

CERTIFICATION TO THE TOWN OF CASTLE ROCK

CASTLE OAKS METROPOLITAN DISTRICT NO. 3

PROPOSED GENERAL OBLIGATION LIMITED TAX REFUNDING AND IMPROVEMENT BONDS, SERIES 2020 IN THE APPROXIMATE PRINCIPAL AMOUNT OF \$35,000,000

In accordance with the provisions of the Town of Castle Rock Municipal Code (the “Town Code”), Section 11.02.110, Castle Oaks Metropolitan District No. 3 (the “District”) hereby certifies the following:

1. The District will be undertaking the issuance of its proposed General Obligation Limited Tax Refunding and Improvement Bonds, Series 2020 in the estimated aggregate principal amount of \$35,000,000 or such greater or lesser principal amount as is necessary to fully refund all of the District’s 2017 bonds, currently outstanding in the amount of \$34,105,000 and to finance additional project costs, generally in accordance with the term sheet, attached hereto and incorporated herein as **Exhibit A** (the “2020 Bonds”), with an estimated closing date in early September 2020. A detailed financial plan is attached hereto and incorporated herein as **Exhibit B**. The District’s draft Preliminary Official Statement is attached hereto as **Exhibit C**. The Preliminary Official Statement is expected to be finalized and posted on or about August 19, 2020 and is therefore subject to change.

2. The term sheet, financial plan, and Preliminary Official Statement contain the dollar amount of the issue, the interest rate and other financing costs, and the types of revenues pledged, including the amount of the mill levy pledged. The 2020 Bonds are being issued for the purpose of refunding the District’s existing general obligation indebtedness and to fund additional project costs to support planned development within the District as authorized by and in compliance with the District’s Service Plan. In addition, the 2020 Bonds are expected to receive a Baa2 rating and bond insurance through Assured Guaranty Municipal Corp. The interest rate (all in TIC) on the 2017 Bonds is 5.17% and the interest rate (all in TIC) on the 2020 Bonds is estimated to be 3.14%.

3. The District’s Service Plan, approved by the Town Council for the Town of Castle Rock on November 22, 2005, as amended by that First Amendment to Service Plan, approved by the Town Council for the Town of Castle Rock on March 17, 2015, provides for a debt service mill levy cap of 55 mills, subject to Gallagher adjustments after January 9, 2001. As a result of such Gallagher adjustments, the District’s current debt service mill levy cap is 74.923 mills. For tax collection year 2020, the District imposed a debt service mill levy of 51.211 mills. The mill levy pledged to the 2020 Bonds will be the same as is currently pledged to the District’s 2017 outstanding bonds, which is such mills as necessary to pay the principal of and interest on the bonds but not in excess of 55 mills, as adjusted. The financial plan attached as Exhibit B shows a target mill levy of 48.500 commencing in tax collection year 2021 and declining again in tax collection year 2026 and thereafter to 37 mills, and shows the District’s ability to repay the 2020 Bonds at that rate. The mill levy pledged to the 2020 is consistent with the requirements of the District’s Service Plan.

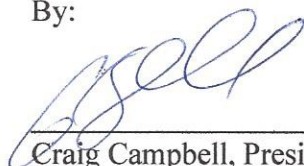
4. The 2020 Bonds are authorized by and in compliance with the District's Service Plan, approved by the Town Council for the Town of Castle Rock on November 22, 2005, as amended by that First Amendment to Service Plan, approved by the Town Council for the Town of Castle Rock on March 17, 2015.

5. The District requests that the Town Council review the proposed financing at the September 1, 2020 regular meeting, and provide any comments to the District in accordance with the Town Code. The District also requests the Town execute the attached Acknowledgment at its meeting on September 1, 2020. The District, its Board members and consultants, are available to address any questions or comments the Town may have as it begins its review.

6. Review of the proposed 2020 Bonds and execution of the Acknowledgment does not constitute a material modification of the District's Service Plan.

Certified to the Town of Castle Rock as of this 14th day of August, 2020.

By:

A handwritten signature in blue ink, appearing to read "Campbell", is written over a horizontal line.

Craig Campbell, President of the District
Board of Directors of Castle Oaks Metropolitan
District No. 3

**EXHIBIT A
TO
CERTIFICATION TO THE TOWN OF CASTLE ROCK
FOR
CASTLE OAKS METROPOLITAN DISTRICT NO. 3 2020 BONDS
(Term Sheet)**

CASTLE OAKS METROPOLITAN DISTRICT #3
GENERAL OBLIGATION LIMITED TAX REFUNDING & IMPROVEMENT BONDS, SERIES 2020

Draft Term Sheet
(as of August 11, 2020)

FOR DISTRICT USE ONLY
PROSPECTIVE INVESTORS SHOULD REVIEW THE BOND DOCUMENTS

Delivery Date: September 10, 2020

Sources:

Par Amount:	\$34,605,000.00 (estimated)
Net Premium:	\$4,967,400.25 (estimated)
Series 2017 Bond Fund:	\$141,881.16 (estimated)
Series 2017 Surplus Fund:	\$1,359,677.36
Series 2017 – DSRF:	<u>\$1,385,545.72 (estimated)</u>
Total Sources:	\$42,459,503.49(estimated)

Uses:

Project Fund:	\$5,280,00.00 (estimated)
Refunding 2017:	\$35,973,836.48 (estimated)
Deposit to 2020 Surplus:	\$141,881.16 (estimated, acts as mill levy stabilization)
Deposit to 2020 Bond Fund:	\$336,206.67 (estimated, equal to the Dec 1, 2020 payment since taxes are largely collected at this point)
Insurer Costs:	\$301,367.86 (estimated)
Cost of Issuance:	<u>\$423,025.00 (estimated)</u>
Total Uses:	\$42,459,503.49 (estimated)

Structure:

Final Maturity: December 1, 2050 (estimated)

Interest Rate: 3.14% (estimated all-in TIC as of the current market)

Payment Dates: Semi-annual interest payments on June 1 and December 1. Annual principal payments on December 1. The Bonds will be discharged on December 1, 2060.

Tax Status: Tax-exempt, Non-AMT, Non-BQ

Optional Redemption: Estimated 9/1/2030 at \$103 premium declining (actual redemption provisions determined at pricing) – shorter call options to be discussed

Credit Rating: Baa2 by Moody's

Pledged Revenue: Pledged Revenue consists of (i) revenues up to the required debt service mill levy cap of 74.923 mills, subject to Gallagherization (the "Maximum

Required Mill Levy”) but until the mill levy stabilization fund is filled to \$1,000,000 no less than 48.5 mills, and in every year after, any such levy when combined with funds in the mill levy stabilization fund is sufficient to make annual debt service; (ii) specific ownership taxes generated from the Required Mill Levy; and (iii) the first \$500,000 of Facility Fees generated from the imposition of \$4,000 per unit for single family units and \$1,500 per unit for multi-family units. After the first \$500,000 is deposited with the Trustee no further fees are pledged to the bonds.

Mill Levy Stabilization/ Surplus Fund:

The District shall apply excess revenues generated from the Facility Fees (up to \$500k) and debt service mill levy at the minimum of 48.5 mills until the Mill Levy Stabilization Fund reaches a balance of \$1,000,000. After the \$1,000,000 target is reached, the District may reduce its mill levy to whatever levy is sufficient, when in combination with any funds in the Stabilization Fund the District elects to apply, to make annual debt service. The Trustee shall maintain the Stabilization Fund. The fund may be released to the District for any permissible uses when the debt to assessed ratio of the District is at or below 50%.

Surety Policy:

In replacement of a Reserve Fund, the District shall obtain a surety policy from Assured equivalently sized to Maximum Annual Debt Service. The surety policy will be drawn if the revenue generated at the required mill is insufficient to make annual debt service but before any draws on the bond insurance.

Additional Debt:

- Allowed with 100% bondholder consent.
- Allowed if the debt to assessed value ratio is at or below 50% after the issuance of such additional debt
- Allowed without bondholder consent for a refunding of this 2020 debt such that debt service is lower in every year.

Events of Default:

It is not an event of default if the District fails to pay interest and principal on December 1, but has imposed the Required Mill Levy. Failure to impose the Required Mill Levy is an event of default.

Trustee:

UMB Bank, n.a.

Title 32 qual.:

Rated Investment Grade

Title 11 exemption:

Rated Investment Grade

Denominations:

\$5,000

**EXHIBIT B
TO
CERTIFICATION TO THE TOWN OF CASTLE ROCK
FOR
CASTLE OAKS METROPOLITAN DISTRICT NO. 3 2020 BONDS
(Financial Plan)**

CASTLE OAKS METROPOLITAN DISTRICT #3



Development Projection at 74.923 (target) Mills for Debt Service -- 08/11/2020

Series 2020, G.O. Bonds, Current Refg of Series 2017 + New Money, Assumes Insured, Baa2 underlying credit, 30-yr. Maturity

YEAR	<<<<<<< Residential >>>>>>>						< Platted/Developed Lots >		<<<<<<< Commercial >>>>>>>				Total Collected Assessed Value
	Total Res'l Units	Mkt Value Biennial Reasses'mt @ 2.0%	Manual Adj. ¹	Cumulative Market Value	As'ed Value* @ 7.15% of Market (2-yr lag)	Cumulative Market Value	As'ed Value @ 29.00% of Market (2-yr lag)	Total Comm'l Sq. Ft.	Mkt Value Biennial Reasses'mt @ 2.0%	Manual Adj. ²	Cumulative Market Value	As'ed Value @ 29.00% of Market (2-yr lag)	
2014													
2015	***							***					751,030
2016	***							***					1,380,170
2017	***							***					2,798,920
2018	***							***					8,293,230
2019	162		286,737,203	286,737,203		20,554,552		***		490,345	490,345		11,727,880
2020	182	5,734,744	(26,627,801)	356,804,146		16,578,609		0	9,807		500,152		20,636,280
2021	154			435,170,746	20,501,710	14,127,505	5,960,820	0			500,152	142,200	26,604,730
2022	146	8,703,415		521,279,921	25,511,496	10,591,474	4,807,797	0	10,003		510,155	145,044	30,464,337
2023	112			585,854,428	31,114,708	8,436,984	4,096,976	0			510,155	145,044	35,356,729
2024	105	11,717,089		659,811,365	37,271,514	3,933,277	3,071,527	0	10,203		520,358	147,945	40,490,987
2025	50			692,933,790	41,888,592	0	2,446,725	0			520,358	147,945	44,483,262
2026	0	13,858,676		706,792,465	47,176,513	0	1,140,650	0	10,407		530,765	150,904	48,468,067
2027	0			706,792,465	49,544,766	0	0				530,765	150,904	49,695,670
2028	0	14,135,849		720,928,315	50,535,661	0	0		10,615		541,380	153,922	50,689,583
2029	0			720,928,315	50,535,661	0	0				541,380	153,922	50,689,583
2030	0	14,418,566		735,346,881	51,546,374	0	0		10,828		552,208	157,000	51,703,375
2031				735,346,881	51,546,374	0	0				552,208	157,000	51,703,375
2032		14,706,938		750,053,819	52,577,302	0	0		11,044		563,252	160,140	52,737,442
2033				750,053,819	52,577,302	0	0				563,252	160,140	52,737,442
2034		15,001,076		765,054,895	53,628,848	0	0		11,265		574,517	163,343	53,792,191
2035				765,054,895	53,628,848	0	0				574,517	163,343	53,792,191
2036		15,301,098		780,355,993	54,701,425	0	0		11,490		586,007	166,610	54,868,035
2037				780,355,993	54,701,425	0	0				586,007	166,610	54,868,035
2038		15,607,120		795,963,113	55,795,453	0	0		11,720		597,728	169,942	55,965,396
2039				795,963,113	55,795,453	0	0				597,728	169,942	55,965,396
2040		15,919,262		811,882,375	56,911,363	0	0		11,955		609,682	173,341	57,084,704
2041				811,882,375	56,911,363	0	0				609,682	173,341	57,084,704
2042		16,237,647		828,120,022	58,049,590	0	0		12,194		621,876	176,808	58,226,398
2043				828,120,022	58,049,590	0	0				621,876	176,808	58,226,398
2044		16,562,400		844,682,423	59,210,582	0	0		12,438		634,313	180,344	59,390,926
2045				844,682,423	59,210,582	0	0				634,313	180,344	59,390,926
2046		16,893,648		861,576,071	60,394,793	0	0		12,686		647,000	183,951	60,578,744
2047				861,576,071	60,394,793	0	0				647,000	183,951	60,578,744
2048		17,231,521		878,807,593	61,602,689	0	0		12,940		659,940	187,630	61,790,319
2049				878,807,593	61,602,689	0	0				659,940	187,630	61,790,319
2050		17,576,152		896,383,745	62,834,743	0	0		13,199		673,138	191,382	63,026,125
	911	229,605,203	260,109,402					0	182,794	490,345			

[1] Adj. to actual/prelim. AV

Assumes (-7.092M) adj. to MV in 2020 ('22 collections) for partials (tbd).

