income under federal or State laws. In view of past private letter rulings by the United States Department of Treasury, registered owners of the Certificates should not assume that payments allocable to interest received from the Certificates would be excluded from gross income for federal or State income tax purposes.

In the event of a termination of the Town's obligations under the Lease, there is no assurance that Owners of Certificates would be able to transfer their interests without compliance with federal securities laws.

Condemnation Risk

In the mid-1990's, the Town of Sheridan, Colorado ("Sheridan") exercised its eminent domain powers to acquire an administration building it previously had leased under an annually terminable lease purchase agreement. Sheridan sought to use its condemnation power to acquire the property at a fraction of the remaining lease payments (which would be paid to owners of certificates of participation in Sheridan's lease). Sheridan's condemnation suit was successful; however, Sheridan was unable to pay the court-determined amount representing the value of the property and eventually vacated the building in favor of the trustee. Sheridan eventually reached a settlement with the trustee and reacquired possession of the building from the trustee. Pursuant to this settlement, certificate holders reportedly received less than half of the amounts due them under the certificates. The Town considers the occurrence of a situation such as the one described above to be unlikely; however, there is no assurance that the Leased Property (or portions thereof) would not be condemned in the future.

Casualty Risk

If all, substantially all, or any portion of the Leased Property is damaged or destroyed by any casualty, there is no assurance that casualty insurance proceeds and other available monies of the Town will be sufficient either to repair or replace the damaged or destroyed property or to pay all the outstanding Certificates, if the Certificates are called for mandatory redemption as a result of such casualty. See "THE CERTIFICATES--Redemption Provisions." Although the Town believes its casualty insurance coverages are adequate, there is no assurance that such damage or destruction would not have a material adverse effect on the ability of the Town to make use of the Leased Property. Delays in the receipt of casualty insurance proceeds pertaining to the Leased Property or delays in the repair, restoration or replacement of property damaged or destroyed also could have an adverse effect upon the ability of the Town to make use of the Leased Property or upon its ability to make timely payment of rental payments under the Lease.

Insurance Risk

The Lease requires that the Town provide casualty, public liability and property damage insurance for the Leased Property in an amount equal to the amounts specified in the Lease. The Town may provide such insurance through commercial policies or, in its discretion, through a qualified self-insurance pool. For a description of the insurance requirements related to the Leased Property (including requirements related to a qualified self-insurance pool), see Appendix B - Certain Definitions and Document Summaries--The Lease - Insurance. The Town currently maintains the insurance described in "THE TOWN--Insurance." There is no assurance that, in the event the Lease is terminated as a result of damage to or destruction of the Leased Property, moneys made available by reason of any such occurrence will be sufficient to redeem the Certificates at a price equal to the principal amount thereof outstanding plus accrued interest to the redemption date. See "THE CERTIFICATES--Redemption Provisions."

Future Changes in Laws

Various State laws and constitutional provisions apply to the imposition, collection, and expenditure of sales taxes and other revenues, and the operation of the Town. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or

indirectly, on the affairs of the Town and the imposition, collection, and expenditure of its revenues. Such changes could include, but are not limited to, future restrictions on real estate development and growth in the Town and State law changes in the items subject to sales taxes or exemptions therefrom.

Forward-Looking Statements

This Official Statement contains 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 Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results. Those differences could be material and could impact the availability of Revenues available to pay Base Rentals and Additional Rentals under the Lease.

Secondary Market

No assurance can be given concerning the future existence of a secondary market for the Certificates or its maintenance by the Underwriter or others, and prospective purchasers of the Certificates should therefore be prepared, if necessary, to hold their Certificates to maturity.

SOURCES AND USES OF FUNDS

Sources and Uses of Proceeds

The following are the estimated sources and uses of the proceeds of the Certificates:

Sources and Uses of Proceeds

	<u>Amount</u>
<u>Sources of Funds</u>	
Par amount of the Certificates	
Plus/(less): net original issue premium/(discount)	
Total:.....	
<u>Uses of Proceeds</u>	
The Project	
Capitalized interest (1)	
Costs of issuance (including Underwriter's discount).....	
Total:	

(1) This amount is expected to be sufficient to pay all of the interest on the Certificates through June 30, 2023, and a portion of the interest due on the Certificates on December 1, 2023.

Source: The Underwriter.

The Project

The Project consists of the Town's purchase of a portion of a parking garage facility that is being constructed by a private developer pursuant to the Encore CR Downtown Redevelopment and Financing Agreement (the "Encore Agreement"), dated as of September 3, 2019, and amended as of November 5, 2019, between the Town and CD-Festival Commons, LLC ("CDFC"), which is the developer of the mixed-use project to be known as Encore CR ("Encore"). Encore is planned to include 124 for-sale condominium residential units and 27,000 square feet of retail/office space.

Pursuant to the Encore Agreement, CDFC, will construct a 601-space parking garage ("Parking Garage") on the site of the existing Town Hall parking lot. Upon completion of the Parking Garage, the Town will purchase 308 condominium parking spaces for public use for approximately 40% of the estimated \$24.2 million Parking Garage development cost, with the purchase price capped at \$9,750,000. At the time of the purchase of the condominium parking spaces, the Town will transfer title to the property on which the Project is located to CDFC; during construction the Town will lease the property to CDFC. The Parking Garage is currently expected to be complete by mid-2021.

CDFC will also construct a roundabout at South and Wilcox Streets and a pedestrian plaza between Town Hall and the Parking Garage. The Town is responsible for the design and construction costs for the roundabout. The Town will pay \$800,000 for the pedestrian plaza upon its completion and acceptance by the Town.

THE CERTIFICATES

General

The Certificates are issuable as fully registered certificates and initially will be registered in the name of “Cede & Co.,” as nominee for DTC, the securities depository for the Certificates. Purchases by Beneficial Owners of the Certificates are to be made in book-entry only form. Payments to Beneficial Owners are to be made as described in “Book-Entry Only System” below. The Certificates are dated the date of their execution and delivery, and will mature on the dates and in the amounts and bear interest at the rates set forth on the inside cover page of this Official Statement.

Payment Provisions

Except for any Certificates for which DTC is acting as Depository or for an Owner of \$1,000,000 or more in aggregate principal amount of Certificates, the principal of, premium, if any, and interest on all Certificates shall be payable to the Owner thereof at its address last appearing on the registration books maintained by the Trustee. In the case of any Certificates for which DTC is acting as Depository, the principal of, premium, if any, and interest on such Certificates shall be payable as directed in writing by the Depository. In the case of an Owner of \$1,000,000 or more in aggregate principal amount of Certificates, the principal of, premium, if any, and interest on such Certificates shall be payable by wire transfer of funds to a bank account designated by the Certificate Owner in written instructions to the Trustee.

Interest (based on a 360-day year consisting of twelve 30-day months) shall be paid to the Owner of each Certificate, as shown on the registration books kept by the Trustee, as of the close of business on the 15th day of the calendar month immediately preceding the Interest Payment Date, or the Business Day immediately preceding such 15th day, if such 15th day is not a Business Day (the “Regular Record Date”), irrespective of any transfer of ownership of Certificates subsequent to the Regular Record Date and prior to such Interest Payment Date, or on a special record date, which shall be fixed by the Trustee for such purpose, irrespective of any transfer of ownership of Certificates subsequent to such special record date and prior to the date fixed by the Trustee for the payment of such interest. Notice of the special record date and of the date fixed for the payment of such interest shall be given by providing a copy thereof by first class mail postage prepaid at least ten (10) days prior to the special record date, to the Owner of each Certificate upon which interest will be paid, determined as of the close of business on the day preceding the giving of such notice.

Notwithstanding the foregoing, payments of the principal of and interest on the 2020 Certificates will be made directly to DTC or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the registered owner (the “Owner”) of the Certificates. Disbursement of such payments to DTC’s Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and the Indirect Participants, as more fully described herein. See “Book-Entry Only System” below.

Redemption Provisions*

Optional Redemption.* The Certificates maturing on or before December 1, ____, are not subject to redemption prior to maturity. The Certificates maturing on and after December 1, ____, are subject to redemption prior to their respective maturities, at the option of the Town, in whole or in part, in integral multiples of \$5,000, and if in part in such order of maturities as the Town shall determine and by lot within a maturity, on December 1, ____, or on any date thereafter at a redemption price equal to the principal amount of the Certificates so redeemed plus accrued interest to the redemption date, without a premium.

Extraordinary Mandatory Redemption. If the Lease is terminated by reason of the occurrence of (a) an Event of Nonappropriation, (b) an Event of Lease Default, or (c) the Trustee, with the written consent of the Town, fails to repair or replace the Leased Property pursuant to the terms of the Lease, if (1) the Leased Property is damaged or destroyed in whole or in part by fire or other casualty, or (2) title to, or the temporary or permanent use of, the Leased Property has been taken by eminent domain by any governmental body or (3) breach of warranty or any material defect with respect to the Leased Property becomes apparent or (4) title to or the use of all or the Leased Property is lost by reason of a defect in title thereto, and the Net Proceeds of any insurance, performance bond or condemnation award, or Net Proceeds received as a consequence of defaults under contracts relating to the Leased Property, made available by reason of such occurrences, shall be insufficient to pay in full, the cost of repairing or replacing the Leased Property, and the Town does not appropriate sufficient funds for such purpose or cause the Lease to be amended in order that Additional Certificates may be executed and delivered pursuant to the Indenture for such purpose, the Certificates are required to be called for redemption. If called for redemption, the Certificates are to be redeemed in whole on such date or dates as the Trustee may determine, for a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date (subject to the availability of funds as described below).

Notwithstanding the foregoing, so long as the Certificate Insurer is not in payment default under the Policy and has not repudiated its obligations thereunder, unless the Certificate Insurer consents to such redemption, the Trustee may not apply any Net Proceeds or other available moneys to the redemption of any Insured Certificates prior to their respective maturity dates. In the absence of such consent, the Trustee shall (a) allocate such Net Proceeds (together with any other available moneys held under this Indenture), proportionately among all Outstanding Certificates, and (b) apply such allocation of Net Proceeds to the payment of the principal of and interest on the Insured Certificates on the regularly scheduled maturity and interest payment dates of the Insured Certificates. If the Certificate Insurer does consent to such redemption, nothing in the Indenture precludes the Certificate Insurer from making payment to the registered owners of the Insured Certificates of all or any portion of amounts due thereon at any time prior to the respective stated maturity dates thereof.

In the event that the Certificate Insurer is in default under the provisions of the Policy, the Trustee shall call the Certificates for mandatory redemption as described above and shall apply any amounts remaining in the separate account established above to pay the Owners of such Outstanding Certificates proportionate to the amount of the Certificates then Outstanding.

* Subject to change.

If the Net Proceeds, including the Net Proceeds from the exercise of any Lease Remedy under the Lease, otherwise received and other moneys then available under the Indenture are insufficient to pay in full the principal of and accrued interest on all Outstanding Certificates, the Trustee may, or at the request of the Owners of a majority in aggregate principal amount of the Certificates Outstanding, and upon indemnification as to costs and expenses as provided in the Indenture, without any further demand or notice, shall, exercise all or any combination of Lease Remedies as provided in the Lease (except as otherwise described above concerning the application of Net Proceeds and other available moneys for the redemption or payment of the Insured Certificates) and the Certificates are to be redeemed by the Trustee from the Net Proceeds resulting from the exercise of such Lease Remedies and all other moneys, if any, then on hand and being held by the Trustee for the Owners of the Certificates.

If the Net Proceeds resulting from the exercise of such Lease Remedies and other moneys are insufficient to redeem the Certificates at 100% of the principal amount thereof plus interest accrued to the redemption date, then such Net Proceeds resulting from the exercise of such Lease Remedies and other moneys shall be allocated proportionately among the Certificates, according to the principal amount thereof Outstanding. In the event that such Net Proceeds resulting from the exercise of such Lease Remedies and other moneys are in excess of the amount required to redeem the Certificates at 100% of the principal amount thereof plus interest accrued to the redemption date, then such excess moneys shall be paid to the Town as an overpayment of the Purchase Option Price. Prior to any distribution of the Net Proceeds resulting from the exercise of any of such remedies, the Trustee shall be entitled to payment of its reasonable and customary fees for all services rendered in connection with such disposition, as well as reimbursement for all reasonable costs and expenses, including attorneys' fees, incurred thereby, from proceeds resulting from the exercise of such Lease Remedies and other moneys.

IF THE CERTIFICATES (INCLUDING ANY ADDITIONAL CERTIFICATES) ARE REDEEMED FOR AN AMOUNT LESS THAN THE AGGREGATE PRINCIPAL AMOUNT THEREOF PLUS INTEREST ACCRUED TO THE REDEMPTION DATE, SUCH PARTIAL PAYMENT IS DEEMED TO CONSTITUTE A REDEMPTION IN FULL OF THE CERTIFICATES, AND UPON SUCH A PARTIAL PAYMENT NO OWNER OF SUCH CERTIFICATES, SHALL HAVE ANY FURTHER CLAIM FOR PAYMENT AGAINST THE TRUSTEE OR THE TOWN.

Notwithstanding anything herein to the contrary, so long as the Certificate Insurer is not in payment default under the Policy, has not repudiated its obligations thereunder, and is providing the Insurance Policy with respect to a majority in aggregate principal amount of the Outstanding Certificates, the Certificate Insurer shall have the right to direct all proceedings with respect to the exercise of any and all remedies under the Indenture, the Lease and Site Lease. For purposes of the extraordinary mandatory redemption provisions, the Certificate Owner shall be deemed Owner of the Insured Certificates.