[2] Adj. to actual/prelim. AV; incl PP & SA

[*] RAR @ 7.96% thru 2017; 7.20% in '18 & '19; Assumes 7.15% thereafter

CASTLE OAKS METROPOLITAN DISTRICT #3

Development Projection at 74.923 (target) Mills for Debt Service -- 08/11/2020

Series 2020, G.O. Bonds, Current Refg of Series 2017 + New Money, Assumes Insured, Baa2 underlying credit, 30-yr. Maturity

YEAR	Total Collected Assessed Value	Debt Svc Mill Levy [48.500 target] [74.923 Cap]	Total Collections @ 98.0%	S.O. Taxes Collected @ 6%	Total Facility Fees Collected	Interest Income	Total Available Revenue
2014							
2015	751,030	46.000	33,856	2,031	0	0	35,888
2016	1,380,170	46.000	62,218	3,733	172,000	0	237,951
2017	2,798,920	46.000	126,175	7,571	328,000	65,557	527,303
2018	8,293,230	50.855	413,317	24,799	1,352,000	22,997	1,813,113
2019	11,727,880	50.855	584,493	35,070	748,000	60,000	1,427,562
2020	20,636,280	51.211	1,035,668	62,140	740,000	27,700	1,865,509
2021	26,604,730	48.500	1,264,523	75,871	218,000	0	1,558,394
2022	30,464,337	48.500	1,447,970	86,878	0	0	1,534,848
2023	35,356,729	48.500	1,680,505	100,830	0	0	1,781,336
2024	40,490,987	48.500	1,924,537	115,472	0	0	2,040,009
2025	44,483,262	48.500	2,114,289	126,857	0	0	2,241,147
2026	48,468,067	47.536	2,257,911	135,475	0	0	2,393,385
2027	49,695,670	37.514	1,826,981	109,619	0	0	1,936,600
2028	50,689,583	37.420	1,858,868	111,532	0	0	1,970,400
2029	50,689,583	37.352	1,855,472	111,328	0	0	1,966,800
2030	51,703,375	37.278	1,888,868	113,332	0	0	2,002,200
2031	51,703,375	37.237	1,886,792	113,208	0	0	2,000,000
2032	52,737,442	37.175	1,921,321	115,279	0	0	2,036,600
2033	52,737,442	37.153	1,920,189	115,211	0	0	2,035,400
2034	53,792,191	37.094	1,955,472	117,328	0	0	2,072,800
2035	53,792,191	37.083	1,954,906	117,294	0	0	2,072,200
2036	54,868,035	36.932	1,985,849	119,151	0	0	2,105,000
2037	54,868,035	36.928	1,985,660	119,140	0	0	2,104,800
2038	55,965,396	36.858	2,021,509	121,291	0	0	2,142,800
2039	55,965,396	36.851	2,021,132	121,268	0	0	2,142,400
2040	57,084,704	36.762	2,056,604	123,396	0	0	2,180,000
2041	57,084,704	36.746	2,055,660	123,340	0	0	2,179,000
2042	58,226,398	36.634	2,090,377	125,423	0	0	2,215,800
2043	58,226,398	36.683	2,093,208	125,592	0	0	2,218,800
2044	59,390,926	36.457	2,121,887	127,313	0	0	2,249,200
2045	59,390,926	36.401	2,118,679	127,121	0	0	2,245,800
2046	60,578,744	35.672	2,117,736	127,064	0	0	2,244,800
2047	60,578,744	35.691	2,118,868	127,132	0	0	2,246,000
2048	61,790,319	34.963	2,117,170	127,030	0	0	2,244,200
2049	61,790,319	34.966	2,117,358	127,042	0	0	2,244,400
2050	63,026,125	34.311	2,119,245	127,155	0	0	2,246,400
			61,155,275	3,669,316	3,558,000	176,254	68,558,845

CASTLE OAKS METROPOLITAN DISTRICT #3


Development Projection at 74.923 (target) Mills for Debt Service -- 08/11/2020

Series 2020, G.O. Bonds, Current Refg of Series 2017 + New Money, Assumes Insured, Baa2 underlying credit, 30-yr. Maturity

YEAR	Net Available for Debt Svc	Ser. 2017 \$34,105,000 Par [Net \$0.000M] Net Debt Service	Ser. 2020 \$34,605,000 Par [Net \$5.280M] Net Debt Service	Total Net Debt Service	Funds on Hand* Used as Source	Annual Surplus	Surplus Release to \$1,000,000	Mill Levy Stab. / Surplus Fund \$1,000,000 Target	Senior Debt/ Assessed Ratio	Net D/S Coverage @ Target	Net D/S Coverage @ Cap	(2022 AV) Net D/S Coverage @ Cap
2014												
2015	35,888			0		n/a						
2016	237,951			0		n/a		265,780				
2017	527,303	\$0		0		n/a		1,385,000				
2018	1,813,113	1,577,356		1,577,356		n/a	0	1,694,841	291%	28%	41%	
2019	1,427,562	1,705,250		1,705,250		n/a	0	1,436,178	165%	36%	54%	
2020	1,865,509	852,625	\$334,515	1,187,140	\$1,359,667	n/a	0	141,881	258%	92%	135%	
2021	1,558,394	[Ref'd by Ser. '20]	1,549,200	1,549,200		9,194	0	151,075	113%	87%	134%	
2022	1,534,848		1,522,600	1,522,600		12,248	0	163,323	97%	101%	156%	156%
2023	1,781,336		1,771,800	1,771,800		9,536	0	172,859	84%	101%	155%	134%
2024	2,040,009		2,005,800	2,005,800		34,209	0	207,068	75%	102%	157%	118%
2025	2,241,147		1,904,800	1,904,800		336,347	0	543,415	67%	118%	182%	124%
2026	2,393,385		1,936,800	1,936,800		456,585	0	1,000,000	64%	124%	195%	122%
2027	1,936,600		1,936,600	1,936,600		0	0	1,000,000	62%	100%	200%	122%
2028	1,970,400		1,970,400	1,970,400		0	0	1,000,000	61%	100%	200%	120%
2029	1,966,800		1,966,800	1,966,800		0	0	1,000,000	58%	100%	201%	121%
2030	2,002,200		2,002,200	2,002,200		0	0	1,000,000	56%	100%	201%	118%
2031	2,000,000		2,000,000	2,000,000		0	0	1,000,000	54%	100%	201%	119%
2032	2,036,600		2,036,600	2,036,600		0	0	1,000,000	52%	100%	202%	116%
2033	2,035,400		2,035,400	2,035,400		0	0	1,000,000	49%	100%	202%	116%
2034	2,072,800		2,072,800	2,072,800		0	0	1,000,000	47%	100%	202%	114%
2035	2,072,200		2,072,200	2,072,200		0	0	1,000,000	44%	100%	202%	114%
2036	2,105,000		2,105,000	2,105,000		0	0	1,000,000	42%	100%	203%	113%
2037	2,104,800		2,104,800	2,104,800		0	0	1,000,000	39%	100%	203%	113%
2038	2,142,800		2,142,800	2,142,800		0	0	1,000,000	37%	100%	203%	111%
2039	2,142,400		2,142,400	2,142,400		0	0	1,000,000	34%	100%	203%	111%
2040	2,180,000		2,180,000	2,180,000		0	0	1,000,000	32%	100%	204%	109%
2041	2,179,000		2,179,000	2,179,000		0	0	1,000,000	29%	100%	204%	109%
2042	2,215,800		2,215,800	2,215,800		0	0	1,000,000	26%	100%	205%	107%
2043	2,218,800		2,218,800	2,218,800		0	0	1,000,000	23%	100%	204%	107%
2044	2,249,200		2,249,200	2,249,200		0	0	1,000,000	20%	100%	206%	105%
2045	2,245,800		2,245,800	2,245,800		0	0	1,000,000	16%	100%	206%	106%
2046	2,244,800		2,244,800	2,244,800		0	0	1,000,000	13%	100%	210%	106%
2047	2,246,000		2,246,000	2,246,000		0	0	1,000,000	10%	100%	210%	106%
2048	2,244,200		2,244,200	2,244,200		0	0	1,000,000	7%	100%	214%	106%
2049	2,244,400		2,244,400	2,244,400		0	0	1,000,000	3%	100%	214%	106%
2050	2,246,400		2,246,400	2,246,400		0	1,000,000	0	0%	100%	218%	106%
	68,558,845	4,135,231	62,127,915	66,263,146	1,359,667	858,119	1,000,000					

[GDec1917 17narG]

[HJul2920 20in17H5]

[*] Estimated balance (tbd)

CASTLE OAKS METROPOLITAN DISTRICT #3

Operations Revenue and Expense Projection -- 08/11/2020



YEAR	Total Assessed Value	Oper'n's Mill Levy	Total Collections @ 98%	S.O. Taxes Collected @ 6%	Total Available For O&M	Total Mills
2014						
2015	751,030	10.000	7,360	442	7,802	56.000
2016	1,380,170	4.000	5,410	325	5,735	50.000
2017	2,798,920	4.000	10,972	658	11,630	50.000
2018	8,293,230	4.422	35,939	2,156	38,096	55.277
2019	11,727,880	4.422	50,823	3,049	53,873	55.277
2020	20,636,280	4.453	90,055	5,403	95,459	55.664
2021	26,604,730	4.453	116,101	6,966	123,068	52.953
2022	30,464,337	4.453	132,945	7,977	140,921	52.953
2023	35,356,729	4.453	154,295	9,258	163,552	52.953
2024	40,490,987	4.453	176,700	10,602	187,302	52.953
2025	44,483,262	4.453	194,122	11,647	205,770	52.953
2026	48,468,067	4.453	211,512	12,691	224,202	51.989
2027	49,695,670	4.453	216,869	13,012	229,881	41.967
2028	50,689,583	4.453	221,206	13,272	234,479	41.873
2029	50,689,583	4.453	221,206	13,272	234,479	41.805
2030	51,703,375	4.453	225,630	13,538	239,168	41.731
2031	51,703,375	4.453	225,630	13,538	239,168	41.690
2032	52,737,442	4.453	230,143	13,809	243,952	41.628
2033	52,737,442	4.453	230,143	13,809	243,952	41.606
2034	53,792,191	4.453	234,746	14,085	248,831	41.547
2035	53,792,191	4.453	234,746	14,085	248,831	41.536
2036	54,868,035	4.453	239,441	14,366	253,807	41.385
2037	54,868,035	4.453	239,441	14,366	253,807	41.381
2038	55,965,396	4.453	244,230	14,654	258,883	41.311
2039	55,965,396	4.453	244,230	14,654	258,883	41.304
2040	57,084,704	4.453	249,114	14,947	264,061	41.215
2041	57,084,704	4.453	249,114	14,947	264,061	41.199
2042	58,226,398	4.453	254,097	15,246	269,342	41.087
2043	58,226,398	4.453	254,097	15,246	269,342	41.136
2044	59,390,926	4.453	259,178	15,551	274,729	40.910
2045	59,390,926	4.453	259,178	15,551	274,729	40.854
2046	60,578,744	4.453	264,362	15,862	280,224	40.125
2047	60,578,744	4.453	264,362	15,862	280,224	40.144
2048	61,790,319	4.453	269,649	16,179	285,828	39.416
2049	61,790,319	4.453	269,649	16,179	285,828	39.419
2050	63,026,125	4.453	275,042	16,503	291,545	38.764
			7,061,739	423,704	7,485,444	

CASTLE OAKS METROPOLITAN DISTRICT #3

Development Summary

Future Growth Development Projection -- Buildout Plan (updated 7/20/20)



Residential Development

Product Type	DR Horton	KB	TRIPOINTE - DEBUT	TRIPOINTE - PRELUDE	MERITAGE	TRIPOINTE DUPLEX	NORTH BASIN (PA 1-26)	RICHMOND AMERICAN
Base \$ ('20)	\$635,000	\$480,000	\$420,000	\$475,000	\$500,000	\$425,000	\$600,000	\$450,000

2020	39	49	25	45	-	-	-	24
2021	25	56	-	25	24	24	-	-
2022	-	-	-	-	48	48	50	-
2023	-	-	-	-	60	2	50	-
2024	-	-	-	-	55	-	50	-
2025	-	-	-	-	-	-	50	-
2026	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-

Res'l Totals

182
154
146
112
105
50
-
-
-
-
-

64 105 25 70 187 74 200 24

MV @ Full Buildout
(base prices;un-infl.)

\$40,640,000 \$50,400,000 \$10,500,000 \$33,250,000 \$93,500,000 \$31,450,000 \$120,000,000 \$10,800,000

749

\$390,540,000

notes:

Platted/Dev Lots = 10% MV; one-yr prior
Base MV \$ inflated @ 2.00% per annum
Res'l Fac. Fees = \$4,000 unit

SOURCES AND USES OF FUNDS

CASTLE OAKS METROPOLITAN DISTRICT #3
(IN THE TOWN OF CASTLE ROCK)
DOUGLAS COUNTY, COLORADO
GENERAL OBLIGATION REFUNDING & IMPROVEMENT BONDS, SERIES 2020
Current Refunding of Series 2017 + New Money
74.923 (Cap) Mills
Assumes Insured, Baa2 underlying credit, 30-yr. Maturity
(Growth thru 2020 + 2.00% Biennial Reassessment)
[Preliminary -- for discussion only]

Dated Date	09/2020
Delivery Date	09/2020

Sources:

Bond Proceeds:	
Par Amount	34,605,000.00
Premium	4,967,400.25
	39,572,400.25
 Other Sources of Funds:	
Series 2017 - Bond Fund	141,881.16
Series 2017 - Surplus Fund	1,359,677.36
Series 2017 - Reserve Fund	1,385,544.72
	2,887,103.24
	42,459,503.49

Uses:

Project Fund Deposits:	
Project Fund	5,280,000.00
 Refunding Escrow Deposits:	
Cash Deposit	0.48
SLGS Purchases	35,973,836.00
	35,973,836.48
 Cost of Issuance:	
Other Cost of Issuance	250,000.00
 Delivery Date Expenses:	
Underwriter's Discount	173,025.00
Bond Insurance (40 bps)	248,511.66
Surety Bond Premium (2.35% of DSRF Requirement)	52,856.20
	474,392.86
 Other Uses of Funds:	
Deposit to Surplus Fund (from current Bond Fund)	141,881.16
Deposit to Bond Fund for Payment Due 12/1/20	336,206.67
Rounding Amount	3,186.32
	481,274.15
	42,459,503.49

BOND PRICING

CASTLE OAKS METROPOLITAN DISTRICT #3
(IN THE TOWN OF CASTLE ROCK)
DOUGLAS COUNTY, COLORADO
GENERAL OBLIGATION REFUNDING & IMPROVEMENT BONDS, SERIES 2020
Current Refunding of Series 2017 + New Money
74.923 (Cap) Mills
Assumes Insured, Baa2 underlying credit, 30-yr. Maturity
(Growth thru 2020 + 2.00% Biennial Reassessment)
[Preliminary -- for discussion only]

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date	Call Price
Serial Bonds through 2030:								
	12/01/2021	165,000	4.000%	0.820%	103.919			
	12/01/2022	145,000	4.000%	0.870%	106.932			
	12/01/2023	400,000	4.000%	0.910%	109.847			
	12/01/2024	650,000	4.000%	0.980%	112.516			
	12/01/2025	575,000	4.000%	1.110%	114.675			
	12/01/2026	630,000	4.000%	1.290%	116.200			
	12/01/2027	655,000	4.000%	1.450%	117.468			
	12/01/2028	715,000	4.000%	1.540%	118.970			
	12/01/2029	740,000	4.000%	1.610%	120.444			
	12/01/2030	<u>805,000</u>	4.000%	1.710%	121.428			
		5,480,000						
Term Bond due 2035:								
	12/01/2031	835,000	4.000%	2.130%	117.122 C	2.629%	12/01/2030	100.000
	12/01/2032	905,000	4.000%	2.130%	117.122 C	2.629%	12/01/2030	100.000
	12/01/2033	940,000	4.000%	2.130%	117.122 C	2.629%	12/01/2030	100.000
	12/01/2034	1,015,000	4.000%	2.130%	117.122 C	2.629%	12/01/2030	100.000
	12/01/2035	<u>1,055,000</u>	4.000%	2.130%	117.122 C	2.629%	12/01/2030	100.000
		4,750,000						
Term Bond due 2040:								
	12/01/2036	1,130,000	4.000%	2.410%	114.351 C	3.045%	12/01/2030	100.000
	12/01/2037	1,175,000	4.000%	2.410%	114.351 C	3.045%	12/01/2030	100.000
	12/01/2038	1,260,000	4.000%	2.410%	114.351 C	3.045%	12/01/2030	100.000
	12/01/2039	1,310,000	4.000%	2.410%	114.351 C	3.045%	12/01/2030	100.000
	12/01/2040	<u>1,400,000</u>	4.000%	2.410%	114.351 C	3.045%	12/01/2030	100.000
		6,275,000						
Term Bond due 2045:								
	12/01/2041	1,455,000	4.000%	2.520%	113.283 C	3.226%	12/01/2030	100.000
	12/01/2042	1,550,000	4.000%	2.520%	113.283 C	3.226%	12/01/2030	100.000
	12/01/2043	1,615,000	4.000%	2.520%	113.283 C	3.226%	12/01/2030	100.000
	12/01/2044	1,710,000	4.000%	2.520%	113.283 C	3.226%	12/01/2030	100.000
	12/01/2045	<u>1,775,000</u>	4.000%	2.520%	113.283 C	3.226%	12/01/2030	100.000
		8,105,000						
Term Bond due 2050:								
	12/01/2046	1,845,000	4.000%	2.570%	112.801 C	3.325%	12/01/2030	100.000
	12/01/2047	1,920,000	4.000%	2.570%	112.801 C	3.325%	12/01/2030	100.000
	12/01/2048	1,995,000	4.000%	2.570%	112.801 C	3.325%	12/01/2030	100.000
	12/01/2049	2,075,000	4.000%	2.570%	112.801 C	3.325%	12/01/2030	100.000
	12/01/2050	<u>2,160,000</u>	4.000%	2.570%	112.801 C	3.325%	12/01/2030	100.000
		9,995,000						
		34,605,000						

Dated Date	09/2020	
Delivery Date	09/2020	
First Coupon	12/01/2020	
Par Amount	34,605,000.00	
Premium	4,967,400.25	
Production	39,572,400.25	114.354574%
Underwriter's Discount	<u>-173,025.00</u>	-0.500000%
Purchase Price	39,399,375.25	113.854574%
Accrued Interest		
Net Proceeds	39,399,375.25	

BOND SUMMARY STATISTICS

CASTLE OAKS METROPOLITAN DISTRICT #3
(IN THE TOWN OF CASTLE ROCK)
DOUGLAS COUNTY, COLORADO
GENERAL OBLIGATION REFUNDING & IMPROVEMENT BONDS, SERIES 2020
Current Refunding of Series 2017 + New Money
74.923 (Cap) Mills
Assumes Insured, Baa2 underlying credit, 30-yr. Maturity
(Growth thru 2020 + 2.00% Biennial Reassessment)
[Preliminary -- for discussion only]

Dated Date	09/2020
Delivery Date	09/2020
First Coupon	12/01/2020
Last Maturity	12/01/2050
Arbitrage Yield	2.426669%
True Interest Cost (TIC)	3.033825%
Net Interest Cost (NIC)	3.278071%
All-In TIC	3.136265%
Average Coupon	4.000000%
Average Life (years)	19.884
Weighted Average Maturity (years)	19.800
Duration of Issue (years)	14.007
Par Amount	34,605,000.00
Bond Proceeds	39,572,400.25
Total Interest	27,522,915.00
Net Interest	22,728,539.75
Bond Years from Dated Date	688,072,875.00
Bond Years from Delivery Date	688,072,875.00
Total Debt Service	62,127,915.00
Maximum Annual Debt Service	2,249,200.00
Average Annual Debt Service	2,054,381.32
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	5.000000
Total Underwriter's Discount	5.000000
Bid Price	113.854574

Bond Component	Par Value	Price	Average Coupon	Average Life	Average Maturity Date	PV of 1 bp change
Serial Bonds through 2030	5,480,000.00	116.378	4.000%	6.797	06/22/2027	3,861.10
Term Bond due 2035	4,750,000.00	117.122	4.000%	13.357	01/12/2034	4,750.00
Term Bond due 2040	6,275,000.00	114.351	4.000%	18.349	01/10/2039	6,149.50
Term Bond due 2045	8,105,000.00	113.283	4.000%	23.340	01/07/2044	7,861.85
Term Bond due 2050	9,995,000.00	112.801	4.000%	28.320	12/29/2048	9,595.20
	34,605,000.00			19.884		32,217.65

	TIC	All-In TIC	Arbitrage Yield
Par Value	34,605,000.00	34,605,000.00	34,605,000.00
+ Accrued Interest			
+ Premium (Discount)	4,967,400.25	4,967,400.25	4,967,400.25
- Underwriter's Discount	-173,025.00	-173,025.00	
- Cost of Issuance Expense		-250,000.00	
- Other Amounts		-301,367.86	-301,367.86
Target Value	39,399,375.25	38,848,007.39	39,271,032.39
Yield	3.033825%	3.136265%	2.426669%

BOND DEBT SERVICE

CASTLE OAKS METROPOLITAN DISTRICT #3
(IN THE TOWN OF CASTLE ROCK)
DOUGLAS COUNTY, COLORADO
GENERAL OBLIGATION REFUNDING & IMPROVEMENT BONDS, SERIES 2020
Current Refunding of Series 2017 + New Money
74.923 (Cap) Mills
Assumes Insured, Baa2 underlying credit, 30-yr. Maturity
(Growth thru 2020 + 2.00% Biennial Reassessment)
[Preliminary -- for discussion only]

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2020			334,515	334,515	334,515
06/01/2021			692,100	692,100	
12/01/2021	165,000	4.000%	692,100	857,100	1,549,200
06/01/2022			688,800	688,800	
12/01/2022	145,000	4.000%	688,800	833,800	1,522,600
06/01/2023			685,900	685,900	
12/01/2023	400,000	4.000%	685,900	1,085,900	1,771,800
06/01/2024			677,900	677,900	
12/01/2024	650,000	4.000%	677,900	1,327,900	2,005,800
06/01/2025			664,900	664,900	
12/01/2025	575,000	4.000%	664,900	1,239,900	1,904,800
06/01/2026			653,400	653,400	
12/01/2026	630,000	4.000%	653,400	1,283,400	1,936,800
06/01/2027			640,800	640,800	
12/01/2027	655,000	4.000%	640,800	1,295,800	1,936,600
06/01/2028			627,700	627,700	
12/01/2028	715,000	4.000%	627,700	1,342,700	1,970,400
06/01/2029			613,400	613,400	
12/01/2029	740,000	4.000%	613,400	1,353,400	1,966,800
06/01/2030			598,600	598,600	
12/01/2030	805,000	4.000%	598,600	1,403,600	2,002,200
06/01/2031			582,500	582,500	
12/01/2031	835,000	4.000%	582,500	1,417,500	2,000,000
06/01/2032			565,800	565,800	
12/01/2032	905,000	4.000%	565,800	1,470,800	2,036,600
06/01/2033			547,700	547,700	
12/01/2033	940,000	4.000%	547,700	1,487,700	2,035,400
06/01/2034			528,900	528,900	
12/01/2034	1,015,000	4.000%	528,900	1,543,900	2,072,800
06/01/2035			508,600	508,600	
12/01/2035	1,055,000	4.000%	508,600	1,563,600	2,072,200
06/01/2036			487,500	487,500	
12/01/2036	1,130,000	4.000%	487,500	1,617,500	2,105,000
06/01/2037			464,900	464,900	
12/01/2037	1,175,000	4.000%	464,900	1,639,900	2,104,800
06/01/2038			441,400	441,400	
12/01/2038	1,260,000	4.000%	441,400	1,701,400	2,142,800
06/01/2039			416,200	416,200	
12/01/2039	1,310,000	4.000%	416,200	1,726,200	2,142,400
06/01/2040			390,000	390,000	
12/01/2040	1,400,000	4.000%	390,000	1,790,000	2,180,000
06/01/2041			362,000	362,000	
12/01/2041	1,455,000	4.000%	362,000	1,817,000	2,179,000
06/01/2042			332,900	332,900	
12/01/2042	1,550,000	4.000%	332,900	1,882,900	2,215,800
06/01/2043			301,900	301,900	
12/01/2043	1,615,000	4.000%	301,900	1,916,900	2,218,800
06/01/2044			269,600	269,600	
12/01/2044	1,710,000	4.000%	269,600	1,979,600	2,249,200
06/01/2045			235,400	235,400	
12/01/2045	1,775,000	4.000%	235,400	2,010,400	2,245,800
06/01/2046			199,900	199,900	
12/01/2046	1,845,000	4.000%	199,900	2,044,900	2,244,800
06/01/2047			163,000	163,000	
12/01/2047	1,920,000	4.000%	163,000	2,083,000	2,246,000
06/01/2048			124,600	124,600	
12/01/2048	1,995,000	4.000%	124,600	2,119,600	2,244,200
06/01/2049			84,700	84,700	
12/01/2049	2,075,000	4.000%	84,700	2,159,700	2,244,400
06/01/2050			43,200	43,200	
12/01/2050	2,160,000	4.000%	43,200	2,203,200	2,246,400
	34,605,000		27,522,915	62,127,915	62,127,915