Notice of Redemption. Whenever Certificates are to be redeemed, the Trustee is required to, not less than thirty (30) and not more than sixty (60) days prior to the redemption date (except for Extraordinary Mandatory Redemption notice which is required to be immediate), mail notice of redemption to all Owners of all Certificates to be redeemed at their registered addresses, by first class mail, postage prepaid, or in the event that the Certificates to be redeemed are registered in the name of the Depository, such notice may, in the alternative, be

given by electronic means in accordance with the requirements of the Depository. Any notice of redemption is to (1) be given in the name of the Trustee, (2) identify the Certificates to be redeemed, (3) specify the redemption date and the redemption price, (4) in the event of optional redemption, state that the Town has given notice of its intent to exercise its option to purchase or prepay Base Rentals under the Lease, (5) state that such redemption is subject to the deposit of the funds related to such option by the Town on or before the stated redemption date and (6) state that on the redemption date the Certificates called for redemption will be payable at the corporate trust office of the Trustee and that from that date interest will cease to accrue. The Trustee may use "CUSIP" numbers in notices of redemption as a convenience to Certificates Owners, provided that any such notice is required to state that no representation is made as to the correctness of such numbers either as printed on the Certificates or as contained in any notice of redemption and that reliance may be placed only on the identification numbers containing the prefix established under the Indenture.

Any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Trustee of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Certificates so called for redemption, and that if such funds are not available, such redemption shall be canceled by written notice to the owners of the Certificates called for redemption in the same manner as the original redemption notice was given.

Tax Covenants

The Town covenants for the benefit of the owners of the Certificates that it will not take any action or omit to take any action with respect to the Certificates, the proceeds thereof, any other funds of the Town or any facilities financed or refinanced with the proceeds of the Certificates (except for the possible exercise of the Town's right to terminate the Lease as provided therein) if such action or omission (i) would cause the interest on the Certificates to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code, or (ii) would cause interest on the Certificates to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, or (iii) would cause interest on the Certificates to lose its exclusion from Colorado taxable income or to lose its exclusion from Colorado alternative minimum taxable income under present Colorado law. Subject to the Town's right to terminate the Lease, the foregoing covenant shall remain in full force and effect, notwithstanding the payment in full or defeasance of the Certificates, until the date on which all obligations of the County in fulfilling the above covenant under the Tax Code and Colorado law have been met.

In addition, the Town has covenanted in the Lease that its direction of investments pursuant to the Indenture shall be in compliance with the procedures established by the Tax Certificate entered into by the Town with respect to the Lease (the "Tax Certificate") to the extent required to comply with its covenants described in the previous paragraph. The Town hereby agreed that, to the extent necessary, it will, during the Lease Term, pay to the Trustee such sums as are required for the Trustee to pay the amounts due and owing to the United States Treasury as rebate payments. Any such payment shall be accompanied by directions to the Trustee to pay such amounts to the United States Treasury. Any payment of Town moneys pursuant to the foregoing sentence shall be Additional Rentals for all purposes of the Lease.

Book-Entry Only System

The Certificates will be available only in book-entry form in the principal amount of \$5,000 or any integral multiples thereof. DTC will act as the initial securities depository for the Certificates. The ownership of one fully registered Certificate for each maturity as set forth on the inside cover page of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix C--Book-Entry Only System.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE CERTIFICATES, REFERENCES IN THIS OFFICIAL STATEMENT TO THE OWNERS OR REGISTERED OWNERS OF THE CERTIFICATES WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

Neither the Town nor the Trustee will have any responsibility or obligation to DTC's Participants or Indirect Participants, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the DTC Participants, the Indirect Participants or the beneficial owners of the Certificates as further described in Appendix C to this Official Statement.

BASE RENTALS SCHEDULE

The following table sets forth the estimated schedule of Base Rentals due pursuant to the Lease in each year, including the Principal Component and the Interest Component. See “CURRENT SOURCES OF AVAILABLE REVENUES--Existing Sales and Use Tax Agreements,” and “DEBT STRUCTURE--Other Obligations” for a description of the obligations that are currently payable from legally available revenues of the Town.

Schedule of Base Rentals(1)(2)*

Calendar <u>Year</u>	Principal <u>Component</u>	Interest <u>Component</u>	Total <u>Base Rentals</u>
2021	--		
2022	--		
2023	--		
2024	--		
2025	--		
2026	--		
2027	--		
2028	--		
2029	--		
2030	--		
2031	--		
2032	--		
2033	\$ 475,000		
2034	505,000		
2035	590,000		
2036	620,000		
2037	720,000		
2038	760,000		
2039	865,000		
2040	275,000		
2041	320,000		
2042	345,000		
2043	400,000		
2044	425,000		
2045	485,000		
2046	515,000		
2047	580,000		
2048	620,000		
2049	650,000		
2050	<u>685,000</u>		
Total	\$9,835,000		

(1) Totals may not add due to rounding.

(2) The Base Rentals are due semi-annually on May 15 and November 15 of each year that the Lease remains in effect. The Trustee will use the Base Rentals to pay the principal and interest due on the Certificates on June 1 and December 1 of each year.

Source: The Underwriter.

* Subject change.

SECURITY FOR THE CERTIFICATES

General

Each Certificate evidences a proportionate interest in the right to receive certain designated Revenues, including Base Rentals, under and as defined in the Lease and the Indenture. Under the Site Lease, the Leased Property has been leased by the Town to the Trustee, and under the Lease, the Leased Property has been leased by the Trustee back to the Town and the Town has agreed to pay directly to the Trustee, Base Rentals in consideration of the Town's right to possess and use the Leased Property. Certain Revenues, including Base Rentals, are required under the Indenture to be distributed by the Trustee for the payment of the Certificates and interest thereon.

The Lease is subject to annual appropriation, non-renewal and, in turn, termination by the Town. The execution and delivery of the Certificates does not directly or contingently obligate the Town to make any payments beyond those appropriated for the Town's then current Fiscal Year. As more fully described under the caption "CERTAIN RISK FACTORS," the Lease is subject to renewal on an annual basis at the option of the Town. The Lease Term and the schedule of payments of Base Rentals are designed to produce moneys sufficient to pay the Certificates and interest thereon when due (if the Town elects not to terminate the Lease prior to the end of the Lease Term).

The Certificates shall not constitute a mandatory charge or requirement of the Town in any ensuing Fiscal Year beyond the current Fiscal Year, and shall not constitute or give rise to a general obligation or other indebtedness of the Town or a multiple fiscal year direct or indirect debt or other financial obligation whatsoever of the Town, within the meaning of any constitutional, home rule charter or statutory debt provision or limitation. No provision of the Certificates shall be construed or interpreted as creating a delegation of governmental powers nor as a donation by or a lending of the credit of the Town within the meaning of Sections 1 or 2 of Article XI of the Colorado Constitution. The execution and delivery of the Certificates shall not directly or indirectly obligate the Town to renew the Lease from Fiscal Year to Fiscal Year or to make any payments beyond those appropriated for the Town's then current Fiscal Year. Base Rentals and Additional Rentals may be paid from any lawfully available Town monies appropriated for that purpose. See "TOWN FINANCIAL INFORMATION."

In the event of termination of the Town's obligations under the Lease upon the occurrence of an Event of Nonappropriation or an Event of Lease Default, the Town is required to vacate and surrender the Leased Property by March 1 of any Renewal Term in respect of which an Event of Nonappropriation or an Event of Lease Default has occurred. If an Event of Lease Default shall have occurred and remain uncured, the Trustee may take any of the following actions: (i) terminate the Lease Term and give notice to the Town to vacate and surrender possession of the Leased Property which vacation and surrender the Town agrees under the Lease to complete within sixty (60) days from the date of such notice; (ii) lease or sublease the Leased Property or sell or assign any interest the Trustee has in the Leased Property, including the Trustee's leasehold interest in the Leased Property; (iii) recover from the Town (a) the portion of Base Rentals and Additional Rentals, for which a specific Appropriation has been effected by the Town for such purpose, which would otherwise have been payable under the Lease, during any period in which the Town continues to occupy, use or possess the Leased Property; and (b) Base Rentals and Additional Rentals, for which a specific Appropriation has

been effected by the Town for such purpose, which would otherwise have been payable by the Town under the Lease during the remainder, after the Town vacates and surrenders possession of the Leased Property, of the Fiscal Year in which such Event of Lease Default occurs; or (v) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under the Site Lease, the Lease and the Indenture. In the event the Town does not vacate and surrender possession on the termination date, the “holdover tenant” provisions of the Lease shall apply.

Additional Certificates

So long as no Event of Indenture Default, Event of Nonappropriation or Event of Lease Default has occurred and is continuing and the Lease Term is in effect, one or more series of Additional Certificates may be executed and delivered upon the terms and conditions set forth in the Indenture. The principal of any Additional Certificates shall mature on December 1 and the interest payment dates therefore shall be the same as the interest payment dates for the Certificates; otherwise the times and amounts of payment of Additional Certificates shall be as provided in the supplemental ordinance or indenture and amendment to the Lease entered into in connection therewith.

Additional Certificates may be executed and delivered without the consent of or notice to the Owners of Outstanding Certificates, to provide moneys to pay any one or more of the following:

(a) the costs of completing the Leased Property Improvements or making, at any time or from time to time, such substitutions, additions, modifications and improvements for or to the Leased Property as the Town may deem necessary or desirable, and as in accordance with the provisions of the Lease; or

(b) for the purpose of refunding or refinancing all or any portion of Outstanding Certificates.

Each of the Additional Certificates issued pursuant to the Indenture will evidence a proportionate interest in the rights to receive Revenues under the Indenture and shall be ratably secured with all Outstanding Certificates and in respect of all Revenues, and shall be ranked *pari passu* with such Outstanding Certificates and with Additional Certificates that may be executed and delivered in the future, if any.

For additional information on the issuance of Additional Certificates, see Appendix B - Certain Definitions and Document Summaries - Additional Certificates.

CURRENT SOURCES OF AVAILABLE REVENUE

General

Although no particular funds or sources of revenue are pledged to make payments under the Lease, the Town currently intends to budget, appropriate and pay the Base Rentals (and Additional Rentals, if any) allocable to the Certificates from the General Fund. Notwithstanding the foregoing, such Base Rentals and Additional Rentals may be budgeted, appropriated and paid from any of the Town's available funds in the future.

The Town's overall financial operations, budgeting process and information and historical General Fund financial statement comparisons are discussed in "TOWN FINANCIAL INFORMATION."

Major Sources of General Fund Revenues

Sales and Use Tax. The Town imposes the Sales and Use Tax at a rate of 4%. The revenues derived from the Sales and Use Tax imposed at a rate of 1.35% is limited to transportation uses and pledged to the payment of certain outstanding Town bonds. The revenues from the remaining 2.65% Sales and Use Tax constitute legally available revenues, subject to certain existing commitments described herein.

The Town also receives sales and use tax revenue from the County shareback, which is discussed in more detail in "Existing Sales and Use Tax Agreements" below. However, the County shareback can only be used for transportation purposes and does not constitute legally available revenues.

Sales Tax revenues comprise the majority of the Town's General Fund revenues, accounting for approximately 64.1% of General Fund revenues in fiscal year 2019; Use Tax (including building materials use tax and motor vehicle use tax) comprised another 10.6% of General Fund revenues in 2019. The Sales and Use Tax is described in more detail below.

Other General Fund Revenues. Other sources of revenue in the General Fund include: property taxes; other taxes; license and permit revenues; intergovernmental revenues; charges for services; management fees; fines and forfeits; investment income; contributions; management fees for services provided to enterprise funds; and miscellaneous other income.

Collection and Enforcement of the Town Sales and Use Tax

The following discussion includes information with respect to the imposition, collection and administration of the Town's Sales Tax.

Authority for Imposition of Sales Tax. The Sales and Use Tax, which became effective on January 1, 1977, was initially imposed pursuant to State law. The Town adopted its Charter in 1987 and the Sales and Use Tax is currently imposed pursuant to authority granted by the Charter. The Charter provides that the Town may levy and collect taxes, including sales and use taxes, for municipal purposes. No increase in the Town's Sales and Use Tax, or extension of the period for which a temporary rate increase is effective, may take effect until approved by a majority of the Town's registered electors voting thereon.

The Town's Sales and Use Tax was levied at the rate of 1.0% from 1977 through December 31, 1986 and at the rate of 2.0% from January 1, 1987 to June 30, 1988. From July 1, 1988, to December 31, 1989, the Sales and Use Tax was levied at the rate of 3% and as of January 1, 1990, the rate was increased to 4%. Due to the expiration of the Town's authority to levy a portion of its Sales and Use Tax, the Sales and Use Tax rate was reduced to 3.25% for the period from January 1, 1991 to December 31, 1994, and thereafter was increased to 4.0%. For the period from January 1, 1996, through December 31, 2010, the Town reduced its Sales and Use Tax rate by 0.4% pursuant to a prior County shareback agreement; however, the Town increased the rate to 4.0% effective January 1, 2011, upon expiration of that agreement. The initial imposition of the Sales and Use Tax and the subsequent increases were all approved by the Town's electors.

Required Allocations of Sales and Use Tax Revenue. The Town currently imposes a sales tax (the "Sales Tax") and a Use Tax (comprised of a use tax on vehicles (the "Vehicle Use Tax") and a use tax on building materials (the "Building Use Tax")). The Code currently requires the Town to deposit various portions of the Sales and Use Tax into specified funds according to the appropriation set annually by the Town Council. The appropriation must be made in accordance with various voter approvals for sales and use tax distribution, including amounts to be used for transportation purposes and recreation purposes. In addition to the amounts described below, all of the revenues from the County shareback are to be deposited into the Transportation Fund.

As of January 1, 2020, the required deposits are as follows (each number is expressed in cents). However, as described above, the allocation of the Town's Sales and Use Taxes may be changed each year by the Town Council.

<u>Fund</u>	<u>Sales Tax</u>	<u>Vehicle Use Tax</u>	<u>Residential Building Use Tax</u>	<u>Commercial Building Use Tax</u>
General	2.81	2.44	--	--
Transportation	0.98	1.32	1.45	--
Transportation Capital Projects	--	--	1.31	--
Community Center	0.21	0.24	0.22	--
Economic Development	--	--	--	4.0
General Long Term Planning	--	--	1.02	--

Notwithstanding the foregoing, the Code specifically states that the payment of any bonds and the deposits required in connection with such bonds shall occur prior to the deposits discussed above. The payment of Base Rentals under the Lease *does not* enjoy protection described in the prior sentence.

Overlapping Sales Taxes. The total sales and use tax currently in effect within the majority of the Town's boundaries is 7.9%, comprised of the Town Sales and Use Tax of 4.0%, the State's 2.9% sales and use tax, and the County's 1.0% sales and use tax.

Sales Tax. Pursuant to the Code, with certain exceptions discussed in the next paragraph, the Sales Tax is imposed upon all sales and purchases of tangible personal property at retail or the furnishing of services which are subject to the State sales tax as provided in Section 39-26-104, C.R.S. Generally, purchases and sales in the Town also are subject to the same exemptions applicable to the State sales tax.

In accordance with the Code, the Sales Tax is collected and paid on the purchase price paid or charged upon all sales and purchases of tangible property at retail and on specific services. Taxable transactions generally include sales and exchanges of property as well as the sale of tangible personal property (including vehicles) for money. Specific services subject to the Sales Tax include but are not limited to: telephone and telegraph services (except that mobile telecommunications is subject to the provisions of the federal Mobile Telecommunications Sourcing Act and certain taxable transactions may be limited to intrastate calls), gas, electric, and steam services; food or drink served or furnished in or by restaurants, cafes, cafeterias, hotels, night clubs, snack bars, carry out shops and other like places of business at which prepared food or drink is regularly sold; and the transaction of furnishing accommodations. Pursuant to the Code, purchases of food and electricity, natural gas and other fuels for residential use are specifically included as taxable transactions.

The Code also provides that certain transactions are exempt from taxation as specified in Section 39-26-114, C.R.S. These include, but are not limited to: sales to the United States government and to the State, its departments and institutions, and the political subdivisions of the State in their governmental capacities; sales to charitable organizations in the conduct of their charitable functions and activities; sales which the Town is prohibited from taxing under the Constitution or laws of the United States or the State; sales of cigarettes; sales of prescription drugs, prosthetic devices, wheelchairs, hospital beds, corrective eyewear, hearing aids and certain physician-recommended therapeutic devices and appliances; sales of commodities and services to the occupants of certain accommodations; sales to nonprofit schools; sales of trailers and trucks manufactured in the State but sold for use outside the State; sales of construction and building materials to a common carrier by rail for use in construction and maintenance of its railroad tracks; sales of special fuel for farm vehicles; sales of certain articles to retailers or vendors of food, meals or beverages, including bags and other containers, if a separate charge is not made to the consumer thereof and a tax is paid on such food, meal or beverage; sales of aircraft used or purchased for use in interstate commerce by a commercial airline; sales of tangible personal property that is to be permanently affixed or attached as a component part of an aircraft; sales of certain poultry and livestock, feed therefor and straw and other bedding for use in the care thereof; seeds and orchard trees; and 48% of the purchase price of factory-built housing. Reference is made to Section 39-26-114, C.R.S., for a more complete listing of exemptions from the Sales Tax. In addition, pursuant to the Code, purchases of machinery and machine tools and occasional sales by charitable organizations are specifically exempted from taxation. Sales of property on which a specific ownership tax has been paid (or is payable) also are exempt pursuant to the Code if the purchaser is a non-resident or has its place of business outside the Town and the personal property purchased is registered or required to be registered outside the limits of the Town pursuant to State law.

Use Tax. The Town's Use Tax is collected for the privilege of storing, using or consuming in the Town any construction and building materials and motor or other vehicles on which registration is required, purchased at retail, and in accordance with Article 2, Title 39, C.R.S. Transactions which are exempt from the imposition of the Use Tax include the storage, use or consumption of: (a) any tangible personal property the sale of which is subject to the retail sales tax imposed by the Town; (b) any tangible personal property purchased for resale in the Town, either in its original form or as an ingredient of a manufactured or compounded product, in the regular course of a business; (c) any tangible personal property brought into the Town by a nonresident thereof for his own storage, use or consumption while temporarily within the Town; (d) tangible personal property by the United States government, or the State of Colorado, or its

institutions, or its political subdivisions in their governmental capacities only, or by religious or charitable corporations in the conduct of their regular religious or charitable functions; (e) tangible personal property by a person engaged in the business of manufacturing or compounding for sale, profit or use, any article, substance or commodity, which tangible personal property enters into the processing of or becomes an ingredient or component part of the product or service which is manufactured, compounded or furnished and the container, label or the furnished shipping case thereof; (f) any article of tangible personal property, the sale or use of which has already been subject to a sales or use tax of another county, city or Town equal to or in excess of that imposed by the Town; (g) tangible personal property and household effects acquired outside the Town and brought into it by a nonresident acquiring residency; (h) a motor vehicle if the owner is or was, at the time of purchase, a nonresident of the Town, and he or she purchased the vehicle outside of the Town, for use outside the Town and actually so used it for a substantial and primary purpose for which it was acquired and he or she registered, titled and licensed the motor vehicle outside the Town; (i) any construction and building materials and motor and other vehicles on which registration is required, if a written contract for the purchase thereof was entered into prior to the effective date of Article 2; (j) any construction and building materials required or made necessary in the performance of any construction contract bid, let or entered into any time prior to January 1, 1977.

Collection of the Town Sales and Use Tax

General. Collection of the Town Sales and Use Tax is administered by the Town's Finance Director pursuant to the provisions of the Code. Any retailer engaged in the business of selling at retail must first obtain a Town license. The Town's Finance Director states that the Town currently has 4,910 active sales and use tax licenses.

Collection of Sales Tax. Each individual vendor in the Town is liable for the amount of tax due on all taxable sales made by him. Before the 20th day of each month, each vendor must file a return with the Town for the preceding month and remit an amount equivalent to 4.0% of all sales made by him of commodities or services as defined in the Sales and Use Tax Code, less an amount equal to 3.33% of such tax (not to exceed \$200 per month) to cover the retailers' expense in the collection and remittance of the tax. If a vendor is delinquent in remitting the tax the vendor will not be allowed to retain any amounts to cover his expenses. If less than \$300 in tax will be remitted each month, quarterly filing status will be granted. Annual filing status may be granted if monthly tax is \$10 or less or at the discretion of the Finance Director.

Collection of Use Tax. Use Taxes are imposed on the privilege of storing, using, distributing or otherwise consuming in the Town any construction and building materials and motor or other vehicles on which registration is required, purchased at retail, and in accordance with Article 2, title 39, C.R.S. Use Tax is collected from two major sources: (1) purchases of construction materials and (2) purchases of motor vehicles. Any person purchasing an automobile outside the Town limits must pay the Use Tax prior to registering or licensing the vehicle. As a practical matter, the County will not license vehicles without the payment of Use Tax, which is then transmitted to the Town. With respect to construction materials, the Code requires that Use Tax (calculated against an amount equal to 50% of the value for permit purposes) be paid to the Town upon the issuance of a building permit.

Enforcement and Collection. The Town enforces the collection of the Town Sales and Use Tax through an audit program by which the Town may hold investigations and hearings and may examine any books relevant to the collection of the tax. Interest on insufficient or delinquent returns is imposed at a rate of 1.5% per month. Failure to file a required return results in a \$10 non-filer charge for each required return. The failure to file a return or to pay the tax, or a deficiency in any payment, will cause an additional assessment to be levied upon the vendor. A penalty of 15% is added to any deficient amounts due which are caused by negligence or intentional disregard with knowledge thereof but without intent to defraud. A penalty of 100% of the deficiency is added to amounts due which are caused by fraud. Special penalties apply for repeat enforcement procedures.

To enforce the collection of the Town Sales and Use Tax, the Town employs a six-member collection and auditing staff consisting of the Revenue Manager, a Sales Tax Specialist, two Sales Tax Auditors, a Building Use Tax Auditor, and a Senior Customer Service Representative. A business is chosen for a sales tax audit due to an error in filing, inconsistent tax remittance, auditor investigation and invoices or receipts received from taxpayers. Companies to audit are also identified through “reverse audits,” which means that an auditor finds incorrectly billed invoices or receipts in an audit and those invoices are used to begin an audit on a different company. Audits are not chosen at random.

Once a company has been chosen for audit, an audit engagement letter is sent to the company. From there, after the first contact is made, an audit conformation letter is sent out detailing the phone conversation and what was agreed to, such as the audit period, sample dates, and where to perform the audit. The agreed-upon tax records are then examined and any questions concerning the audit are answered. Once any disputes are settled, a written report detailing what was reviewed and determined is sent to the taxpayer and the audit payment amount and due date are set.

Audits can be performed on a company every three years as stated in the Town ordinances. After an audit has been completed, the auditor will review future returns to see if the changes have been made. If changes are not made, the company will most likely be contacted for another audit when feasible.

Penalties for Failure to Pay Sales and Use Tax. If any person neglects or refuses to make a return or pay taxes as required by the Town, the Town makes an estimate of the amount of taxes due and adds the applicable penalties and interest. The Town gives the delinquent taxpayer written notice of such estimated taxes, penalty, and interest (currently being waived due to COVID-19), in person or by mail. Such estimate thereupon becomes an assessment, and such assessment is final and due and payable 15 days from the date of service or mailing. However, within the 15-day period said delinquent taxpayer may petition the Finance Director for a revision or modification of such assessment. If the vendor is dissatisfied with the Finance Director’s decision, the taxpayer may petition the courts for a review of the decision.

The imposition of the Town’s Sales and Use Tax creates a first and prior lien on the goods and business fixtures of or used by any retailer under lease, title, retaining contract, or other contract arrangement, excepting stock of goods sold or for resale in the ordinary course of business, and takes precedence on all such property over other liens or claims of whatever kind or nature.

Remedies. If there is any violation of the Code, the Town may file a complaint and summons to appear in municipal court; violations are punishable by a fine or imprisonment or both. In addition, at any time when taxes due are unpaid, the Town may issue a warrant directed to any duly authorized revenue collector or to any sheriff of any county in the state commanding him to levy upon, seize, and sell sufficient of the real and personal property of the delinquent taxpayer found within such county for the payment of the amount due, together with interest, penalties and costs, subject to valid pre-existing claims or liens. Any lien for such taxes, upon payment of all taxes, penalties, and interest covered thereby, is released in the same manner as mortgages or judgments.

With the exception of cases of failure to file a return or cases of a false or fraudulent return with intent to evade the tax, the assessment and collection of the Town Sales and Use Tax (and the filing of a lien pursuant to the Code) is subject to a limitation period of three years after the date on which the tax was or is payable, as more specifically set forth in the Code.

Sales and Use Tax Collection Data

Historical Sales and Use Tax Revenue Collection. The Town generally receives Sales Tax revenues in the month after the underlying sale is made. However, there is a two-month lag between the underlying sale and the Town's receipt of shareback Sales Tax revenues from the County. The State collects the County's sales taxes. Because of the administrative time lag involved in collecting and recording the remittances of individual vendors, the County receives monthly distributions approximately two months after the revenues are generated and then forwards them to the Town. The Town collects its own Building Material Use Tax and also collects the County shareback Use Tax on behalf of the County (and retains it); as a result, there is no delay in the receipt of Building Material Use Tax revenues. The County collects the Motor Vehicle Use Tax for itself and on behalf of the Town and as a result, there is a one-month lag between collection and the Town's receipt of the funds.

The following table sets forth the history of the Sales and Use Tax collections deposited into the General Fund in each year shown. As previously described, the allocations to the General Fund may be changed each year as part of the budget process. The amounts shown in this table do not include the amount of the County shareback, but may include portions of the Town Sales and Use Tax that are required to be used for Transportation purposes. As a result, investors are cautioned that not all of the Sales and Use Tax revenues shown here may be available for the payment of Base Rentals under the Lease.

This history is presented on an accrual basis; accordingly, revenues are recorded in the month in which the underlying sale was made rather than in the month the revenue is collected from the taxpayer.

[Table under review by Town.]

History of General Fund Sales and Use Tax Collections(1)

<u>Year</u>	General Fund		General Fund		General Fund Total	
	<u>Sales Tax Collections</u>	<u>Percent Increase</u>	<u>Use Tax Collections</u>	<u>Percent Change</u>	<u>Sales and Use Tax Collections</u>	<u>Percent Increase</u>
2015	\$26,110,841	--	\$4,107,574	--	\$30,218,415	--
2016	28,241,814	8.2%	5,388,678	31.2%	33,630,492	11.3%
2017	31,051,728	10.0	4,904,504	(9.0)	35,826,232	6.9
2018	32,878,773	5.9	5,113,198	4.3	37,991,971	5.7
2019	34,692,600	5.9	5,758,702	12.6	40,451,302	6.5
2020(2)		--		--		--

(1) Reflects Sales and Use Tax deposited into the General Fund in each year.

(2) Through May 31, 2020.

Source: The Town.

The following tables present a comparison between monthly Sales Tax receipts (including the County shareback) and monthly Use Tax receipts for the twelve-month periods ending May 31, 2020 and 2019. These tables are presented on an accrual basis; accordingly, revenues are accounted for in the month of the underlying sale rather than in the month the revenues are actually received by the Town.