NET DEBT SERVICE

CASTLE OAKS METROPOLITAN DISTRICT #3
(IN THE TOWN OF CASTLE ROCK)
DOUGLAS COUNTY, COLORADO
GENERAL OBLIGATION REFUNDING & IMPROVEMENT BONDS, SERIES 2020
Current Refunding of Series 2017 + New Money
74.923 (Cap) Mills
Assumes Insured, Baa2 underlying credit, 30-yr. Maturity
(Growth thru 2020 + 2.00% Biennial Reassessment)
[Preliminary -- for discussion only]

Period Ending	Principal	Coupon	Interest	Total Debt Service	Net Debt Service
12/01/2020			334,515	334,515	334,515
12/01/2021	165,000	4.000%	1,384,200	1,549,200	1,549,200
12/01/2022	145,000	4.000%	1,377,600	1,522,600	1,522,600
12/01/2023	400,000	4.000%	1,371,800	1,771,800	1,771,800
12/01/2024	650,000	4.000%	1,355,800	2,005,800	2,005,800
12/01/2025	575,000	4.000%	1,329,800	1,904,800	1,904,800
12/01/2026	630,000	4.000%	1,306,800	1,936,800	1,936,800
12/01/2027	655,000	4.000%	1,281,600	1,936,600	1,936,600
12/01/2028	715,000	4.000%	1,255,400	1,970,400	1,970,400
12/01/2029	740,000	4.000%	1,226,800	1,966,800	1,966,800
12/01/2030	805,000	4.000%	1,197,200	2,002,200	2,002,200
12/01/2031	835,000	4.000%	1,165,000	2,000,000	2,000,000
12/01/2032	905,000	4.000%	1,131,600	2,036,600	2,036,600
12/01/2033	940,000	4.000%	1,095,400	2,035,400	2,035,400
12/01/2034	1,015,000	4.000%	1,057,800	2,072,800	2,072,800
12/01/2035	1,055,000	4.000%	1,017,200	2,072,200	2,072,200
12/01/2036	1,130,000	4.000%	975,000	2,105,000	2,105,000
12/01/2037	1,175,000	4.000%	929,800	2,104,800	2,104,800
12/01/2038	1,260,000	4.000%	882,800	2,142,800	2,142,800
12/01/2039	1,310,000	4.000%	832,400	2,142,400	2,142,400
12/01/2040	1,400,000	4.000%	780,000	2,180,000	2,180,000
12/01/2041	1,455,000	4.000%	724,000	2,179,000	2,179,000
12/01/2042	1,550,000	4.000%	665,800	2,215,800	2,215,800
12/01/2043	1,615,000	4.000%	603,800	2,218,800	2,218,800
12/01/2044	1,710,000	4.000%	539,200	2,249,200	2,249,200
12/01/2045	1,775,000	4.000%	470,800	2,245,800	2,245,800
12/01/2046	1,845,000	4.000%	399,800	2,244,800	2,244,800
12/01/2047	1,920,000	4.000%	326,000	2,246,000	2,246,000
12/01/2048	1,995,000	4.000%	249,200	2,244,200	2,244,200
12/01/2049	2,075,000	4.000%	169,400	2,244,400	2,244,400
12/01/2050	2,160,000	4.000%	86,400	2,246,400	2,246,400
	34,605,000		27,522,915	62,127,915	62,127,915

SUMMARY OF REFUNDING RESULTS

CASTLE OAKS METROPOLITAN DISTRICT #3
(IN THE TOWN OF CASTLE ROCK)
DOUGLAS COUNTY, COLORADO
GENERAL OBLIGATION REFUNDING & IMPROVEMENT BONDS, SERIES 2020
Current Refunding of Series 2017 + New Money
74.923 (Cap) Mills
Assumes Insured, Baa2 underlying credit, 30-yr. Maturity
(Growth thru 2020 + 2.00% Biennial Reassessment)
[Preliminary -- for discussion only]

Dated Date	09/2020
Delivery Date	09/2020
Arbitrage yield	2.426669%
Escrow yield	0.079819%
Value of Negative Arbitrage	202,188.93
Bond Par Amount	34,605,000.00
True Interest Cost	3.033825%
Net Interest Cost	3.278071%
Average Coupon	4.000000%
Average Life	19.884
Par amount of refunded bonds	34,105,000.00
Average coupon of refunded bonds	5.000000%
Average life of refunded bonds	19.448
PV of prior debt to 09/2020 @ 2.426669%	47,818,783.49
Net PV Savings	7,788,790.48
Percentage savings of refunded bonds	22.837679%

DRAFT

SAVINGS

**CASTLE OAKS METROPOLITAN DISTRICT #3
(IN THE TOWN OF CASTLE ROCK)
DOUGLAS COUNTY, COLORADO
GENERAL OBLIGATION REFUNDING & IMPROVEMENT BONDS, SERIES 2020
Current Refunding of Series 2017 + New Money
74.923 (Cap) Mills
Assumes Insured, Baa2 underlying credit, 30-yr. Maturity
(Growth thru 2020 + 2.00% Biennial Reassessment)
[Preliminary -- for discussion only]**

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 09/2020 @ 2.4266685%
12/01/2020	852,625.00	334,515.00	518,110.00	515,098.64
12/01/2021	1,705,250.00	1,549,200.00	156,050.00	153,335.86
12/01/2022	1,705,250.00	1,522,600.00	182,650.00	174,919.40
12/01/2023	1,705,250.00	1,771,800.00	-66,550.00	-59,673.84
12/01/2024	1,915,250.00	2,005,800.00	-90,550.00	-79,830.01
12/01/2025	2,074,750.00	1,904,800.00	169,950.00	151,716.75
12/01/2026	2,225,750.00	1,936,800.00	288,950.00	250,489.52
12/01/2027	2,288,250.00	1,936,600.00	351,650.00	297,159.25
12/01/2028	2,366,250.00	1,970,400.00	395,850.00	326,280.05
12/01/2029	2,368,750.00	1,966,800.00	401,950.00	323,342.03
12/01/2030	2,414,250.00	2,002,200.00	412,050.00	323,478.45
12/01/2031	2,415,500.00	2,000,000.00	415,500.00	318,346.47
12/01/2032	2,464,500.00	2,036,600.00	427,900.00	319,932.36
12/01/2033	2,463,750.00	2,035,400.00	428,350.00	312,570.54
12/01/2034	2,510,500.00	2,072,800.00	437,700.00	311,685.67
12/01/2035	2,512,250.00	2,072,200.00	440,050.00	305,810.48
12/01/2036	2,561,000.00	2,105,000.00	456,000.00	309,224.35
12/01/2037	2,564,250.00	2,104,800.00	459,450.00	304,044.81
12/01/2038	2,614,000.00	2,142,800.00	471,200.00	304,275.37
12/01/2039	2,612,750.00	2,142,400.00	470,350.00	296,390.88
12/01/2040	2,667,750.00	2,180,000.00	487,750.00	299,902.97
12/01/2041	2,666,000.00	2,179,000.00	487,000.00	292,194.60
12/01/2042	2,720,000.00	2,215,800.00	504,200.00	295,173.21
12/01/2043	2,721,750.00	2,218,800.00	502,950.00	287,299.49
12/01/2044	2,773,500.00	2,249,200.00	524,300.00	292,219.37
12/01/2045	2,772,500.00	2,245,800.00	526,700.00	286,420.14
12/01/2046	2,831,000.00	2,244,800.00	586,200.00	311,042.94
12/01/2047	4,215,750.00	2,246,000.00	1,969,750.00	1,020,644.37
12/01/2048		2,244,200.00	-2,244,200.00	-1,136,343.05
12/01/2049		2,244,400.00	-2,244,400.00	-1,109,121.31
12/01/2050		2,246,400.00	-2,246,400.00	-1,083,410.21
	67,708,375.00	62,127,915.00	5,580,460.00	4,914,619.57

Savings Summary

PV of savings from cash flow	4,914,619.57
Less: Prior funds on hand	-2,887,103.24
Plus: Refunding funds on hand	5,761,274.15
Net PV Savings	7,788,790.48

SUMMARY OF BONDS REFUNDED

CASTLE OAKS METROPOLITAN DISTRICT #3
(IN THE TOWN OF CASTLE ROCK)
DOUGLAS COUNTY, COLORADO
GENERAL OBLIGATION REFUNDING & IMPROVEMENT BONDS, SERIES 2020
Current Refunding of Series 2017 + New Money
74.923 (Cap) Mills
Assumes Insured, Baa2 underlying credit, 30-yr. Maturity
(Growth thru 2020 + 2.00% Biennial Reassessment)
[Preliminary -- for discussion only]

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
12/19/17: Ser 17 NR Adv Refg of '15+'16, 50.855mls, TERM37:					
	12/01/2024	5.000%	210,000.00	12/01/2020	103.000
	12/01/2025	5.000%	380,000.00	12/01/2020	103.000
	12/01/2026	5.000%	550,000.00	12/01/2020	103.000
	12/01/2027	5.000%	640,000.00	12/01/2020	103.000
	12/01/2028	5.000%	750,000.00	12/01/2020	103.000
	12/01/2029	5.000%	790,000.00	12/01/2020	103.000
	12/01/2030	5.000%	875,000.00	12/01/2020	103.000
	12/01/2031	5.000%	920,000.00	12/01/2020	103.000
	12/01/2032	5.000%	1,015,000.00	12/01/2020	103.000
	12/01/2033	5.000%	1,065,000.00	12/01/2020	103.000
	12/01/2034	5.000%	1,165,000.00	12/01/2020	103.000
	12/01/2035	5.000%	1,225,000.00	12/01/2020	103.000
	12/01/2036	5.000%	1,335,000.00	12/01/2020	103.000
	12/01/2037	5.000%	1,405,000.00	12/01/2020	103.000
			12,325,000.00		
12/19/17: Ser 17 NR Adv Refg of '15+'16, 50.855mls, TERM47:					
	12/01/2038	5.000%	1,525,000.00	12/01/2020	103.000
	12/01/2039	5.000%	1,600,000.00	12/01/2020	103.000
	12/01/2040	5.000%	1,735,000.00	12/01/2020	103.000
	12/01/2041	5.000%	1,820,000.00	12/01/2020	103.000
	12/01/2042	5.000%	1,965,000.00	12/01/2020	103.000
	12/01/2043	5.000%	2,065,000.00	12/01/2020	103.000
	12/01/2044	5.000%	2,220,000.00	12/01/2020	103.000
	12/01/2045	5.000%	2,330,000.00	12/01/2020	103.000
	12/01/2046	5.000%	2,505,000.00	12/01/2020	103.000
	12/01/2047	5.000%	4,015,000.00	12/01/2020	103.000
			21,780,000.00		
			34,105,000.00		

ESCROW REQUIREMENTS

CASTLE OAKS METROPOLITAN DISTRICT #3
(IN THE TOWN OF CASTLE ROCK)
DOUGLAS COUNTY, COLORADO
GENERAL OBLIGATION REFUNDING & IMPROVEMENT BONDS, SERIES 2020
Current Refunding of Series 2017 + New Money
74.923 (Cap) Mills
Assumes Insured, Baa2 underlying credit, 30-yr. Maturity
(Growth thru 2020 + 2.00% Biennial Reassessment)
[Preliminary -- for discussion only]

Current Refunding of Ser. 17

Period Ending	Interest	Principal Redeemed	Redemption Premium	Total
12/01/2020	852,625.00	34,105,000.00	1,023,150.00	35,980,775.00
	852,625.00	34,105,000.00	1,023,150.00	35,980,775.00