As of May 31, 2020, the Town had experienced a 5.3% increase in Sales Tax revenues and collected approximately the same amount in Use Tax revenues as compared to the same twelve-month period for the previous year. See “Finance Director’s Summary of Material Trends in Town Sales and Use Tax Collections,” for further information regarding historical levels of Town Sales and Use Tax collections.

Comparison of Monthly Sales Tax Collections(1)

<u>Month</u>	Twelve-Month Period <u>Ending May 31, 2020</u>		Twelve-Month Period <u>Ending May 31, 2019</u>		<u>Percent Change</u>	
	<u>Current Month</u>	<u>Year To Date</u>	<u>Current Month</u>	<u>Year To Date</u>	<u>Current Month</u>	<u>Cumulative</u>
June	\$4,707,760	\$4,707,760	\$4,489,181	\$4,489,181	4.8%	4.8%
July	5,390,885	10,098,645	4,686,552	9,175,733	15.0	10.0
August	4,716,269	14,814,914	4,206,865	13,382,598	12.1	10.7
September	4,526,566	19,341,480	4,491,617	17,874,215	0.7	8.2
October	4,522,695	23,864,175	4,230,174	22,104,389	6.9	7.9
November	3,705,787	27,569,962	4,304,079	26,408,468	(13.0)	4.3
December	7,022,712	34,592,674	6,534,596	32,943,064	7.4	5.0
January	2,792,428	37,385,102	2,614,654	35,557,718	6.7	5.1
February	4,669,348	42,054,450	3,225,890	38,783,608	4.4	8.4
March	4,316,368	46,370,818	4,591,708	43,375,316	(5.9)	6.9
April	3,846,154	50,216,972	3,903,531	47,278,847	(1.4)	6.2
May ⁽²⁾	4,233,607	54,450,579	4,392,018	51,670,865	(3.6)	5.3

(1) Table presented on an accrual basis.

(2) The Town has not received the proceeds of the Sales Tax Shareback for May 2020.

Source: The Town (Unaudited).

Comparison of Monthly Use Tax Collections(1)

<u>Month</u>	<u>Twelve-Month Period Ending May 31, 2020</u>		<u>Twelve-Month Period Ending May 31, 2019</u>		<u>Percent Change</u>	
	<u>Current Month</u>	<u>Year To Date</u>	<u>Current Month</u>	<u>Year To Date</u>	<u>Current Month</u>	<u>Cumulative</u>
June	\$1,398,710	\$1,398,710	\$1,515,274	\$1,515,274	(7.6)%	(7.6)%
July	1,671,436	3,070,146	1,666,076	3,181,350	0.3	(3.4)
August	1,430,722	4,500,868	1,394,998	4,576,348	2.5	(1.6)
September	1,419,266	5,920,134	1,647,649	6,223,997	(1.3)	(4.8)
October	1,665,973	7,586,107	1,197,704	7,421,701	39.0	2.2
November	941,357	8,527,464	1,152,458	8,574,159	(18.3)	(0.5)
December	1,292,593	9,820,057	932,446	9,506,605	38.6	3.2
January	1,313,417	11,133,474	1,074,916	10,581,521	22.1	5.2
February	1,266,302	12,399,776	1,116,347	11,697,868	13.4	6.0
March	1,602,600	14,002,376	1,375,149	13,073,017	16.5	7.1
April	907,137	14,909,513	1,471,775	14,544,792	(38.3)	2.5
May	1,229,088	16,138,601	1,598,529	16,143,321	(23.1)	(0.0)

(1) Table presented on an accrual basis.

Source: The Town (Unaudited).

Principal Sales Tax Generators

Because of the confidential nature of the gross sales of the entities remitting Town Sales Taxes, State law prohibits the release of information that would disclose the identities of the vendors. The Town expects that these vendors will remain as the largest Sales Tax generators in 2020.

Ten Largest Sales Tax Generators - 2019

<u>Type of Business</u>	<u>2019 Sales Tax Collected</u>	<u>Percent of Total Sales Tax(1)</u>
Grocery	\$3,360,058	6.30%
General merchandise	2,945,844	5.52
General merchandise	2,274,655	4.27
Home improvement store	1,966,249	3.69
Utilities	1,629,673	3.06
Grocery	1,596,539	2.99
Home improvement store	1,269,287	2.38
General merchandise	1,230,633	2.31
Grocery	1,017,145	1.91
Miscellaneous retail	985,786	1.85
Total	<u>\$18,275,868</u>	<u>34.28%</u>

(1) Based upon total Sales Tax collections of \$53,320,475 in 2019.

Source: The Town.

During 2019, food and general merchandise stores as a category (not just the top generators) accounted for approximately 27.8% of total Sales Tax revenues. Apparel and

accessories stores as a category accounted for approximately 15.0% of total Sales Tax revenues, while restaurants and bars accounted for approximately 11.9% and miscellaneous retail accounted for 10.7% during that same period. No other category accounted for more than 10% of Sales Tax revenues during 2019.

Finance Director's Summary of Material Trends in Town Sales and Use Tax Collections

[Please provide narrative for 2015-2019, YTD 2020, any budgeting/revenue challenges, etc. Also discuss impact of COVID-19 on Sales and Use Taxes. Provide any analysis the Town has done with respect to the impact of COVID-19 on Town operations and revenues, particularly Sales and Use Tax revenues. Has the budget/CIP been amended as a result of COVID-19?]

Existing Sales and Use Tax Agreements

The County Sales Tax Shareback Agreement. The Town and the County entered into an Intergovernmental Agreement dated as of January 12, 2011 (the "County Shareback Agreement"), which succeeded a prior agreement with respect to the "shareback" of certain revenues derived by the County pursuant to its sales and use tax within certain portions of the Town. Pursuant to the County Shareback Agreement, the Town receives shareback revenues from the County in an amount equal to 30% of the County's 1% sales and use tax rate. Pursuant to the County Shareback Agreement, revenues derived from sales made or deliveries accepted within the Town boundaries as they existed on January 12, 2011, are subject to the shareback provisions. The Town may provide the County with changed boundaries upon the annexation of property into the Town. Funds received from the County Shareback Agreement are not available to pay Base Rentals under the Lease.

The County shareback revenues are not directly comparable to amounts the Town would receive from imposition of a sales and use tax at rates comparable to those embodied in the shareback agreement, primarily because the County, unlike the Town, does not impose its sales tax on food purchased for domestic consumption or on residential utilities. The County shareback may only be used for transportation purposes; the entire amount is deposited into the Town's Transportation Fund.

Other Rebate/Development Agreements. The Town currently has several agreements in place that agree to rebate certain amounts of existing Sales and/or Use Tax. The Town's obligations under these agreements do not have a lien on any specific Sales and Use Tax revenues.

Mercantile Agreement. The Town has entered into a Downtown Redevelopment Reimbursement agreement with the DDA and Mercantile Commons, LLC, ("Mercantile"), dated as of August 4, 2015 (the "Mercantile Agreement"). Pursuant to the Mercantile Agreement, the Town has agreed to (i) rebate to Mercantile at the certificate of occupancy all Use Tax paid by Mercantile in connection with the project, (ii) rebate 50% of the Sales Tax collected at the Mercantile project through December 1, 2032, or until a reimbursement cap of \$1.3 million is reached, and (iii) reimburse 50% of the property tax increment through tax year 2032, payable in 2033, or until the reimbursement cap is reached. The Town's obligations under the Mercantile Agreement are subject to annual appropriation by the Town. to date, the Town has paid \$[] pursuant to the Mercantile Agreement. The Mercantile Agreement will terminate upon the earlier of either the date the rebate ap of \$1.3

million is reached, December 1, 2032, or the property tax increment payment date for the tax year 2032.

Promenade Agreement. The Town has entered into an Amended and Restated Public Finance Agreement, dated as of February 17, 2015, as amended by a First Amendment to Amended and Restated Public Finance Agreement dated as of August 4, 2015 (together, the “Promenade Agreement”) with a private developer (the “developer”) and the Promenade at Castle Rock Metropolitan Districts No. 1, 2 and 3 (the “Promenade Districts”). The developer plans to develop 900,000 square feet of commercial development and up to 350 multifamily residential units as well as related amenities and uses. The Promenade Agreement prohibits the developer from allowing the relocation of any retailer operating within the Outlets on December 31, 2014 (as well as other retailers listed in the Promenade Agreement and operating at the Outlets on December 31, 2018), to the Promenade through December 31, 2024.

Pursuant to the Promenade Agreement and a related Code amendment, the Town has agreed to grant a Sales Tax credit in the amount of 1.10% against the collection of taxable sales within the retail portion of the Promenade Development (the “Promenade PIF Property”) to the extent that a public improvement fee of 1.10% (the “Promenade Credit PIF”) has been collected on taxable sales occurring within the Promenade PIF Property. The revenues received from the Promenade Credit PIF are to be pledged by the Promenade Districts to the repayment of bonds issued by those districts. The Promenade Credit PIF does not apply to sales made by any King Soopers, City Market or Target stores that open within the Promenade prior to January 1, 2025. The developer must terminate the Promenade Credit PIF upon the earlier to occur of (i) payment in full or defeasance of all outstanding Promenade District bonds; or (ii) if no bonds are issued, upon payment or reimbursement to the developer or the Promenade Districts of \$28.8 million of eligible costs and payment to the Town of \$475,000 in Town costs.

The Promenade Agreement also requires the Town to reimburse certain permit fees to the developer (up to a cap of \$4.45 million).

As a result of the Promenade Agreement, the Sales Tax will be imposed within the Promenade PIF Property at a rate of 2.9%. However, revenues derived from the City’s 1.35% Sales and Use Tax can be used only for transportation projects as approved by the Town’s voters and cannot be used to offset the Promenade Credit PIF. Accordingly, all of the revenues attributable to the 1.35% Sales and Use Tax will be collected within Promenade.

Riverwalk Credit PIF Agreement. The Town has entered into a Downtown Redevelopment Agreement, dated as of May 2, 2017 (the “Riverwalk Agreement”), with the DDA and CD Wilcox, LLC (the “Owner”). The Owner plans to develop 170,000 square feet of residential space, 30,000 square feet of office space, and 11,000 square feet of retail space, as well as related amenities and uses. Pursuant to the Riverwalk Agreement, the Town will waive collection from the Owner of certain development fees and Use Tax otherwise imposed on the project (up to a cap of \$4 million). The Town will also provide the Owner with a Sales Tax credit in the amount of 2.7% against the Sales Tax collected on taxable transactions within the redevelopment area (the “Riverwalk PIF Property”) to the extent that a public improvement fee of 2.7% (the “Riverwalk Credit PIF”) has been collected on taxable sales occurring within the Riverwalk PIF Property. The Owner must terminate the Riverwalk Credit PIF upon the earlier to occur of (i) the Owner receives Riverwalk Credit PIF proceeds and

property tax increment payments in the aggregate amount of \$11,500,000, or (b) December 31, 2042.

Encore Agreement. The Town has entered into the Encore Agreement with CDFC with respect CDFC's plans to develop a mixed-use project to be known as Encore CR (the "Encore Project") consisting of 124 for-sale condominium residential units and 27,000 square feet of retail/office space. The Encore Agreement deals with the construction and financing of a seven-level parking garage with approximately 601 spaces, construction of a pedestrian plaza between the Encore Plaza and Town Hall and the disposition of certain incremental revenues expected to be generated by the Encore Project. Pursuant to the Encore Agreement, CDFC must meet certain construction benchmarks (unless waived or extended by the Town), including completion of the parking garage in mid-2021 and certificates of occupancy for the first residential unit(s) by the end of July 2022.

The Town has created a general improvement district ("GID") encompassing the Encore Project; the GID will impose a 45-mill property tax within its boundaries in tax years 2022 through 2038. The Encore Project is also located within the boundaries of the Town's Downtown Development Authority (the "DDA"), a tax increment financing area which currently captures property tax increment within the GID. In addition to the Town's Sales Tax, the Town will impose a 1% public improvement fee upon retail transactions within the GID (the "Add-On-PIF") from January 1, 2021, through December 31, 2048, unless CDFC requests earlier termination upon receipt by the Town of its entire investment under the Encore Agreement.

Pursuant to the Encore Agreement, the Town and CDFC will share revenues generated by the Encore Project (or the GID) as follows: (1) CEFC will receive 50% of the Add-On PIF revenues through 2032 or until a \$300,000 cap is reached; (2) CDFC will receive Town Sales Tax revenues (at a rate of 4%) through 2032 or until a \$1,000,000 cap is reached; (3) the Town will receive 100% of the property tax revenues generated by the GID mill levy; and (4) CDFC will receive 80% of the property tax revenues generated within the GID through 2032 or until a \$4,000,000 cap is reached. Pursuant to the Encore Agreement, the Town pledges to pay the Sales Tax described in clause (2) above generated in one fiscal year by June 1 of the following year, to the extent it is budgeted and does not exceed \$1,000,000. Pursuant to the Encore Agreement, the Town also granted CDFC certain fee and use tax waivers (capped at \$2,752,845).

Economic Incentive Agreements. From time to time the Town enters into Economic Assistance Agreements to incentivize companies to relocate businesses or open new businesses and bring jobs to the Town. Pursuant to the Municipal Code, the Town Manager may authorize the dedication of shared revenues generated by the economic development project up to \$100,000; shared revenues in excess of that amount must be approved by the Town Council.

Certain of the economic incentive agreements require the Town to rebate sales or use tax revenues; those rebates are made only from revenues generated by the specific project. The Town expects to enter into additional Economic Incentive Agreements in the future. Amounts rebated pursuant to the Economic Assistance Agreements may reduce the amount of legally available revenues available to pay Base Rentals under the Lease.

Two agreements requiring rebates of sales and/or use tax are described below.