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ESCROW DESCRIPTIONS

CASTLE OAKS METROPOLITAN DISTRICT #3
(IN THE TOWN OF CASTLE ROCK)
DOUGLAS COUNTY, COLORADO
GENERAL OBLIGATION REFUNDING & IMPROVEMENT BONDS, SERIES 2020
Current Refunding of Series 2017 + New Money
74.923 (Cap) Mills
Assumes Insured, Baa2 underlying credit, 30-yr. Maturity
(Growth thru 2020 + 2.00% Biennial Reassessment)
[Preliminary -- for discussion only]

	Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
Sep 4, 2020:	SLGS	Certificate	12/01/2020	12/01/2020	35,973,836	0.080%	0.080%
					35,973,836		

SLGS Summary

SLGS Rates File	11AUG20
Total Certificates of Indebtedness	35,973,836.00

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ESCROW STATISTICS

CASTLE OAKS METROPOLITAN DISTRICT #3
(IN THE TOWN OF CASTLE ROCK)
DOUGLAS COUNTY, COLORADO
GENERAL OBLIGATION REFUNDING & IMPROVEMENT BONDS, SERIES 2020
Current Refunding of Series 2017 + New Money
74.923 (Cap) Mills
Assumes Insured, Baa2 underlying credit, 30-yr. Maturity
(Growth thru 2020 + 2.00% Biennial Reassessment)
[Preliminary -- for discussion only]

Total Escrow Cost	Modified Duration (years)	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
35,973,836.48	0.242	0.079819%	0.079819%	35,771,647.55	202,188.93	
35,973,836.48				35,771,647.55	202,188.93	0.00

Delivery date	09/2020
Arbitrage yield	2.426669%

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PRIOR BOND DEBT SERVICE

CASTLE OAKS METROPOLITAN DISTRICT #3
(IN THE TOWN OF CASTLE ROCK)
DOUGLAS COUNTY, COLORADO

GENERAL OBLIGATION REFUNDING & IMPROVEMENT BONDS, SERIES 2020
Current Refunding of Series 2017 + New Money
74.923 (Cap) Mills
Assumes Insured, Baa2 underlying credit, 30-yr. Maturity
(Growth thru 2020 + 2.00% Biennial Reassessment)
[Preliminary -- for discussion only]

Current Refunding of Ser. 17

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2020			852,625	852,625	852,625
06/01/2021			852,625	852,625	
12/01/2021			852,625	852,625	1,705,250
06/01/2022			852,625	852,625	
12/01/2022			852,625	852,625	1,705,250
06/01/2023			852,625	852,625	
12/01/2023			852,625	852,625	1,705,250
06/01/2024			852,625	852,625	
12/01/2024	210,000	5.000%	852,625	1,062,625	1,915,250
06/01/2025			847,375	847,375	
12/01/2025	380,000	5.000%	847,375	1,227,375	2,074,750
06/01/2026			837,875	837,875	
12/01/2026	550,000	5.000%	837,875	1,387,875	2,225,750
06/01/2027			824,125	824,125	
12/01/2027	640,000	5.000%	824,125	1,464,125	2,288,250
06/01/2028			808,125	808,125	
12/01/2028	750,000	5.000%	808,125	1,558,125	2,366,250
06/01/2029			789,375	789,375	
12/01/2029	790,000	5.000%	789,375	1,579,375	2,368,750
06/01/2030			769,625	769,625	
12/01/2030	875,000	5.000%	769,625	1,644,625	2,414,250
06/01/2031			747,750	747,750	
12/01/2031	920,000	5.000%	747,750	1,667,750	2,415,500
06/01/2032			724,750	724,750	
12/01/2032	1,015,000	5.000%	724,750	1,739,750	2,464,500
06/01/2033			699,375	699,375	
12/01/2033	1,065,000	5.000%	699,375	1,764,375	2,463,750
06/01/2034			672,750	672,750	
12/01/2034	1,165,000	5.000%	672,750	1,837,750	2,510,500
06/01/2035			643,625	643,625	
12/01/2035	1,225,000	5.000%	643,625	1,868,625	2,512,250
06/01/2036			613,000	613,000	
12/01/2036	1,335,000	5.000%	613,000	1,948,000	2,561,000
06/01/2037			579,625	579,625	
12/01/2037	1,405,000	5.000%	579,625	1,984,625	2,564,250
06/01/2038			544,500	544,500	
12/01/2038	1,525,000	5.000%	544,500	2,069,500	2,614,000
06/01/2039			506,375	506,375	
12/01/2039	1,600,000	5.000%	506,375	2,106,375	2,612,750
06/01/2040			466,375	466,375	
12/01/2040	1,735,000	5.000%	466,375	2,201,375	2,667,750
06/01/2041			423,000	423,000	
12/01/2041	1,820,000	5.000%	423,000	2,243,000	2,666,000
06/01/2042			377,500	377,500	
12/01/2042	1,965,000	5.000%	377,500	2,342,500	2,720,000
06/01/2043			328,375	328,375	
12/01/2043	2,065,000	5.000%	328,375	2,393,375	2,721,750
06/01/2044			276,750	276,750	
12/01/2044	2,220,000	5.000%	276,750	2,496,750	2,773,500
06/01/2045			221,250	221,250	
12/01/2045	2,330,000	5.000%	221,250	2,551,250	2,772,500
06/01/2046			163,000	163,000	
12/01/2046	2,505,000	5.000%	163,000	2,668,000	2,831,000
06/01/2047			100,375	100,375	
12/01/2047	4,015,000	5.000%	100,375	4,115,375	4,215,750
	34,105,000		33,603,375	67,708,375	67,708,375

BOND SOLUTION

CASTLE OAKS METROPOLITAN DISTRICT #3
(IN THE TOWN OF CASTLE ROCK)
DOUGLAS COUNTY, COLORADO
GENERAL OBLIGATION REFUNDING & IMPROVEMENT BONDS, SERIES 2020
Current Refunding of Series 2017 + New Money
74.923 (Cap) Mills
Assumes Insured, Baa2 underlying credit, 30-yr. Maturity
(Growth thru 2020 + 2.00% Biennial Reassessment)
[Preliminary -- for discussion only]

Period Ending	Proposed Principal	Proposed Debt Service	Total Adj Debt Service	Revenue Constraints*	Unused Revenues	Debt Serv Coverage
12/01/2020		334,515	334,515	914,840	580,325	273.48264%
12/01/2021	165,000	1,549,200	1,549,200	1,725,539	176,339	111.38257%
12/01/2022	145,000	1,522,600	1,522,600	1,975,866	453,266	129.76924%
12/01/2023	400,000	1,771,800	1,771,800	1,975,866	204,066	111.51746%
12/01/2024	650,000	2,005,800	2,005,800	2,009,147	3,347	100.16688%
12/01/2025	575,000	1,904,800	1,904,800	2,009,147	104,347	105.47812%
12/01/2026	630,000	1,936,800	1,936,800	2,043,094	106,294	105.48811%
12/01/2027	655,000	1,936,600	1,936,600	2,043,094	106,494	105.49900%
12/01/2028	715,000	1,970,400	1,970,400	2,077,719	107,319	105.44656%
12/01/2029	740,000	1,966,800	1,966,800	2,077,719	110,919	105.63957%
12/01/2030	805,000	2,002,200	2,002,200	2,113,037	110,837	105.53576%
12/01/2031	835,000	2,000,000	2,000,000	2,113,037	113,037	105.65185%
12/01/2032	905,000	2,036,600	2,036,600	2,149,061	112,461	105.52200%
12/01/2033	940,000	2,035,400	2,035,400	2,149,061	113,661	105.58422%
12/01/2034	1,015,000	2,072,800	2,072,800	2,185,806	113,006	105.45184%
12/01/2035	1,055,000	2,072,200	2,072,200	2,185,806	113,606	105.48238%
12/01/2036	1,130,000	2,105,000	2,105,000	2,223,285	118,285	105.61926%
12/01/2037	1,175,000	2,104,800	2,104,800	2,223,285	118,485	105.62930%
12/01/2038	1,260,000	2,142,800	2,142,800	2,261,515	118,715	105.54016%
12/01/2039	1,310,000	2,142,400	2,142,400	2,261,515	119,115	105.55987%
12/01/2040	1,400,000	2,180,000	2,180,000	2,300,508	120,508	105.52791%
12/01/2041	1,455,000	2,179,000	2,179,000	2,300,508	121,508	105.57634%
12/01/2042	1,550,000	2,215,800	2,215,800	2,340,282	124,482	105.61793%
12/01/2043	1,615,000	2,218,800	2,218,800	2,340,282	121,482	105.47512%
12/01/2044	1,710,000	2,249,200	2,249,200	2,371,040	121,840	105.41703%
12/01/2045	1,775,000	2,245,800	2,245,800	2,371,040	125,240	105.57662%
12/01/2046	1,845,000	2,244,800	2,244,800	2,371,040	126,240	105.62365%
12/01/2047	1,920,000	2,246,000	2,246,000	2,371,040	125,040	105.56722%
12/01/2048	1,995,000	2,244,200	2,244,200	2,371,040	126,840	105.65189%
12/01/2049	2,075,000	2,244,400	2,244,400	2,371,040	126,640	105.64248%
12/01/2050	2,160,000	2,246,400	2,246,400	2,371,040	124,640	105.54842%
	34,605,000	62,127,915	62,127,915	66,596,299	4,468,384	

[*] Lesser of 120x @ Target AV/Revenues or 100x @ 2022 AV/Revenues.

**EXHIBIT C
TO
CERTIFICATION TO THE TOWN OF CASTLE ROCK
FOR
CASTLE OAKS METROPOLITAN DISTRICT NO. 3 2020 BONDS
(Preliminary Official Statement)**

**NEW ISSUE
BOOK-ENTRY ONLY**

**INSURED RATING: MOODY'S "A2"
UNDERLYING RATING: MOODY'S "BAA2"**

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the Bonds is excluded 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 Bonds (the "Tax Code"), interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, and interest on the Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Bonds as described herein]. See "TAX MATTERS."

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
(IN THE TOWN OF CASTLE ROCK), DOUGLAS COUNTY, COLORADO
GENERAL OBLIGATION LIMITED TAX
REFUNDING AND IMPROVEMENT BONDS, SERIES 2020**

The Castle Oaks Metropolitan District No. 3 General Obligation Limited Tax Refunding and Improvement Bonds, Series 2020 (the "Bonds") are issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof, pursuant to an Indenture of Trust (the "Indenture") between Castle Oaks Metropolitan District No. 3 (In the Town of Castle Rock), Douglas County, Colorado (the "District") and UMB Bank, n.a., Denver, Colorado, as trustee (the "Trustee"). The Bonds 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 Bonds. Purchases of the Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interests in the Bonds. See "THE BONDS – Book-Entry Only System." Capitalized terms used on this cover page are defined in the Introduction section herein.

The Bonds bear interest at the rate set forth below, payable (but only to the extent of Pledged Revenue available for such purpose) semiannually on June 1 and December 1 of each year, commencing December 1, 2020, by check or draft mailed to the registered owner of the Bonds, initially Cede & Co. The principal of, and premium, if any, on the Bonds will be payable upon presentation and surrender at the Trustee, as the paying agent for the Bonds. See "THE BONDS."

MATURITY SCHEDULE

Maturity Date (December 1)	Principal Amount	Interest Rate	Yield	CUSIP Issue [®]	Maturity Date (December 1)	Principal Amount	Interest Rate	Yield	CUSIP Issue [®]
2022					2027				
2023					2028				
2024					2029				
2025					2030				
2026									

\$ _____ % Term Bond due December 1, 20__ – Yield _____ % CUSIP Issue _____ [®]

Dated: Date of Delivery

The Bonds are limited tax general obligations of the District payable solely from and to the extent of the Pledged Revenue, defined generally in the Indenture as the following: (i) the Required Mill Levy (defined herein); (ii) the Capital Fees (defined herein); (iii) the portion of the Specific Ownership Tax (defined herein) which is collected as a result of imposition of the Required Mill Levy; and (iv) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue. The Bonds are additionally secured by the Reserve Fund, which will initially be funded with proceeds of the Bonds in the amount of \$[Reserve amount]*. The Bonds are additionally secured by the Mill Levy Stabilization Fund, which will *not* be funded with proceeds of the Bonds and will only be funded to the extent sufficient Pledged Revenue is available in the future. See "THE BONDS" and "SECURITY FOR THE BONDS."

All of the Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on December 2, 2060, being the date on which no further payments will be due on the Bonds, regardless of the amount of principal and interest paid prior to that date.

For further description of the security for the Bonds, see "SECURITY FOR THE BONDS." **The Bonds are not obligations of the Town of Castle Rock, Douglas County or the State of Colorado.**

The Bonds are subject to redemption prior to maturity at the option of the District as described in the Indenture. The Bonds are further subject to mandatory sinking fund redemption under certain circumstances set forth in the Indenture. See “THE BONDS – Prior Redemption.”