Craig Realty Group. The Town has entered into an Economic Assistance Agreement with Craig Realty Group (“Craig”), dated as of June 1, 2015 (the “Craig Agreement”). Pursuant to the Craig Agreement, the Town has agreed to rebate to Craig an amount not to exceed \$98,750, comprised of: (i) permit fees of approximately \$12,000, and (ii) 25% of the incremental sales tax collected and received by the Town from the Restoration Hardware store located within the Outlets. The Town’s obligations under the Craig Agreement are subject to annual appropriation by the Town. To date, the Town has paid \$[REDACTED] pursuant to the Craig Agreement. The Craig Agreement will terminate upon the earlier of either the date the rebate cap of \$98,750 is reached, or December 31, 2042.

Murdoch’s Ranch and Home Supply. The Town has entered into an Economic Assistance Agreement with Murdoch’s Ranch and Home Supply, LLC (“Murdoch’s”), dated as of July 2, 2018 (the “Murdoch’s Agreement”). Pursuant to the Murdoch’s Agreement, the Town has agreed to rebate to Murdoch’s 25% of the Sales Tax collected on taxable sales at the Murdoch’s Ranch and Supply Store located within the Town (the “store”) for a period not to exceed four years from the date of the completion of the store, in an amount not to exceed \$300,000. The Town’s obligations under the Murdoch’s Agreement are subject to annual appropriation by the Town and are specifically subordinate to any sales and use tax revenue bonds or other indebtedness which are backed by a sales and use tax pledge. To date, the Town has paid \$[REDACTED] pursuant to the Murdoch’s Agreement.

Budget Summaries and Comparisons

Set forth in the following table is a comparisons of the Town’s General Fund budgets for fiscal years 2019 and 2020, as compared to actual (unaudited) results for the six-month periods ending June 30, 2019 and 2020.

Information for these three funds is provided because portions of the Pledged Revenues currently are deposited to each of these funds. The information in these tables is presented in budgetary basis and is not intended to conform to Generally Accepted Accounting Principles (“GAAP”). The table does not include fund balance information; for a representation of fund balance, a portion of which is available for appropriation in each year, see the tables in “History of Revenues, Expenditures and Changes in Fund Balances” below.

Budget Summary and Comparison - General Fund

	2019 Amended Budget	Actual YTD through 06/30/19 (1)	2020 Amended Budget	Actual YTD through 06/30/20(1)
Revenues				
Taxes (2)	\$39,833,223	\$19,199,966	\$42,153,271	\$20,682,647
Licenses and permits	109,301	44,758	102,535	78,667
Franchise fees	2,568,749	774,558	2,497,241	734,125
Fines and forfeitures	415,563	213,677	422,048	130,629
Contributions and donations	29,500	14,049	28,000	32,015
Intergovernmental	1,358,231	257,845	421,139	103,768
Charges for services	6,216,519	2,905,782	7,109,527	3,543,255
Investment earnings	175,334	257,281	238,391	330,832
Other revenue	336,745	106,577	200,850	90,100
Transfers in	<u>1,874,703</u>	<u>39,680</u>	<u>1,784,258</u>	<u>33,162</u>
Total revenues	<u>52,917,868</u>	<u>23,814,173</u>	<u>54,957,260</u>	<u>25,759,200</u>
Expenditures				
Personnel Services	36,628,071	17,623,495	37,661,759	16,291,503
Services & Other	8,951,772	3,721,059	11,383,031	3,441,259
Supplies	2,651,725	959,307	2,283,712	901,196
Capital	6,620,780	2,529,264	3,046,630	1,190,486
Transfers Out	<u>4,812,662</u>	<u>3,290,393</u>	<u>2,881,570</u>	<u>10,980</u>
Total Expenditures	<u>59,665,010</u>	<u>28,123,518</u>	<u>57,256,702</u>	<u>21,835,424</u>
Net change	<u>\$(6,747,142)</u>	<u>\$(4,309,345)</u>	<u>\$(2,299,442)</u>	<u>\$3,923,776</u>

(1) Unaudited, interim financial information only.

(2) Includes a portion of the Town's Sales Tax and Use Tax as well as property taxes, specific ownership taxes, tobacco tax, franchise tax and miscellaneous tax revenues.

Source: The Town.

History of Revenues, Expenditures and Changes in Fund Balances

General. The accounts of the Town are organized and operated on a fund basis. Such funds are segregated for the purpose of accounting for the operation of specific activities or attaining certain objectives. The governmental fund utilized for the administration and operation of the Town is the General Fund. A portion of the Town's 1.35% Sales and Use Tax revenue is deposited into the General Fund; the remainder of the 1.35% Sales and Use Tax revenue is deposited into the Transportation Fund and the Transportation Capital Projects Fund. Accordingly, historical information is provided for each of those funds.

The following table provides a comparative statement of revenues, expenditures and changes in fund balance for the Town's General Fund for fiscal years 2015 through 2019. The information has been obtained from the audited basic financial information presented in the Town's Comprehensive Annual Financial Reports for 2015 through 2019. The information in this table is presented in accordance with GAAP.

This information should be read together with the Town's fiscal year 2019 audited basic financial statements (and accompanying notes) appearing in Appendix A. Financial

statements for prior years may be obtained from the sources noted in “INTRODUCTION--Additional Information.”

Reserve Policies. In April 2016, the Town adopted amended and restated reserve policies providing general guidance on required reserve levels for all Town operating funds. The reserve policy sets out 11 categories of reserves in order to incorporate aspects unique to each of the Town’s 24 funds. Specific amounts are not included in the policies; each fund is to be evaluated each year and funding amounts (or replenishment provisions, if needed) determined as part of the annual budget process.

For the General Fund, the Town maintains the TABOR reserve and a contractual reserve which sets aside funds for specific contracts. The policies incorporate (i) an operational capacity reserve to allow for growth of operational funds for known future items or projects; (ii) a revenue stabilization reserve to protect against fluctuations in Sales Tax collections; (iii) a catastrophic events reserve to protect against increased expenses due to natural disaster; (iv) a capital reserve to plan for unexpected repair or asset failure; and (v) an opportunity reserve to provide for economic development opportunities as well as accommodation for interfund loans to cover cash flow for a given project.

General Fund - History of Revenues, Expenditures and Changes in Fund Balance

	Year Ended December 31,				
Revenues	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019(1)</u>
Taxes					
Property	\$ 1,024,564	\$ 1,085,962	\$ 1,132,676	\$1,196,447	\$ 1,260,995
Sales	26,110,841	28,241,814	31,051,728	32,878,773	34,692,600
Use	688,397	1,710,379	1,100,859	1,024,722	1,218,758
Motor Vehicle Use	3,419,177	3,678,299	3,803,645	4,088,476	4,539,944
Other taxes	2,626,034	2,683,156	2,804,922	2,919,175	3,111,497
Licenses and permits	88,355	109,951	114,988	106,766	103,297
Charges for services	1,972,676	2,121,399	2,203,674	2,497,112	2,311,109
Management fees	2,770,586	2,886,561	3,274,465	3,434,368	3,421,034
Fines and forfeitures	815,713	440,519	399,681	412,374	402,875
Intergovernmental	218,272	269,815	282,068	250,017	1,234,840
Investment earnings	89,841	110,851	208,785	414,305	660,724
Contributions and donations	57,779	30,000	164,500	32,630	760,570
Other	<u>644,026</u>	<u>335,069</u>	<u>571,559</u>	<u>298,230</u>	<u>395,784</u>
Total revenues	<u>40,526,261</u>	<u>43,703,775</u>	<u>47,113,550</u>	<u>49,553,395</u>	<u>54,114,027</u>
Expenditures					
Current					
General government	11,987,218	11,307,760	12,357,352	13,241,928	15,846,344
Public safety	22,043,546	23,442,857	25,897,455	28,735,073	30,487,449
Culture and recreation	3,563,396	4,101,898	3,959,242	4,285,153	4,541,604
Capital outlay	1,180,242	397,037	1,453,422	1,311,098	6,806,654
Debt service					
Principal	312,800	312,801	312,801	--	--
Interest	--	--	--	--	--
Agency fees	--	--	--	--	--
Total expenditures	<u>39,087,202</u>	<u>39,562,353</u>	<u>43,980,272</u>	<u>47,573,252</u>	<u>57,682,051</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,439,059</u>	<u>4,141,422</u>	<u>3,133,278</u>	<u>1,980,143</u>	<u>(3,568,024)</u>
Other Financing Sources (Uses)					
Lease proceeds	--	--	--	--	--
Transfers in	637,840	539,657	1,071,193	1,466,392	1,512,643
Transfers out	<u>(1,015,110)</u>	<u>(1,345,414)</u>	<u>(191,148)</u>	<u>(559,429)</u>	<u>(695,138)</u>
Total other financing sources (uses)	<u>(377,270)</u>	<u>(805,757)</u>	<u>880,045</u>	<u>906,963</u>	<u>817,505</u>
Net change in fund balances	1,061,789	3,335,665	4,013,323	2,887,106	(2,750,519)
Fund balances-January 1	<u>20,999,556</u>	<u>22,061,345</u>	<u>25,397,010</u>	<u>29,410,333</u>	<u>32,297,439</u>
Fund balances-December 31	<u>\$22,061,345</u>	<u>\$25,397,010</u>	<u>\$29,410,333</u>	<u>\$32,297,439</u>	<u>\$29,546,920</u>

(1) Unaudited, interim financial information only.

Source: Derived from the Town's CAFRs for the years ended December 31, 2015-2018 and the Town's Unaudited Financial Report for the year ended December 31, 2019.

THE TOWN

General

The Town was incorporated as a statutory town in 1881 and became a home rule municipality pursuant to Article XX of the Colorado constitution on September 22, 1987, upon the adoption of its home rule charter (the “Charter”). The Town is the county seat for Douglas County, Colorado (the “County”) and is located along Interstate 25 approximately 22 miles southeast of downtown Denver, Colorado, and approximately 40 miles north of Colorado Springs, Colorado. The Town encompasses approximately 34 square miles and, based upon home occupancy rates and the number of building permits issued, the Town estimates its population to be approximately 72,168.

The Town is a full service municipality providing a full range of services to its citizens. In addition to water, renewable water and wastewater services, those services include police and fire protection, emergency medical and ambulance services, storm water services, the construction and maintenance of streets and infrastructure, golf, recreational activities and cultural events, and general government services.

Town Council

The Town operates under a Council-Manager form of government. The Town Council, which consists of a Mayor and six Council Members, are elected by residents on a nonpartisan basis. The Mayor is elected at-large, and Council Members are elected by district. The Mayor and Council Members serve staggered four-year terms. Council elections are held at the Town’s regular election in November of even-numbered years. Council meetings are held the first and third Tuesday of every month, with special meetings held as needed in accordance with the provisions of the Town Code.

The names, principal occupations, and terms of office of present Council Members are set forth below.

<u>Name and Position</u>	<u>Council</u>		<u>Elected/ Appointed</u>	<u>Term Expires (November)</u>
	<u>District</u>	<u>Principal Occupation</u>		
Jason Gray, Mayor	7	Business owner	2018	2022
Jason Bower, Mayor Pro Tem	4	Business owner	2016	2020
James Townsend, Council Member	2	Attorney	2016	2020
Kevin Bracken, Council Member	3	Healthcare	2018	2022
Caryn Johnson, Council Member	5	Community volunteer	2018	2022
George Teal, Council Member	6	Owner-software consulting business	2014	2020

The Council currently has a vacancy; the former Council Member resigned effective August 31, 2020, due to an impending family move. [In mid-August, the Council directed staff [description of direction to come] with respect to the vacant seat.] In any event, the seat will be filled at the election to be held in November 2020.

The Colorado constitution and the Charter limit the consecutive terms each member of the Council may hold. Council Members are limited to serving two consecutive four-year terms. Town voters may vote to eliminate, extend or change the term limits imposed by the

Colorado constitution. The Town's voters have not approved a change in the constitutional term limits.

Administration

Administration. The Town functions through various departments under the supervision of the Town Manager, who is the chief administrative officer of the Town and is responsible for the proper administration of the matters placed in the Town Manager's charge. Except as otherwise provided by the Charter or by ordinances not inconsistent with the Charter, the responsibilities of the Town Manager include: (i) enforcement and administration of the ordinances and other enactments of the Town, and of the terms and conditions imposed in favor of the Town in any contract or franchise; (ii) the hiring, suspension, transfer and removal of Town employees, except that the appointment, suspension, transfer, or removal of any person designated as a department head requires the approval of the Council; (iii) annual preparation and submission to the Council of a proposed budget and capital program as provided in the Charter, and administration of the same after their adoption; (iv) preparation and submission to the Council, as of the end of the Fiscal Year, of a complete report on finances and administrative activities of the Town for the preceding year, and the provision of such other reports concerning the affairs of the Town as the Council may require; (v) advice and recommendations to the Council of the present condition and future needs of the Town; (vi) with the approval of the Council, the establishment, consolidation or abolition of Town departments; (vii) supervision and control of Town departments except as otherwise provided in the Charter; (viii) attendance at meetings of the Council and participation in discussions with the Council in an advisory capacity; (ix) establishment of a system of accounting and auditing for the Town which reflects, in accordance with generally accepted accounting principles, the financial condition and financial operation of the Town; and (x) performance of such other duties as required by the Charter, or as required by the Council and not inconsistent with the Charter.

Brief biographies for the Town Manager and other administrative officials involved in this bond issue follow.

David Corliss, Town Manager. David Corliss was appointed as Town Manager on April 7, 2015, effective June 1, 2015. Mr. Corliss comes to Castle Rock with very strong local government experience, most recently serving as the City Manager of Lawrence, Kansas, a post he has held since 2006. Prior to assuming the role of City Manager, he held other management positions with the City of Lawrence. He holds a Bachelor's Degree in Political Science, Master's Degree in Public Administration and a Juris Doctorate from the University of Kansas School of Law.