Proceeds of the Bonds will be used to: (i) refund the District’s outstanding General Obligation Limited Tax Refunding Bonds, Series 2017, (ii) finance public improvements related to a residential development in the Town of Castle Rock, Colorado (the “Development,” as further defined and described herein); (iii) fund a deposit to the Reserve Fund; and (iv) pay other costs in connection with the issuance of the Bonds.

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement. See “BOND INSURANCE” and APPENDIX F. The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.



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, giving particular attention to the section entitled “INVESTMENT FACTORS.”

The Bonds are offered when, as, and if issued by the District and accepted by the Underwriter subject to the approval of legality of the Bonds by Sherman & Howard L.L.C., Denver, Colorado, Bond Counsel, and the satisfaction of certain other conditions. Sherman & Howard L.L.C. has also acted as special counsel to the District in connection with this Official Statement. Kutak Rock LLP, Denver, Colorado has acted as counsel to the Underwriter. Certain legal matters will be passed upon for the District by its general counsel, White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado. Piper Sandler & Co. has acted as municipal advisor to the District. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about _____, 2020*.

[DAVIDSON LOGO]

This Official Statement is dated _____, 2020.

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

*Preliminary; subject to change

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 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the District or the Underwriter.

The information set forth in this Official Statement has been obtained from the District, from the sources referenced throughout this Official Statement and from other sources believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of information received from parties other than the District. The Underwriter has provided the following sentence for inclusion in this Official Statement. In accordance with its responsibilities under federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness. 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 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 Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the District, or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

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

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

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

**CASTLE OAKS METROPOLITAN DISTRICT NO. 3
(In the Town of Castle Rock), Douglas County, Colorado**

Board of Directors

Craig Campbell, President
Christian Matt Janke, Vice President/Treasurer/Secretary
Tom Morton, Assistant Secretary
Jack Hoagland, Assistant Secretary
Kevin McGlynn, Assistant Secretary

Trustee, Registrar, and Paying Agent

UMB Bank, n.a.
Denver, Colorado

General Counsel

White Bear Ankele Tanaka & Waldron Professional Corporation
Centennial, Colorado

Bond Counsel

Sherman & Howard L.L.C.
Denver, Colorado

Municipal Advisor

Piper Sandler & Co.
Denver, Colorado

Underwriter's Counsel

Kutak Rock LLP
Denver, Colorado

Underwriter

D.A. Davidson & Co.
Denver, Colorado

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NOTE: Tables marked with an (*) indicate information to be updated pursuant to the Continuing Disclosure Certificate. See “CONTINUING DISCLOSURE” and Appendix D. *Only historical data in such tables as of the end of the prior fiscal year, and not budgeted, estimated, forecasted or subsequent information, is required to be updated. Additional limitations in the information to be updated are set forth in Appendix D.*

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OFFICIAL STATEMENT

CASTLE OAKS METROPOLITAN DISTRICT NO. 3 (In the Town of Castle Rock), Douglas County, Colorado

\$[2020 Par]* General Obligation Limited Tax Refunding and Improvement Bonds, Series 2020

INTRODUCTION

General

This Official Statement, which includes the cover page and the appendices, provides information in connection with the offer and sale of the Castle Oaks Metropolitan District No. 3 General Obligation Limited Tax Refunding and Improvement Bonds, Series 2020 (the “Bonds”), to be issued by Castle Oaks Metropolitan District No. 3 (In the Town of Castle Rock), Douglas County, Colorado (the “District”), a quasi-municipal corporation and political subdivision of the State of Colorado (the “State”), in the aggregate principal amount of \$[2020 Par]*.

The Bonds will be issued pursuant to a resolution (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”) prior to the issuance of the Bonds. The Bonds will also be issued pursuant to an Indenture of Trust between the District and UMB Bank, n.a., Denver, Colorado, as trustee (the “Trustee”) dated as of [___], 2020 (the “Indenture”).

The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. 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 “INVESTMENT FACTORS.” Detachment or other use of this “INTRODUCTION” without the entire Official Statement, including the cover page and appendices, is unauthorized. Undefined capitalized terms have the meanings given in the Indenture, as set forth in Appendix C.

Issuer

General. The District is a special district formed pursuant to Title 32, Article 1, Colorado Revised Statutes (“C.R.S.”) (the “Special District Act”) for the purpose of financing and constructing public improvements benefiting the inhabitants and taxpayers of the District and the public at large. The District was formed pursuant to an Order and Decree of the Douglas County District Court issued on June 27, 2006. Formation of the District was preceded by the

* Preliminary; subject to change.

approval by the Town Council of the Town of Castle Rock, Colorado (the “Town”) in Douglas County, Colorado (the “County”) of a Service Plan on November 22, 2005 (as subsequently amended by a First Amendment thereto approved by the Town on March 17, 2015, the “Service Plan”). The 2019 certified assessed valuation of the property within the District is \$[___]. Pursuant to Section 39-1-105, C.R.S., all taxable property within the State is assessed as of January 1st of each year. See “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Tax Data.”

Boundaries and Location. The District consists of approximately 717.66 acres, all of which (other than property set aside for street rights-of-way, open space, park and recreation and similar public uses) is planned to be developed for residential use. The District is generally located at the northeast corner of Highway 86 and Founders Parkway, which is generally located along the Front Range approximately 30 miles southeast of downtown Denver. See “**AERIAL VIEWS OF THE DISTRICT**” on pages vii and viii.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law. See “BOND INSURANCE” and APPENDIX F.

The Development and the Developer

The Development is planned as a residential community consisting of approximately 717.66 acres located within the larger approximately 1,185-acre Terrain master planned community. See “THE DEVELOPMENT—Development Overview—Terrain Overview.” The Development is being undertaken by SLV Castle Oaks, L.L.C., a Delaware limited liability company (the “Developer”). See “THE DEVELOPMENT—Developer and Related Entities.”

The Development is planned to consist of 1,291 residential units (comprised of 1,097 single-family detached homes and 194 single-family attached homes), community pools, neighborhood parks, trails and open space. Plats for 1,091 single-family detached and attached lots have been approved and recorded. Additionally, plats for approximately 200 single-family detached lots have been submitted to the Town for approval (the “North Basin”). See “THE DEVELOPMENT—Platting, Zoning/Land Use and Public Approvals—Development Agreements and Subdivision Improvement Agreements.” Subject to the approval of necessary plats, related site development plan approvals, and issuance of building permits, the Development is fully entitled for intended uses in accordance with zoning documentation applicable to the Development, as more particularly described in “THE DEVELOPMENT—Platting, Zoning/Land Use and Public Approvals— Zoning/Land Use.”

Of the 1,291 planned residential units, a total of 996 lots have been purchased by six homebuilding companies (all homebuilders presently active or potentially operating within the Development in the future are referred to herein as the “Homebuilders”) —Melody Homes, Inc., a subsidiary of D.R. Horton, Inc. (“Melody Homes”) (161 single-family detached lots); Taylor Morrison of Colorado, Inc. (“Taylor Morrison”) (137 single-family detached lots); Richmond American Homes of Colorado Inc. (“Richmond”) (155 single-family detached lots); TRI Pointe Homes Inc. (“TRI Pointe”) (257 single-family detached lots and 74 single-family attached lots); KB Home of Colorado, Inc. (“KB”) (120 single-family attached lots); and Meritage Homes of Colorado, Inc. (“Meritage”) (92 single-family detached lots). Of such 996 lots purchased by Homebuilders, as of June 30, 2020, Homebuilders had entered into contracts with homeowners for the purchase of 730 single-family homes, of which 655 had closed. The Developer has 95 lots under contract with Meritage, which are anticipated to close in December 2020. Additionally, in May 2020, the Developer sold the North Basin portion of the Development to a regional developer. This developer has all 200 lots under contract with KB. Full build out of the Development is anticipated in 2025. *No assurance is given that the sale of lots in the Development will occur in the timeframe necessary to achieve the buildout schedule planned by the Developer.*

Of the 1,291 lots planned for the Development, 830 have been fully developed, 261 are under development with the balance being the 200 North Basin lots yet to be developed. The Developer estimates the total cost of public infrastructure required for the Development, excluding in-tract lot-specific improvements, at approximately \$73,000,000, of which approximately \$47,000,000 had been expended as of June 30, 2020. The Developer further estimates the total cost of dry utilities required for the Development at approximately \$7,000,000, of which approximately \$6,000,000 (or 85.7% of the total estimated dry utilities costs) had been expended as of June 30, 2020. Net proceeds of the Series 2015 Bonds and Series 2016 Bonds (both, as defined below) in the total amount of approximately \$22,393,305 have been applied by the District to either directly fund or reimburse to the Developer for a portion of such previously expended costs of public infrastructure prior to the date of issuance of the Bonds. Proceeds from the Bonds, along with an anticipated approximately \$1,600,000 in District Facility Fees will go toward reimbursing the Developer for a portion of the infrastructure costs spent to date. The remaining approximately \$26,000,000 in infrastructure costs are anticipated to be funded by Meritage (currently developing 187 single-family detached lots), TRI Pointe (currently developing 74 single-family attached lots) and KB (200 to be developed single-family lots), although such funding is not guaranteed to occur.

Security for the Bonds

General. The Bonds constitute limited tax general obligations of the District payable solely from and to the extent of the Pledged Revenue as described herein. The primary component of the Pledged Revenue is expected to be tax revenues imposed and collected by the District and pledged to the payment of the Bonds pursuant to the Indenture. See “SECURITY FOR THE BONDS.” *Payment of the principal of and interest on the Bonds is not secured by any deed of trust, mortgage or other lien or security interest on any property within the District.*

The Bonds are additionally secured by the Reserve Fund, which will be funded with proceeds of the Bonds in the amount of \$[Reserve amount]*. The Bonds will also be secured by the Mill Levy Stabilization Fund. The Mill Levy Stabilization Fund will not be funded as of the date of issuance of the Bonds but will be funded with excess Pledged Revenue, if any, up to the Minimum Mill Levy Stabilization Fund Amount (i.e., \$1,000,000*). See “THE BONDS – Funds and Accounts.”

The Pledged Revenue may or may not be sufficient to pay the principal of and interest on the Bonds. *No representation is made by the District or the Underwriter that the Pledged Revenue will be sufficient to pay the principal of and interest on the Bonds. See “INVESTMENT FACTORS,” “SECURITY FOR THE BONDS” and “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT.”*

Pledged Revenue and the Required Mill Levy. “Pledged Revenue” is defined in the Indenture as the moneys derived by the District from the following sources: (1) the Required Mill Levy; (2) the Capital Fees; (3) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; and (4) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

“Required Mill Levy” is generally defined in the Indenture as, net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County:

(a) Subject to the final paragraph of this definition, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount, when combined with moneys in the Bond Fund, the Mill Levy Stabilization Fund, and other legally available moneys then held by the District, sufficient to fund the Bond Fund for the relevant Bond Year and pay the Bonds as they come due, and if necessary, an amount sufficient to replenish the Reserve Fund to the amount of the Required Reserve, but (i) not in excess of 55 mills, and (ii) for so long as the Mill Levy Stabilization Fund is less than the Minimum Mill Levy Stabilization Fund Amount, not less than 35.603 mills, or such lesser mill levy which will fund the Bond Fund for the relevant Bond Year and pay the Bonds as they come due, will replenish the Reserve Fund to the amount of the Required Reserve, and will fund the Mill Levy Stabilization Fund up to the Minimum Mill Levy Stabilization Fund Amount; provided however, that if there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement after January 9, 2001, the minimum and maximum mill levies provided in the Indenture shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

* Preliminary, subject to change.

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

Based upon changes to the method of calculating assessed valuation since January 9, 2001, the District calculates 55 mills and 35.603 mills listed above are now equal to 48.499 and 74.923, respectively.

Pursuant to the Indenture, any revenue received by the District from any PILOT (defined herein) as a result of the imposition of the Required Mill Levy shall be pledged and treated thereunder in the same fashion as ad valorem mill levy revenues derived from the Required Mill Levy; however, no PILOT has been entered into or recorded with respect to property in the District, and due to the nature of the development planned in the District, no PILOT is presently expected to be generated.