Trish Muller, Finance Director. Trish Muller has been with the Town since January 2009 as Assistant Finance Director and was appointed Finance Director in November 2012. Prior to joining the Town's staff, she worked in Governmental Accounting and Management with various auditing firms. Ms. Muller obtained her Bachelors of Science degree in Accountancy from Calvin University in Michigan in 1991 and obtained her CPA in 1995.

Michael J. Hyman, Esq., Town Attorney. Michael J. Hyman was recently hired to the Town Attorney position, preceded by Robert J. Slentz. Mr. Hyman served for 32 years in various positions with the City of Aurora, Colorado, including four years as City Attorney. He has spent the last two years with the City and County of Denver, Colorado, as Deputy City

Attorney. Mr. Hyman obtained his law degree from the University of Colorado and his undergraduate degree from the University of Denver.

Employees; Benefits and Pension Matters

Employees; Benefits and Pension Matters. The Town currently has 521 full-time employees and 580 part-time and seasonal employees. In the opinion of the Town Manager, the state of the Town's employee relations is good.

Benefits. The Town offers benefit packages for all full-time and part-time benefits eligible employees including: alternative care program; dental insurance; employee assistance program; FPPA Statewide Death and Disability Plan (fire department only); life insurance and accidental death and dismemberment; long term disability insurance; medical insurance; paid time off; recreation center memberships; retirement plans (discussed below); Section 125 cafeteria benefit accounts; flexible spending and health savings accounts; short term disability insurance; supplemental life insurance; a travel assistance program; and vision insurance.

Pension Matters. The Town provides defined contribution plans for employees other than firefighters and participates in a multiple-employer defined benefit plan with respect to its firefighters.

Defined Contribution Plans. The Town provides a multi-employer defined contribution plan for all permanent full-time and part-time employees who work at least 20 hours per week. The plan was established and is administered by the International City Managers Association (ICMA) Retirement Association and may be amended with the approval of the Council. For 2019, the mandatory employee contribution was 4% of compensation. The Town contributes 7% of each employee's compensation to the plan with the exception of the Town Manager and Town Attorney. As part of their employment contracts, the Town Manager and the Town Attorney receive a 11% contribution from the Town and do not have a mandatory employee contribution. The Town has no other obligations to fund this plan. Employees are permitted to contribute additional amounts beyond their 4% mandatory contribution. These additional amounts are invested in a deferred compensation plan pursuant to Internal Revenue Code (IRC) Section 457. After completion of one year of service, the employees' Town contributions are fully vested. Unvested contributions for terminated employees are returned to the Town, net of servicing fees. Employees are fully vested for their contributions immediately. All administrative costs of the plans are borne by the participants of each plan. The Town made required contributions to ICMA of \$1,002,346 and \$1,707,321, respectively, for the years ended December 31, 2019 and 2018.

The Town also maintains a qualified 401(a) Executive Defined Contribution plan as part of the employment contracts for the Town Manager and the Town Attorney. The Town contributed 9% of the covered employees' compensation into this plan. Vesting is based on years of service and an employee will not be fully vested until they have reached 10 years of service. The Town's contributions to ICMA for this plan for the years ended December 31, 2019 and 2018 were \$36,400 and \$33,539, respectively, equal to the required contributions. Plan provisions and contribution requirements are established and administered by ICMA and may be amended with the approval of Council.

In 2018, the Town's Sworn Police Officers were moved from the General Employee Plan and added to a new qualified 401(a) Money Purchase Retirement plan. Starting

in 2019, the plan required mandatory employee pre-tax contributions to the plan of 5.6% of compensation. The Town also contributes 8.6% of each employees' compensation to the plan. The Town has no other obligations to fund this plan. Employees are permitted to contribute additional amounts beyond their 5.6% mandatory contribution into a deferred 457 plan. These additional amounts are invested in a deferred compensation plan pursuant to Internal Revenue Code (IRC) Section 457. The plan requires employee participation in the plan immediately upon date of hire. After completion of one year of service, the Town's contributions are fully vested. Unvested contributions for terminated employees are returned to the Town, net of servicing fees. Employees are fully vested for their contributions immediately. All administrative costs of the plans are borne by the participants of each plan. The Town's contributions to ICMA for this plan for the years ended December 31, 2019 and 2018 were \$621,025 and \$568,535, respectively, equal to the required contributions. Plan provisions and contribution requirements are established and administered by ICMA and may be amended with the approval of Council.

See Note 11(A), 11(B), and 11(C) in the audited financial statements for more information regarding the Town's defined contribution plans.

Defined Benefit Plans. Firefighters participate in the statewide defined benefit plan (the "SWDB") administered by the Fire and Police Pension Association ("FPPA"). Contribution rates for this plan are established by State statute as are benefit provisions. The current contribution rate is 10.5% of base salary from the Town and 8.0% from the covered employees. The Town's contribution rates will increase by 0.5% per year through 2022 (to a total of 12% of base salary). The Town contributions to this plan for the years ended December 31, 2019 and 2018 were equal to the required contributions of \$574,390 and \$596,522, respectively. As of December 31, 2019, the Town reported a liability of \$1,407,329 for its proportionate share of the SWDB net pension asset, which was measured as of December 31, 2018. See Note 11(D) and the Required Supplementary Information in the audited financial statements attached hereto as Appendix A for a detailed description of the SWDB plan, including contribution rates, a summary of benefits, net pension assets, actuarial assumptions and discount rates and historical funding information.

The Town also participates in an agent multiple-employer defined benefit plan that covers its volunteer firefighters (the "Volunteer Plan"). The plan is administered and benefit provisions are amended by FPPA. This plan provides retirement benefits as well as death and disability benefits. Volunteer Plan participants are not compensated and do not contribute to the plan; the Town funds its obligations under the Volunteer Plan in an amount not to exceed one-half mill of property tax revenues. Pursuant to State law, the State contributes up to 90% of the Town's contribution, subject to a cap of \$17,635. For the year ended December 31, 2019, the Town and State contributions to the Volunteer Plan were \$20,440 and \$0, respectively.

In 2015, the Town began applying Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* ("GASB 68"), to its audited financial statements. GASB 68 separates pension accounting methodologies from pension funding methodologies. Among other requirements, the Town is required to report its proportionate share of the total PPFA net pension liability/assets ("NPL/A") in its government-wide financial statements. Fund level statements, including the General Fund statements, are not impacted by the GASB 68 reporting. The NPL/A is an accounting estimate of the Town's proportionate share of the PPFA's unfunded liability or funded assets at a specific point in time. Inclusion of this figure in the government-wide

financial statements does not indicate that the Town has a liability to pay the amount shown; the Town's liability is limited to the annually required contributions established by the PPFA.

See Note 11(E) and the Required Supplementary Information in the audited financial statements attached hereto as Appendix A for a detailed description of the Volunteer Plan, including contribution rates, a summary of benefits, net pension liability, actuarial assumptions and discount rates, historical funding status and funding progress information.

No OPEB. The Town does not offer any other post-employment benefits ("OPEB") to retirees and therefore does not have any OPEB liability.

Risk Management

The Council acts to protect the Town against loss and liability by maintaining certain insurance coverages, including property, general liability, automobile liability, law enforcement liability, public officials errors and omissions liability, and crime coverage and workmen's compensation insurance provided by the Colorado Intergovernmental Risk Sharing Agency ("CIRSA"). The Town's current CIRSA coverage expires on January 1, 2021. The Town's various coverages have varying deductibles and coverage limits.

The Town has opted to partially self-insure claims for health insurance of Town employees to a maximum liability of \$100,000 per covered person. The program is administered by a third party (Aetna). Self-insurance activities are accounted for in the Employee Benefits Fund.

In the opinion of the Finance Director, the Town's insurance policies provide adequate insurance protection for the Town. See Note 13 in the audited financial statements attached hereto for a description of the Town's 2019 risk management activities.

Intergovernmental and Other Agreements

In addition to the agreements discussed in "REVENUES AVAILABLE FOR DEBT SERVICE--Existing Sales and Use Tax Agreements," the Town is a party to numerous intergovernmental agreements for the provision of services to its residents. For example, the Town, Parker Water and Sanitation District, Douglas County, the City of Castle Pines, the City of Lone Tree and the Town of Parker are parties to a 2015 Intergovernmental Agreement Establishing the Reuter-Hess Recreation Authority, which provides for recreational uses and amenities on and around the Rueter-Hess Reservoir. The Town funds its annual portion of the agreement from the General Fund.

The Town also is a party to several development agreements that require the Town to rebate various revenues, including development impact fees, permit fees, and building fees, to developers. None of those agreements impacts the Pledged Revenues. The Town may enter into additional agreements of this type, including sales and use tax rebate agreements, in the future for economic development purposes.

TOWN FINANCIAL INFORMATION

Budget Process

The Town's fiscal year runs from January 1 to December 31. Pursuant to the Charter, the Town Manager is required to submit a proposed budget to the Council not later than 45 days prior to the certification of the Town's mill levy. The Council then holds a public hearing on the budget, and adopts the budget with or without amendment. The Charter requires the Council to adopt the budget on or before the final day for certifying the mill levy. If the Council fails to adopt a budget by that date, the amounts appropriated for the current fiscal year will be deemed adopted for the ensuing year on a month-to-month basis until the Council adopts a budget.

Supplemental appropriations may be made by the Council if the Town Manager certifies that revenues in excess of those estimated in the budget are available for appropriation. The Council may make emergency appropriations to meet emergencies which in the Council's judgment may affect life, health, property or the public peace. To the extent unappropriated revenues are not available to meet the emergency appropriation, the Council may authorize the issuance of emergency notes by ordinance, which may be renewed from time to time, but the notes and renewals of any fiscal year must be paid not later than the last day of the fiscal year succeeding the year in which the emergency appropriation was made.

If it appears probable to the Town Manager that revenues will be insufficient to meet appropriation, he must report to the Council immediately indicating the estimated amount of the deficit, any remedial action taken, and recommendations as to future steps to be taken. The Council is required to take any action it deems necessary to prevent or minimize the deficit, and may by ordinance reduce any appropriation.

At any time during the fiscal year the Town Manager may transfer unencumbered appropriation balances among programs within a department, office or agency, and upon written request by the Town Manager the Council may transfer unencumbered appropriation balances from one department, office, agency or object to another. However, no appropriation for debt service may be reduced or transferred, and no appropriation may be reduced below the amount required by law to be appropriated, or by more than the amount of the unencumbered appropriation balance.

Financial Statements

General. Under Colorado law, the Town is required to have its financial statements audited annually. The audited financial statements must be filed with the State Auditor by July 31 each year. If the Town fails to file its audit report with the State Auditor, the State Auditor may, after notice to the Town, authorize the County Treasurer to prohibit release of the Town's tax revenues and other moneys held by the Treasurer until the Town files the audit report. The Town's 2019 CAFR was filed on time.

The Town's audited basic financial statements for the year ended December 31, 2019, and the report of the certified public accountants thereon are attached hereto as Appendix A. Those audited financial statements represent the most recent audited financial statements of the Town. *Prospective investors should be aware that the Certificates constitute special, limited obligations of the Town payable solely from the Pledged Revenues. Inclusion of*

the Town's basic financial statements is for informational purposes only and does not imply that the Certificates constitute a general obligation of the Town or a lien on any Town revenues other than the Pledged Revenues.

Awards. The Town has received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association ("GFOA") for its Comprehensive Annual Financial Report for the fiscal years ended December 31, 2015 through December 31, 2018. That certificate is the highest form of recognition in the area of governmental financial reporting and is awarded by the GFOA to local governments whose comprehensive annual financial reports are judged to conform substantially to program standards. This is the 29th consecutive year the Town has received this award.

DEBT STRUCTURE

General

Pursuant to the terms of Article X, Section 20 of the State Constitution (the “Taxpayers Bill of Rights” or “TABOR”), the Town must obtain voter authorization prior to the creation of any multiple fiscal year obligation (except for refunding obligations at a lower interest rate), including general obligation bonds and revenue bonds, without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. See “LEGAL MATTERS--Certain Constitutional Limitations.” In some instances, the terms of the Charter authorize the Town to issue certain multiple fiscal year obligations without obtaining voter approval in advance. However, the terms of TABOR now require the Town to obtain advance voter approval prior to the issuance of most types of obligations, subject to the exceptions discussed in “LEGAL MATTERS--Certain Constitutional Limitations.”

General Obligation Indebtedness

The Town has the power to contract indebtedness on behalf of the Town by borrowing money or issuing bonds to carry out the objects or purposes of the Town. However, pursuant to the provisions of the Charter and State law, the Town must adhere to the constitutional limitations affecting the issuance of general obligation debt. See “LEGAL MATTERS--Certain Constitutional Limitations.” The Town does not have any general obligation debt outstanding.

Revenue Obligations

General. Pursuant to the Charter, the Town also has the authority to issue revenue obligations payable from the net revenues of Town facilities and other revenues. Pursuant to the Charter, revenue obligations do not constitute a general obligation debt indebtedness of the Town and may be authorized by action of the Town Council. Pursuant to TABOR, the issuance of revenue bonds is governed by the provision which requires voter approval for the creation of any multi-fiscal year direct or indirect financial obligation without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years (unless issued by an enterprise). See “LEGAL MATTERS--Certain Constitutional Limitations.”

Sales and Use Tax Revenue Bonds. The Town has outstanding revenue bonds payable from the 1.35% Sales and Use Taxes imposed for transportation purposes. The sales and use tax bonds currently outstanding consist of the Town’s: (1) Sales and Use Tax Revenue Bonds, Series 2013 (the “2013 Bonds”), currently outstanding in the aggregate principal amount of \$18,015,000; and (2) Sales and Use Tax Revenue Refunding Bonds, Series 2016, currently outstanding in the aggregate principal amount of \$6,075,000.

In early October 2020, the Town expects to issue approximately \$18.9 million in refund approximately \$16.4 million of the 2013 Bonds.

Water and Wastewater Enterprise Revenue Bonds. The Town has outstanding \$42,456,445 aggregate principal amount of revenue bonds payable from the net revenues of its water and wastewater system, consisting of: (1) the Water and Sewer System Enterprise Revenue Refunding Bonds, Series 2012, currently outstanding in the aggregate principal amount of \$4,975,000; (2) the Water and Sewer Enterprise Revenue Refunding Bonds, Series 2015,

currently outstanding in the aggregate principal amount of \$4,060,000, and (3) the Water and Sewer Enterprise Revenue Refunding Bonds, Series 2016, currently outstanding in the aggregate principal amount of \$42,435,000.

Golf Course Enterprise Revenue Bonds. The Town has outstanding its Golf Course Enterprise Revenue Refunding and Improvement Bonds, Series 2015, currently outstanding in the aggregate principal amount of \$3,525,000; those bonds are payable from golf course enterprise revenues.

Special Assessment Bonds

The Town has the power to issue special assessment bonds payable from assessments against benefited properties within special improvement districts formed for the purpose of constructing certain improvements. Such bonds generally do not constitute a general obligation debt of the Town. In accordance with the Charter, the Council may pledge to pay the remaining principal and interest on such bonds when 75% of the bonds have been paid and cancelled, to the extent remaining assessments are not sufficient. The Town currently has no special assessment bonds outstanding.

Other Obligations

Lease-Purchase Agreements. The Town has obligations pursuant to an annually renewable Lease Purchase Agreement dated September 12, 2013, between the Town and UMB Bank, n.a., solely in its capacity as Trustee under a related indenture (the “2013 Lease”). The Town’s payments under the 2013 Lease are used by the Trustee to pay base rentals on certain certificates of participation (the “2013 COPS”) issued pursuant to the Indenture. The proceeds of the 2013 COPS were used by the Town to fund the construction of a fieldhouse at Philip S. Miller Park. As of December 31, 2019, the 2013 COPS were outstanding in the aggregate principal amount of \$7,130,000. The 2013 COPS are payable from any legally available revenues of the Town as appropriated on an annual basis.

The following table sets forth the remaining Base Rentals due under the 2013 Lease (assuming the Town continues to appropriate funds).

Remaining Base Rentals Under 2013 Lease

2020	\$ 708,813
2021	708,413
2022	709,413
2023	707,813
2024	710,613
2025	707,613
2026	707,850
2027	706,025
2028	707,038
2029	706,863
2030	710,500
2031	706,250
2032	705,750
2033	<u>708,750</u>
Total	\$9,911,704

Other Leases. The Town is a party to several capital leases for the purchase of equipment, golf carts and cardiac monitors. All of these capital leases are subject to annual appropriation. As of December 31, 2012, those leases had combined outstanding principal balances of \$367,525.

Short-Term Obligations. The Town is authorized by the Charter to issue short term securities (maturing before the end of the fiscal year) without an election. The Town has no short term securities outstanding.

Other Obligations. The Town records a long-term liability for accrued vacation, sick and severance pay each year. See Notes 1J and 7 in the audited financial statements attached hereto as Appendix A.

ECONOMIC AND DEMOGRAPHIC INFORMATION

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

Population

The following table sets forth population statistics for the Town, the County, the Denver-Aurora Core Based Statistical Area ("Denver-Aurora CBSA") and the State. The Denver-Aurora CBSA is comprised of six metro counties and four bordering counties: Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park. Between 2000 and 2010, the population of the Town increased approximately 138.5%, that of the County increased 62.4%, and the populations of the Denver-Aurora CBSA and the State increased 15.8% and 16.9%, respectively.

Population

Year	Town of Castle Rock	Percent Change	Douglas County	Percent Change	Denver- Aurora CBSA	Percent Change	Colorado	Percent Change
1970	1,531	--	8,407	--	1,116,226	--	2,207,259	--
1980	3,921	156.1%	25,153	199.2%	1,450,768	30.0%	2,889,735	30.9%
1990	8,708	122.1	60,391	140.1	1,650,489	13.8	3,294,394	14.0
2000 ⁽¹⁾	20,224	132.2	175,766	191.0	2,196,957	33.1	4,301,261	30.6
2010	48,231	138.5	285,465	62.4	2,543,482	15.8	5,029,196	16.9
2011	49,748	--	292,650	--	2,604,366	--	5,123,692	--
2012	51,073	2.7%	298,836	2.1%	2,651,802	1.8%	5,195,943	1.4%
2013	52,725	3.2	306,484	2.6	2,702,325	1.9	5,272,942	1.5
2014	55,226	4.7	314,822	2.7	2,756,069	2.0	5,352,866	1.5
2015	57,152	3.5	322,224	2.4	2,815,004	2.1	5,454,707	1.9
2016	60,045	5.1	328,370	1.9	2,859,038	1.6	5,542,951	1.6
2017	63,106	5.1	335,901	2.3	2,894,306	1.2	5,616,567	1.3
2018	64,818	2.7	342,847	2.1	2,932,934	1.3	5,694,311	1.4

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

Sources: United States Department of Commerce, Bureau of the Census (1970-2010), and Colorado State Demography Office (2011-2018 estimates, which are subject to periodic revisions, and 2000 Denver-Aurora CBSA number).

Income

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

Per Capita Personal Income

Year ⁽¹⁾	Douglas County	Denver-Aurora CBSA	Colorado	United States
2014	\$66,059	\$55,619	\$50,711	\$47,071
2015	67,531	56,601	52,147	48,994
2016	68,525	56,602	52,278	49,890
2017	70,029	60,604	55,374	51,910
2018	73,662	64,287	58,500	54,526
2019	n/a	n/a	61,348	56,663

(1) Figures for Douglas County and the Denver-Aurora CBSA updated November 14, 2019. Figures for the State and the United States updated March 24, 2020. All figures are subject to periodic revisions.

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

Employment

The following two tables set forth the number of individuals employed within selected Douglas County industries and Denver-Aurora CBSA industries that are covered by unemployment insurance. In 2019, the largest employment sector in Douglas County was retail trade (comprising approximately 14.2% of the county's work force), followed, in order, by health care and social assistance, professional and technical services, accommodation and food services, and finance and insurance. For the twelve-month period ended December 31, 2019, total average employment in the county increased 4.1% as compared to the same period ending December 31, 2018, while total average weekly wages increased 8.4% during the same time period.

Average Number of Employees Within Selected Industries – Douglas County

<u>Industry</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Accommodation and Food Services	11,735	11,962	12,112	12,654	13,144
Administrative and Waste Services	6,225	6,070	5,934	5,702	5,977
Agriculture, Forestry, Fishing, Hunting	188	193	205	207	224
Arts, Entertainment and Recreation	3,186	3,273	3,667	3,645	3,851
Construction	7,808	8,363	8,445	8,868	9,285
Educational Services	10,643	10,732	11,096	11,095	11,382
Finance and Insurance	7,052	8,231	9,026	9,761	12,782
Government	3,101	3,236	3,320	3,434	3,542
Health Care and Social Assistance	11,117	11,825	12,506	13,335	13,929
Information	5,761	5,912	5,631	6,788	5,534
Management of Companies/Enterprises	2,852	3,010	3,166	3,373	3,568
Manufacturing	2,481	2,378	2,243	2,058	2,012
Mining	567	478	303	250	291
Non-Classifiable	8	9	4	11	12
Other Services	3,660	3,957	4,203	4,089	4,154
Professional and Technical Services	12,044	12,032	13,205	13,082	13,428
Real Estate, Rental and Leasing	1,568	1,694	1,847	1,911	2,022
Retail Trade	17,486	17,924	17,933	18,706	18,633
Transportation and Warehousing	1,300	1,302	1,777	1,844	1,910
Utilities	404	430	448	454	473
Wholesale Trade	3,698	3,800	4,064	4,416	4,635
Total ⁽¹⁾	<u>112,883</u>	<u>116,808</u>	<u>121,135</u>	<u>125,683</u>	<u>130,787</u>

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

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

In 2019, the largest employment sector in the Denver-Aurora CBSA was health care and social assistance (comprising approximately 12.2% of the metro area's work force), followed in order by professional and technical services, accommodation and food services, retail trade, and educational services. For the twelve-month period ending December 31, 2019, total average employment in the Denver-Aurora CBSA increased by approximately 2.4% as compared to the same twelve-month period ending December 31, 2018.

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

Industry	2015	2016	2017	2018	2019
Accommodation and Food Services	131,834	137,017	140,312	142,568	144,777
Administrative and Waste Services	96,178	97,345	98,064	98,902	100,750
Agriculture, Forestry, Fishing, Hunting	2,548	2,844	3,446	3,616	4,164
Arts, Entertainment and Recreation	26,471	27,183	29,046	29,975	32,065
Construction	83,954	89,122	93,612	99,219	102,079
Educational Services	103,588	105,846	107,433	108,700	111,885
Finance and Insurance	73,181	75,472	77,384	78,518	78,320
Government	70,710	71,750	72,552	73,588	74,322
Health Care and Social Assistance	168,378	175,797	176,398	181,494	185,801
Information	46,446	47,513	48,004	51,051	51,705
Management of Companies/Enterprises	30,036	30,096	31,812	33,288	34,308
Manufacturing	68,431	69,390	69,266	70,004	70,997
Mining	11,270	9,119	9,201	10,314	10,916
Non-Classifiable	146	144	39	98	133
Other Services	42,261	43,934	45,566	46,066	47,263
Professional and Technical Services	125,944	130,440	134,382	140,168	147,103
Real Estate, Rental and Leasing	26,777	27,926	28,823	29,819	31,532
Retail Trade	136,082	138,161	138,396	139,552	138,864
Transportation and Warehousing	55,380	57,092	60,767	64,451	69,406
Utilities	5,768	5,769	5,737	5,745	5,887
Wholesale Trade	69,961	71,162	72,372	73,263	74,394
Total ⁽¹⁾	<u>1,377,873</u>	<u>1,415,505</u>	<u>1,444,879</u>	<u>1,482,398</u>	<u>1,518,254</u>

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

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

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

Labor Force and Employment

	<u>Douglas County⁽¹⁾</u>		<u>Denver-Aurora CBSA⁽¹⁾</u>		<u>Colorado⁽¹⁾</u>		<u>United States</u>
<u>Year</u>	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Percent Unemployed</u>
2015	172,105	3.1%	1,505,494	3.7%	2,825,111	3.9%	5.3%
2016	177,371	2.7	1,540,407	3.1	2,891,677	3.3	4.9
2017	184,585	2.4	1,589,449	2.7	2,986,522	2.8	4.4
2018	191,729	2.7	1,639,035	3.0	3,080,661	3.2	3.9
2019	196,248	2.4	1,677,324	2.7	3,148,766	2.8	3.7
<u>Month of May</u>							
2019	194,805	2.2%	1,664,907	2.5%	3,119,482	2.6%	3.6%
2020	187,496	8.2	1,637,743	10.4	3,049,684	10.0	13.3

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

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

Major Employers

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

Largest Private Employers in Douglas County

<u>Name of Employer</u>	<u>Product or Service</u>	<u>Estimated Number of Employees⁽¹⁾</u>
Charles Schwab	Financial Services	4,300
DISH Network	Satellite Television and Equipment	2,700
Centura Health ⁽²⁾	Healthcare	1,510
HealthONE: Sky Ridge Medical Center	Healthcare	1,370
VISA Debit Processing Services	Financial Services	1,100
Specialized Loan Servicing LLC	Financial Services	920
Jacobs Engineering Group	Engineering and Architectural Services	880
IHS Markit	Indexed Technical Data	750
ViaSat, Inc.	Telecommunications	620
Sprint Corporation	Telecommunications	590

(1) Revised May 2020.

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

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

A brief description of selected major employers located within the Town and their approximate number of employees is listed below. No independent investigation of the stability or financial condition of the employers listed hereafter has been conducted and, therefore, no

representation can be made that such employers will continue to maintain their status as major employers in the Town.

Selected Major Employers in the Town of Castle Rock

Name of Employer	Product or Service	Estimated Number of Employees ⁽¹⁾
Douglas County School District Re.1	Public education	6,283 ⁽²⁾⁽³⁾
Douglas County	Government	1,285 ⁽²⁾⁽³⁾
Town of Castle Rock	Government	558 ⁽⁴⁾
Castle Rock Adventist Hospital	Healthcare	250 to 499
Castle Rock Homes	Real estate	250 to 499
Elite Surface Infrastructure	Concrete contractors	250 to 499
WalMart Supercenter	General merchandise retail	250 to 499
Castle Pines Golf Club	Recreation	100 to 249
Kohl's	Department store	100 to 249

(1) Figures are as of April 2020, unless otherwise indicated.

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

(3) Figure taken from the employer's 2019 Comprehensive Annual Financial Report; includes only full-time employees.

(4) Figure taken from the employer's 2018 Comprehensive Annual Financial Report; includes only full-time employees.

Source: Infogroup as posted by State of Colorado, Department of Labor and Employment, Labor Market Information; and individual employers.

Building Activity

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

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

Year	Single Family		Multi-Family ⁽¹⁾		Commercial/Industrial ⁽²⁾	
	Permits	Value	Permits/Units	Value	Square Feet	Value
2015	793	\$173,450,250	83	\$11,000,000	470,000	\$28,693,500
2016	751	169,668,570	380	38,810,205	191,100	59,440,534
2017	862	253,423,531	402	58,746,347	697,539	62,694,257
2018	1,028	304,165,959	372	41,317,324	461,017	45,658,744
2019	901	272,981,745	23	3,801,979	181,767	25,711,875
2020 ⁽³⁾	456	138,981,678	116	717,200	251,578	25,726,396

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

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

(3) Figures are for January 1 through June 30, 2020.