Limited Tax Pledge. The Required Mill Levy is limited to 55 mills (subject to adjustment as provided in the Indenture and as described herein). In the event that the Pledged Revenue is insufficient to pay the Bonds when due, the unpaid principal will continue to bear interest, and the unpaid interest will compound semi-annually on each interest payment date, at the rate borne by the Bonds, until the total repayment obligation of the District for the Bonds equals the amount permitted by law and its electoral authorization. *During this period of accrual, the District will not be in default on the payment of such principal and interest, and the Owners (defined herein) will have no recourse against the District to require such payments (other than to require the District to continue to assess, enforce and collect the Required Mill Levy under the circumstances set forth in the Indenture and apply the other components of Pledged Revenue as required by the Indenture).* In addition, the District will not be liable to Owners for unpaid principal and interest beyond the amount permitted by law and its electoral authorization, and all Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount. See "SECURITY FOR THE BONDS."

Capital Fees. Pledged Revenue also includes Capital Fees. Presently, Capital Fees imposed by the District include fees described in a Resolution Regarding the Imposition of Facilities Fees as adopted by the District on March 5, 2015 (the "Facilities Fees Resolution"). Pursuant to the Facilities Fee Resolution, the District imposes the "Facilities Fees" in the amount of: (i) \$4,000 per Type I residential unit, which includes single-family detached residences, single-family attached residences, townhomes and patio homes; and (ii) \$1,500 per Type II residential unit, which includes apartments or other multi-family residences. The Facilities Fees are payable to the District on or before the issuance of a building permit for the subject property. *Pursuant to the Indenture, only the first \$500,000 of Facilities Fees collected since June 1, 2020, are pledged to the Bonds.* See "SECURITY FOR THE BONDS – Capital Fees" and "INVESTMENT FACTORS – Enforceability of Facilities Fees."

Specific Ownership Taxes. Pledged Revenue also includes Specific Ownership Tax, which are defined as the specific ownership taxes remitted to the District pursuant to Section 42-3-107 of the Colorado Revised Statutes, as amended, or any successor statute, as a result of the District's imposition of the Required Mill Levy.

All of the Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on December 2, 2060, being the date on which no further payments will be due on the Bonds, regardless of the amount of principal and interest paid prior to that date

Purpose

Proceeds of the Bonds will be used to: (i) refund the District's outstanding General Obligation Limited Tax Refunding Bonds, Series 2017 (the "Refunded Bonds"), (ii) finance public improvements related to the Development; (iii) fund a deposit to the Reserve Fund; and (iv) pay other costs in connection with the issuance of the Bonds. See "USES OF PROCEEDS."

The Bonds; Prior Redemption

Bonds. The Bonds are issued solely as fully registered certificates in the denominations \$5,000 or any integral multiple thereof. The Bonds mature and bear interest (calculated based on a 360-day year consisting of twelve 30-day months) as set forth on the cover page hereof. The payment of principal and interest on the Bonds is described in "THE BONDS – Payment of Principal and Interest; Record Date." The Bonds are subject to redemption prior to maturity at the option of the District and are also subject to mandatory sinking fund redemption, as more particularly described in "THE BONDS – Prior Redemption."

Authority for Issuance

Each series of Bonds is issued in full conformity with the constitution and laws of the State, particularly the Special District Act, Title 32, Article 1, Part 11, C.R.S., and Title 11, Article 57, Part 2, C.R.S. (the "Supplemental Public Securities Act"), and pursuant to the Bond Resolution, the election held on May 2, 2006 (the "2006 Election"), the election held on November 3, 2015 (the "2015 Election" and, together with the 2006 Election, the "Elections"), and the Indenture.

Book-Entry Registration

The Bonds 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 Bonds. Purchases of the Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds. See "THE BONDS – Book-Entry Only System."

Tax Status

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the Bonds is excluded 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 Bonds (the “Tax Code”), interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, and interest on the Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Bonds as described herein. See “TAX MATTERS” herein and the forms of Bond Counsel opinion attached hereto as Appendix E.

Professionals

Sherman & Howard L.L.C., Denver, Colorado, is acting as Bond Counsel. Kutak Rock LLP, Denver, Colorado, is acting as counsel to the Underwriter. White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado, represents the District as general counsel. UMB Bank, n.a., Denver, Colorado will act as the trustee, paying agent and registrar for each series of the Bonds. Piper Sandler & Co. has acted as municipal advisor to the District. D.A. Davidson & Co., Denver, Colorado, will act as the underwriter for the Bonds (the “Underwriter”). See “UNDERWRITING.”

Continuing Disclosure Undertaking

The District will execute a continuing disclosure certificate (the “Disclosure Certificate”) at the time of the closing for the Bonds. See “CONTINUING DISCLOSURE” and Appendix D – Form of Continuing Disclosure Certificate.

Delivery Information

Each series of Bonds is offered when, as, and if issued by the District and accepted by the Underwriter, subject to: prior sale, the respective approving legal opinion of Bond Counsel (the forms of such opinion is attached hereto as Appendix E), and certain other matters. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about _____, 2020.

Additional Information

All references herein to the Indenture, the Bond Resolution, and other documents are qualified in their entirety by reference to such documents. Additional information and copies of the documents referred to herein are available from the following sources, as applicable:

The District:

Castle Oaks Metropolitan District No. 3
c/o White Bear Ankele Tanaka & Waldron
Professional Corporation
2154 East Commons Avenue, Suite 2000
Centennial, Colorado 80122

The Underwriter:

D.A. Davidson & Co.
1550 Market Street, Suite 300,
Denver, Colorado, 80203,
Telephone: (303) 764-5768

FORWARD-LOOKING STATEMENTS

This Official Statement, including without limitation, the information in “INVESTMENT FACTORS” and “INTRODUCTION – The Development” contains statements relating to future results that are “forward-looking statements.” When used in this Official Statement, the words “estimate,” “intend,” “expect,” “anticipate,” “plan,” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forward-looking statement will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between forward-looking statements and actual results, and those differences may be material. For a discussion of certain of such risks, see the following section, “INVESTMENT FACTORS.”

INVESTMENT FACTORS

Each prospective purchaser of the Bonds should consider carefully, along with other matters referred to herein, the following risks of investment. Each prospective purchaser is responsible for assessing the merits and risks of an investment in the Bonds and must be able to bear the economic risk of such investment in the Bonds. The ability of the District to meet the debt service requirements of the Bonds is subject to various risks and uncertainties which are discussed throughout this Official Statement. Certain of such investment considerations are set forth below. This section of this Official Statement does not purport to summarize all of the risks. Investors should read this Official Statement in its entirety.

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

Limited Security for the Bonds

General. The Bonds constitute limited tax general obligations of the District payable solely from and to the extent of the Pledged Revenue as described herein. The primary component of the Pledged Revenue is expected to be tax revenues imposed and collected by the District and pledged to the payment of the Bonds pursuant to the Indenture. See “SECURITY FOR THE BONDS.” Payment of the principal of and interest on the Bonds is not secured by any deed of trust, mortgage or other lien or security interest on any property within the District.

The Bonds are additionally secured by the Reserve Fund, which will be funded with proceeds of the Bonds in the amount of \$[Reserve amount][†] and the Mill Levy Stabilization Fund. The Mill Levy Stabilization Fund will not be funded as of the date of issuance of the Bonds but will be funded with excess Pledged Revenue, if any, up to the Minimum Mill Levy Stabilization Fund Amount (i.e., \$1,000,000*). See “THE BONDS – Funds and Accounts.”

The Pledged Revenue may or may not be sufficient to pay the principal of and interest on the Bonds. *No representation is made by the District or the Underwriter that the*

[†] Preliminary, subject to change.

Pledged Revenue will be sufficient to pay the principal of and interest on the Bonds. See “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT.”

Limited Tax Pledge. The Required Mill Levy is limited to 55 mills (subject to adjustment as described herein). In the event that the Pledged Revenue is insufficient to pay the Bonds when due, the unpaid principal will continue to bear interest, and the unpaid interest will compound semi-annually on each interest payment date, at the rate borne by the Bonds, until the total repayment obligation of the District for the Bonds equals the amount permitted by law and its electoral authorization. *During this period of accrual, the District will not be in default on the payment of such principal and interest, and the Owners will have no recourse against the District to require such payments (other than to require the District to continue to assess, enforce and collect the Required Mill Levy under the circumstances set forth in the Indenture and apply the other components of Pledged Revenue as required by the Indenture).* In addition, the District will not be liable to Owners for unpaid principal and interest beyond the amount permitted by law and its electoral authorization, and all Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount. See “SECURITY FOR THE BONDS.”

All of the Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on December 2, 2060, being the date on which no further payments will be due on the Bonds, regardless of the amount of principal and interest paid prior to that date.

Risks Related to Property Tax Revenues

Generally. The primary source of security for the Bonds is expected to be property taxes imposed by the District. The level of revenue generated by the District’s imposition of the Required Mill Levy depends upon the assessed valuation of the property within the District and its ability to collect property taxes. This section describes certain risks related to such property tax revenues.

Valuation and Uses of Property. The assessed value of property in the District for ad valorem property tax purposes is determined according to a procedure described under “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes.” Assessed valuations may be affected by a number of factors beyond the control of the District. For example, property values may decline due to general economic conditions. Under certain circumstances, Colorado statutes permit the owners of vacant residential property to apply to the County Assessor for discounted valuation of such property for ad valorem property tax purposes, which could cause a reduction in assessed value. Property owners are also entitled to challenge the valuations of their property. No assurance can be given that the Developer or other owners of property in the District will not seek to do so.

The assessed value of property in the District can also be decreased due to changes in State law regarding the way in which assessed value is calculated. For example, the law determining the percentage of statutory “actual” value which is used to determine assessed value is subject to examination every two years by the State legislature. In 2017, this percentage was changed by the State legislature from 7.96% to 7.20%, and in 2019 this percentage was again changed by the State legislature from 7.20% to 7.15%. See “PROPERTY TAXATION,

ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes – Residential Property.” The impact of any future such changes, however, is mitigated by the fact that pursuant to the definition of Required Mill Levy in the Indenture, the District is required to increase such mill levies to offset any such decreases in the assessment percentage rate.

Further, property used for tax-exempt purposes is not subject to taxation by the District. See ”PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes – Property Subject to Taxation.” The Developer and any other owners of property in the District are not prohibited from selling property to tax-exempt purchasers, although no such sales are planned or anticipated to the actual knowledge of the District. Finally, it is possible that some or all of the property in the District could be condemned for public use, in which case it may no longer be subject to taxation by the District.

Should any of the foregoing occur, resulting in lower assessed valuations of property in the District, the security for the Bonds would be diminished, increasing the risk of nonpayment. Regardless of the level at which property is assessed for tax purposes, the District’s ability to enforce and collect the property tax is dependent upon the property in the District having sufficient fair market value to support the taxes which are imposed. No assurance can be given as to the future market values of property in the District.

In addition, it is possible that the assessed valuation of property in the District could be fixed at a certain level in future years if an urban renewal plan is adopted using property tax increment financing which includes the property in the District. See “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes – Potential for Creation of Tax Increment Entity.” To the actual knowledge of the District, the Town does not anticipate including the property in the District within an urban renewal plan.

Dependence Upon Timely Payment of Property Tax; Tax Collections. Delinquency in the payment of property taxes by property owners within the District could impair the District’s ability to meet debt service requirements on the Bonds in a timely manner. Property taxes do not constitute personal obligations of a property owner. While the current year’s taxes constitute a lien upon assessed property and the County Treasurer of Douglas County is required by statute to offer for sale delinquent property to satisfy the District’s tax lien for the year in which the taxes are in default, this remedy can be time-consuming. Furthermore, any such tax sale would be only for the amount of taxes due and unpaid for the particular tax year in question. Additionally, the District’s receipt of the taxes anticipated to be available to it will be dependent upon the volume and timing of sales of such property in the District by the Developer, the Homebuilders and other property owners, as to which no assurance or guaranty can be given.

In addition, the District’s ability to enforce tax liens could be delayed by bankruptcy laws and other laws affecting creditor’s rights generally. During the pendency of any bankruptcy of any property owner, the parcels owned by such property owner could be sold only if the bankruptcy court approves the sale. No assurance is provided that property taxes would be paid during the pendency of any bankruptcy; nor is it possible to predict the timeliness of such payment. If the property taxes are not paid over a period of years, the District’s ability to pay principal and interest on the Bonds could be materially adversely affected.

Concentration Risks. Property taxes on land are not personal obligations of these property owners or any other property owners. Certain of the Homebuilders and the Developer are among the largest owners of property within the District by assessed valuation. See “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property – Tax Data Ten Largest Owners of Taxable Property within the District.” Should the Developer, a Homebuilder or any future large taxpayers in the District delay their payment of taxes to the District, or default in their payment of such taxes, the payment of debt service on the Bonds could be materially negatively impacted. No taxpayers or entities have guaranteed the payment of the principal of or interest on the Bonds.