Source: Town of Castle Rock Development Services Department.

Building Permit Issuances in Unincorporated Douglas County

Year	New Residential		New Multi-Family ⁽¹⁾		Commercial ⁽²⁾	
	Permits	Value	Permits	Value	Permits	Value
2015	893	\$293,300,865	69	\$22,394,193	327	\$157,045,797
2016	851	274,367,486	30	49,775,234	337	119,738,163
2017	939	301,450,934	119	89,618,816	369	162,961,937
2018	1,007	324,216,679	155	28,923,706	340	277,001,574
2019	970	296,896,076	298	42,251,354	330	182,444,753
2020 ⁽³⁾	77	139,694,173	35	19,113,887	155	73,742,091

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

(2) Includes permits for tenant finish and improvement, and alterations.

(3) Figures are for January 1 through June 30, 2020.

Source: Douglas County Building Division.

Foreclosure Activity

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

History of Foreclosures - Douglas County

Year	Number of Foreclosures Filed	Percent Change
2015	322	--
2016	314	(2.5)%
2017	254	(19.1)
2018	279	9.8
2019	242	(13.3)
2020 ⁽¹⁾	86	--

(1) Figures are for January 1 through June 30, 2020.

Sources: Colorado Division of Housing (2015 to 2019 figures) and the Douglas County Public Trustee's Office (2020 figure).

TAX MATTERS

General Matters

In the opinion of Butler Snow LLP, under existing laws, regulations, rulings and judicial decisions, interest on the Certificates (including any original issue discount properly allocable to the owner of a Certificate) is excludable from gross income for federal income tax purposes and is excludable from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code. The opinion described above assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Certificates. Failure to comply with such requirements could cause interest on the Certificates to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Certificates. The City has covenanted to comply with such requirements. Special Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Certificates.

The opinion of Special Counsel does not cover the treatment for federal or Colorado income tax purposes of any monies received in payment of or in respect to the Certificates subsequent to the occurrence of an Indenture Event of Default, an Event of Lease Default or an Event of Nonappropriation.

The accrual or receipt of interest on the Certificates may otherwise affect the federal income tax liability of the owners of the Certificates. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Special Counsel has expressed no opinion regarding any such consequences. Purchasers of the Certificates, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Certificates.

Special Counsel is also of the opinion that, under existing State of Colorado statutes, interest on the Certificates is excludable from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Certificates. Special Counsel has expressed no opinion regarding other tax consequences arising with respect to the Certificates under the laws of the State of Colorado or any other state or jurisdiction.

Original Issue Premium

The Certificates that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Premium Certificates"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Certificate over its stated redemption price at maturity constitutes premium on such Premium Certificate. A purchaser of a Premium Certificate must amortize any premium over such Premium Certificate's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Certificates callable prior to their maturity, generally by

amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Certificate is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Certificate prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Certificates should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Certificate.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on federally tax-exempt obligations such as the Certificates is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Certificates that fail to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Certificates from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling federally tax-exempt obligations.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Certificates. 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 of the Certificates. 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 Certificates or the market value thereof would be impacted thereby. Purchasers of the Certificates should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Special Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Certificates, and Special Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Certificates are advised to consult their own tax advisors prior to any purchase of the Certificates as to the impact of the code upon their acquisition, holding or disposition of the Certificates.

LEGAL MATTERS

Litigation

The Town Attorney states that, as of the date hereof, to the best of his knowledge, there is no pending lawsuits or threatened litigation against the Town which would restrain or enjoin the Town's ability to enter into the Site Lease or the Lease or to pay Base Rentals under the Lease. The Town is, however, subject to certain pending and threatened litigation regarding various other matters arising in the ordinary course of the Town's business. It is the opinion of the Town Attorney that the Town's level of insurance coverage is adequate and that the pending or threatened litigation will not result in final judgments against the Town which would, individually or in the aggregate, materially adversely affect the Town's financial position or its ability to perform its obligations under the Lease.

Governmental Immunity

The Colorado Governmental Immunity Act, Title 24, Article 10, Part 1, C.R.S. (the "Immunity Act"), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the Town, for injuries which lie in tort or could lie in tort.

The 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; operation and maintenance of any public water, gas, sanitation, electrical, power or swimming facility; a dangerous condition of any public buildings; the operation of any public water facility; and a dangerous condition of a public highway, road or street as provided in the Immunity Act. Immunity is also waived for peace officers who deprive any other person of individual rights under the conditions specified in State law. 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 Town may not be held liable under the Immunity Act either directly or by indemnification for punitive or exemplary damages unless the Town voluntarily pays such damages in accordance with State law.

For injuries occurring on or after January 1, 2018, the maximum amounts that may be recovered under the Immunity Act, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of \$387,000; (b) for an injury to two or more persons in any single occurrence, the sum of \$1,093,000; except in such instance, no person may recover in excess of \$387,000. The maximum amounts that may be recovered will increase every four years pursuant to a formula based on the Denver-Aurora-Lakewood Consumer Price Index.

The Town 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. § 1983 alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the Town may be enjoined from engaging in anti-competitive practices which violate the antitrust laws. However, the 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.

Approval of Certain Legal Proceedings

The approving opinion of Butler Snow LLP, as Special Counsel, will be delivered with the Certificates. A form of the Special Counsel opinion is attached to this Official Statement as Appendix E. Butler Snow LLP, Denver, Colorado, has also acted as Special Counsel to the Town in connection with this Official Statement. Certain matters will be passed upon for the Town by the Town Attorney. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, P.C., Denver, Colorado.

Certain Constitutional Limitations

TABOR (Article X, Section 20 of the Colorado Constitution). At the general election on November 3, 1992, the voters of Colorado approved a constitutional amendment known as the “Taxpayers Bill of Rights,” which is codified as Article X, Section 20, of the Colorado Constitution (“TABOR”). In general, TABOR restricts the ability of the State and local governments to increase revenues and spending, to impose taxes, and to issue debt and certain other types of obligations without voter approval. TABOR generally applies to the State and all local governments, including governments such as the Town (“local governments”), but does not apply to “enterprises,” defined as government-owned businesses authorized to issue revenue bonds and receiving under 10% of annual revenue in grants from all state and local governments combined. Because some provisions of TABOR are unclear, litigation seeking judicial interpretation of its provisions has been commenced on numerous occasions since its adoption. Additional litigation may be commenced in the future seeking further interpretation of TABOR. No representation can be made as to the overall impact of TABOR on the future activities of the Town, including its ability to generate sufficient revenues for its general operations, to undertake additional programs or to engage in any subsequent financing activities.

Voter Approval Requirements and Limitations on Taxes, Spending, Revenues, and Borrowing. TABOR requires voter approval in advance for: (a) any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase, extension of an expiring tax, or a tax policy change causing a net tax revenue gain; (b) any increase in a local government’s spending from one year to the next in excess of the limitations described below; (c) any increase in the real property tax revenues of a local government from one year to the next in excess of the limitations described below; or (d) creation of any multiple-fiscal year direct or indirect debt or other financial obligation whatsoever, subject to certain exceptions such as the refinancing of obligations at a lower interest rate. In the opinion of Special Counsel, the Lease does not constitute a “multiple fiscal year obligation” which requires an election under the terms of TABOR.

TABOR limits increases in government spending and property tax revenues to, generally, the rate of inflation and a local growth factor which is based upon, for school districts, the percentage change in enrollment from year to year, and for non-school districts, the actual value of new construction in the local government. Unless voter approval is received as described above, revenues collected in excess of these permitted spending limitations must be rebated. Debt service, however, can be paid without regard to any spending limits, assuming revenues are available to do so.

In 2005, the Town's voters approved an election question authorizing the Town to retain and spend all Town revenues in excess of the limitations on local fiscal year spending imposed by TABOR for a five year period commencing on January 1, 2004, through December 31, 2008.

In addition, beginning January 1, 2009, the Town is authorized to retain and spend all Town revenues that do not exceed the "Excess Local Revenue Cap" (defined below) for any given fiscal year, even though such revenues are in excess of the limitations imposed under TABOR. "Excess Local Revenues Cap" for a given fiscal year means an amount that is equal to the highest total Town revenues for a fiscal year from the period of the 2004 fiscal year through the 2008 fiscal year, adjusted each subsequent fiscal year for inflation, the percentage change in local growth, the qualification or disqualification of enterprise, and debt service changes as provided in TABOR and the Town Code. Any excess revenues must be appropriated by the Council for police, fire, ambulance, transportation, parks, recreation, trails and open space purposes. As used in the 2005 election question, "Town revenues" means all revenues except: (1) revenues excluded from Town fiscal year spending under the express provisions of TABOR or judicial interpretations of TABOR; (2) revenues of any enterprise of the Town so long as it is qualified as an enterprise under TABOR; and (3) voter-approved revenue changes approved by Town voters prior to November 1, 2005.

For 2015, the Town experienced a TABOR surplus of \$714,580. Various factors contributed to the surplus, including strong sales tax growth and contributions for the construction of transportation and recreation projects. In June 2016, following a process of obtaining citizen feedback, the Council voted to request voter authorization to retain the surplus at the November 2016 election. At the November 2016 election, the eligible electors of the Town voted to authorize the Town to retain and spend up to \$714,580 of excess 2015 revenue for police, fire, emergency medical services, and transportation purposes as a voter approved revenue change under TABOR.

Emergency Reserve Funds. TABOR also requires local governments to establish emergency reserve funds. The reserve fund must consist of at least 3% of fiscal year spending. TABOR allows local governments to impose emergency taxes (other than property taxes) if certain conditions are met. Local governments are not allowed to use emergency reserves or taxes to compensate for economic conditions, revenue shortfalls, or local government salary or benefit increases. The Town has budgeted emergency reserve funds as required by TABOR.

Other Limitations. TABOR also prohibits new or increased real property transfer tax rates and local government income taxes. TABOR allows local governments to enact exemptions and credits to reduce or end business personal property taxes; provided, however, the local governments' spending is reduced by the amount saved by such action. With the exception of K-12 public education and federal programs, TABOR also allows local governments (subject to certain notice and phase-out requirements) to reduce or end subsidies to any program delegated for administration by the general assembly; provided, however, the local governments' spending is reduced by the amount saved by such action.

Police Power

The obligations of the Town are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State

and to the exercise by the United States of America of the powers delegated to it by the federal constitution, including bankruptcy.

MUNICIPAL ADVISOR

Hilltop Securities Inc., Denver, Colorado (the “Municipal Advisor”) has served as Municipal Advisor to the Town with respect to the Certificates. As the Town’s municipal advisor, the Municipal Advisor has assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring, rating and issuance of the Certificates. In its role of Municipal Advisor to the Town, the Municipal Advisor has not undertaken either to make an independent verification of or to assume responsibility for the accuracy or completeness of the information contained in the Official Statement and the appendices hereto.

INDEPENDENT AUDITORS

The basic financial statements of the Town for the fiscal year ended December 31, 2019, included in this Official Statement as Appendix A, have been audited by BKD LLP, certified public accountants, Denver, Colorado, to the extent and for the period indicated in their report

[The Town will not obtain a consent letter from its auditor for the inclusion of the audit report in this Official Statement. BKD LLP, the Town’s independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. BKD LLP also has not performed any procedures relating to this Official Statement.]

RATING

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), is expected to assign the Certificates the Rating shown on the cover of this Official Statement. An explanation of the significance of any ratings given by S&P may be obtained from S&P at 55 Water Street, New York, New York 10041.

Such rating reflects only the views of the rating agency, and there is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price or liquidity of the Certificates. Except for its responsibilities under the Disclosure Certificate, the City has not undertaken any responsibility to bring to the attention of the owners of the Certificates any proposed change in or withdrawal of such rating once received or to oppose any such proposed revision.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated, Denver, Colorado (the “Underwriter”) has agreed to purchase the Certificates from the Town pursuant to a Certificate Purchase Agreement at a purchase price equal to \$_____ (which is equal to the par amount of the Certificates, less Underwriter’s discount of \$_____). The Underwriter is committed to take and pay for all of the Certificates if any are taken.

The Underwriter intends to offer the Certificates to the public at the offering prices or yields set forth on the inside cover page of this Official Statement. The Underwriter may allow concessions from the public offering price to certain dealers who may reallocate concessions to other dealers. After the initial public offering price, prices may be varied from time to time by the Underwriter, and the Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell such Certificates into investment accounts.

OFFICIAL STATEMENT CERTIFICATION

The preparation and distribution of this Official Statement has been authorized by the Town. This Official Statement is hereby duly approved by the Town as of the date on the cover page hereof.

TOWN OF CASTLE ROCK, COLORADO

By: _____
Finance Director

APPENDIX A

AUDITED BASIC FINANCIAL STATEMENTS OF THE TOWN FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

NOTE: The audited basic financial statements of the Town included in this Appendix A have been derived from the Town's CAFR for the year ended December 31, 2019. The table of contents, introductory section, individual fund budgetary statements, and other items referred to in the auditor's report attached hereto has purposely been excluded from this Official Statement. Such information provides supporting details and is not necessary for a fair presentation of the basic financial statements of the Town.

APPENDIX B
CERTAIN DEFINITIONS AND DOCUMENT SUMMARIES

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Certificates. The Certificates 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 each maturity of the Certificates, in the aggregate principal amount of such maturity, and will be 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 and 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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 Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Certificates 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 the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Certificates will 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 Town or the Trustee 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 Trustee or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Trustee, 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.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

APPENDIX D
FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E
FORM OF OPINION OF SPECIAL COUNSEL