Risks Related to COVID-19

The spread of the coronavirus disease 2019 (“COVID-19”) is currently altering the behavior of individuals and businesses in a manner that is having significant negative effects on global, national, and local economies. State and local governments, including the State, have announced orders, recommendations and other measures intended to slow the spread of COVID-19, including the closing of businesses and “stay at home” orders. Unemployment claims are high in most areas due to these developments. These COVID-19 measures are changing rapidly.

Governmental Orders and Legislation. Beginning in March 2020, Colorado Governor Polis has issued numerous orders pertaining to COVID-19. In addition, the Colorado General Assembly has adopted legislation pertaining to COVID-19. Certain material orders and legislation are described below. In addition, the Colorado Department of Public Health and Environment (“CDPHE”) provides information relating to COVID-19 and related developments in the State on its website, <https://colorado.gov/cdphe/>.[‡]

Stay at Home Orders (March 25, 2020, through April 26, 2020). On March 25, 2020, Governor Polis issued Executive Order D 2020 017 (the “Stay At Home Order”) which, with certain exceptions, ordered Coloradans to stay at home whenever possible due to the presence of COVID-19 in the State, and also directed CDPHE to issue a public health order consistent with the directives of the Governor contained in such executive order.

Safer at Home Orders (April 27, 2020, through June 1, 2020). On April 26, 2020, Governor Polis issued Executive Order D 2020 044, as amended on May 25, 2020, pursuant to Executive Order D 2020 079 (the “Safer at Home Order”). Under this order, among other things, schools through 12th grade were suspended until the end of the 2019-20 school year and certain other restrictions from the Stay at Home Order were modified or relaxed.

Current Order (On and After June 1, 2020). On June 1, 2020, Governor Polis issued Executive Order D 2020 091, pursuant to which he continues to advise Coloradans to stay at home, get tested for COVID-19 if they have symptoms, and take other common sense precautions against spreading and contracting COVID-19. Although public gatherings of groups of 10 are generally prohibited, restaurants are permitted to open for limited indoor dining. In general, the restrictions of the Safer at Home Order previously in effect are relaxed, although

[‡] References to website addresses presented herein are for informational purposes only. Such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

certain restrictions remain in place. Certain Colorado cities and counties have enacted stricter orders.

Property Tax Orders and Legislation. Governor Polis has issued an executive order which granted county treasurers in Colorado the authority to waive delinquent interest through April 30, 2020. The Douglas County Treasurer allowed property tax payments to be made through April 30, 2020, without interest or penalty. Pursuant to State law, taxpayers may pay half of their property taxes by April 30 and the remaining half by June 15. The second half payment deadline remains June 15, 2020; however, on June 13, 2020, the Colorado General Assembly passed H.B. 20-1421, which was signed by the Governor on June 14, 2020. H.B. 20-1421 allows a board of county commissioners, with the approval of the related county treasurer, to reduce, waive, or suspend interest accrued on delinquent property tax payments for any period of time between June 15, 2020 and October 1, 2020. Upon receipt of a letter from a local taxing jurisdiction, the related county treasurer is required by H.B. 20-1421 to advance property tax amounts to such local jurisdiction to help pay bonded indebtedness or monthly operational costs. The amount advanced may not exceed 90% of the property tax due to the jurisdiction and, if such amounts are advanced to pay bonded indebtedness, may not exceed the jurisdiction's shortfall of revenue due to any waiver or reduction of interest and may only be paid if such jurisdiction has, at the time of the request, received less than 90% of the property taxes due to such jurisdiction. On June 16, 2020, the County sent notice to local governments within the County that it intended to waive the 1% per month delinquency interest payment for the period of time between June 15 and October 1, 2020 pursuant to H.B.20-1421 **[DO WE KNOW DOUGLAS COUNTY PLANS?]**.

The Colorado General Assembly's 2020 session ended on June 15, 2020. It is not possible to know whether Governor Polis will issue additional executive orders authorizing county treasurers to extend payment deadlines and waive interest, or whether the Douglas County Treasurer will extend or amend the interest waiver quoted above.

The Pledged Revenue is derived primarily from ad valorem property taxes. Significant delays in the receipt of property taxes or material decreases in the amount of tax revenue received by the District could affect the security for the Bonds. State law and the Douglas County Treasurer's current position on interest waivers and grace periods is not expected to adversely affect the amount of Pledged Revenue. If, however, Governor Polis issues additional executive orders or legislation is passed which authorizes or directs county treasurers to further extend payment deadlines, waive interest, or forgive liability for property taxes, there is no guarantee that such additional action would not adversely affect the amount or timing of the District's property tax revenue. There is no guarantee that reductions in ad valorem property tax revenue will not occur. Further, such decreases could be material.

Property taxes remain due, and the temporary grace periods for payment of property taxes does not cancel or discharge the obligation to pay property taxes. Property taxes not paid when due constitute a lien on the property for which such taxes are unpaid and, with the limited exception of federal tax liens, such property tax lien generally has priority over all other liens.

Economic Impact of COVID-19. It is unknown how extensive the spread of the COVID-19 disease will be in the nation or the State, how long the current restrictions will remain in place, or whether new restrictions will be put in place, and these things may change rapidly. There can be no assurance that the spread of the COVID-19 disease and the implementation of restrictions on a local, State and national level will not materially impact the local, State and national economies and, accordingly, there is no guarantee that such occurrences will not materially adversely affect the amount of Pledged Revenue available, or the timing of the receipt thereof. In particular, it is possible that the economic impact of COVID-19 could cause the assessed value of property in the District to decrease and could materially reduce the Pledged Revenue.

Furthermore, financial markets in the United States and globally may continue to experience significant volatility or declines in connection with the spread of COVID-19, which may have a material impact on the price of the Bonds in the secondary market. The District cannot predict the impact that COVID-19 will have in the short term or in the long term on the District's financial condition or an investment in the Bonds. It is impossible to predict whether current economic conditions will continue or worsen, the duration of such changing conditions, or how future short term and long term economic conditions will affect the amount of the Pledged Revenue or the District's finances in general.

Continued Development Not Assured

General. The construction of the homes in the District is largely dependent on the ability of the Developer and the Homebuilders to accomplish their development, construction, and sales objectives. As of June 30, 2020, only 655 of the planned 1,291 homes within the Development had been closed to homeowners, and there can be no guarantee future construction will be completed. See "THE DEVELOPMENT." A number of factors may affect the ability of the Developer and the Homebuilders to complete construction of homes within the District, including the overall economy of the region and of the Denver metropolitan area in particular. The building industry is cyclical in nature and is subject to substantial government regulation. The rate of construction for homes in the District will be impacted by many factors such as governmental policies with respect to land development, the availability of utilities, construction costs, fuel prices, interest rates, competition from other developments and other political, legal and economic conditions.

The rate of development in the District may also be affected by recent changes in the federal income tax treatment of interest on home mortgages. On December 22, 2019, the Tax Cuts and Jobs Act ("PL 115-97") was signed into law. PL 115-97 states that interest may be deducted on home mortgages only if the mortgage is outstanding in the amount of \$750,000 or less (a decrease from current law of \$1,000,000 or less). It is not possible to predict whether this provision will have an impact on the development of property in the District.

No investigation has been made of the financial condition or resources of the Developer or any other entity. Neither the District nor the Underwriter can make any representation regarding the Developer's projected development plans or the sufficiency of its financial resources to complete the development plan and the plan for the construction and sale of residential units. See "INTRODUCTION – The Developer and the Development."

Risk of Growth Limitations or Moratoria. No assurance is provided that the Town, the County, or the State will not approve limitations or moratoriums on residential growth within their respective boundaries, which limitations or moratoriums could have the effect of delaying, limiting, or halting development within the Development. No such proposals are currently known to the Developer, but several proposals have been made to limit growth in various communities in the Front Range area of Colorado. Neither the Developer nor the District can make any guarantees about whether future unknown growth moratoria or restrictions will negatively impact the Development.

No Additional Development Required. The Developer is under no contractual or other obligation to continue to develop its property or to sell additional property in the District to ultimate users. The Developer could sell its property in the District to another developer, Homebuilder or investor or could withdraw completely from the Development. Any such sales or withdrawals could result in a material change in the development plans for the Development and/or a delay in the construction of improvements in the Development, which in turn could materially negatively impact the District's ability to pay debt service on the Bonds.

Risks Related to Potential Future Oil and Gas Operations. Oil and gas extraction is an inherently dangerous activity that can potentially lead to air and water contamination, fire, explosion or other hazards. While the State and private operators have regulations and procedures in place intended to these risks, there can be no guarantee that these safeguards will be effective in all cases with respect to any oil and gas activity around the Development. The existence of oil and gas wells and drilling activity in the area may adversely impact the marketability of the property in the Development.

Financial Condition of the Developer and Homebuilders

There has been no independent investigation of and no representation is made in this Official Statement regarding the financial soundness of the Developer, or of the managerial capability of any such entity to develop and/or market the remaining property within the District as planned, nor is the Developer required to provide any ongoing financial information concerning its financial condition. Moreover, the financial circumstances of the Developer or future developers can change from time to time. Development of the remaining property in the District is dependent upon the ability of the Developer, other developers within the District and potential Homebuilders to implement the development plan contemplated herein, as described in "INTRODUCTION – The Development." Prospective investors are urged to make such investigation as deemed necessary concerning the financial soundness of the Developer and its ability to implement the plan of Development as described herein.

Enforceability of Facilities Fees

The Facilities Fees are a component of the Pledged Revenue pledged to the payment of the Bonds. See "DISTRICT FINANCIAL INFORMATION – Sources of District Revenue – Facilities Fees" for a description of the amount of the Facilities Fees due with respect to various residential product types payment date therefor.

The Facilities Fees Resolution (defined hereafter under the caption “DISTRICT FINANCIAL INFORMATION – Sources of District Revenue – Facilities Fees”) states that any Facilities Fees not paid when due shall constitute a statutory and perpetual lien against the property upon which such fee is imposed pursuant to Section 32-1-1001(1)(j)(I), C.R.S., in part on the basis that the Facilities Fees constitute a charge imposed for the provision of services and facilities to the subject property, in accordance with the relevant statutory authority. The Facilities Fees Resolution also states that a lien resulting from the nonpayment when due of Facilities Fees shall be perpetual in nature (as defined by the laws of the State) with respect to the subject property and shall run with the land.

General counsel to the District will deliver an opinion to the effect that the Facilities Fees Resolution has been duly authorized, executed and delivered on behalf of the District and, based on the assumptions stated therein and a reasoned analysis of analogous case law: (i) that the Facilities Fees are in the nature of a fee permitted in Section 32-1-1001(1)(j), C.R.S., and may be pledged to the payment of the principal of and interest on the Bonds; (ii) that it is reasonable to conclude that a court would find as a matter of law that the method adopted by the District in imposing the Facilities Fee is generally a matter of legislative discretion and thus is valid and enforceable; (iii) that pursuant to Section 32-1-1001(1)(j), C.R.S. in its current form and content, from and after the date of issuance of the Bonds and set forth in the Facilities Fees Resolution and until paid, the Facilities Fees shall constitute a perpetual lien on and against the property served, and any such lien may be foreclosed in the same manner as provided by the laws of the State for the foreclosure of mechanic’s liens; (iv) that it is reasonable to conclude that in the event of a challenge a court would find that such perpetual lien, under existing case law, would have priority over other encumbrances on the property whether arising before or after the date of issuance of the Bonds, except for liens for taxes, assessments and other governmental rates, fees, tolls and charges; and (v) that no election under the constitution or other laws of the State is required to impose the Facilities Fees. Such opinion of general counsel will state that it is made on certain assumptions stated therein, including the following (which assumptions are based on such firm’s analysis of applicable law, review of the minutes of meetings of the Board and in reliance on representations of the District): (a) the Facilities Fees are reasonably designed to defray the cost of the services and facilities to be provided by the District; (b) the amount of the Facilities Fees is reasonably related to the overall cost of the services and facilities to be provided by the District; (c) the Facilities Fees are reasonably related to the District’s interest in expanding its services and facilities to serve development; and (d) the Facilities Fees are fairly calculated and reasonably based. Such opinion of general counsel will further state that they have not made any independent evaluation of the methodology or assumptions addressed by the Facilities Fees Resolution, and have not made any independent inquiry to verify the accuracy of such factual information reviewed by the District and which formed the basis for the adoption of the Facilities Fees Resolution.

The enforceability of fees in the nature of the Facilities Fees and the corresponding remedies described above are judicially untested. There is no assurance that the Facilities Fees would be characterized by a court of competent jurisdiction as a charge imposed for the provision of services and facilities (and, consequently, a statutorily authorized fee), nor can there be any assurance that a court would rule in favor of the enforceability of the Facilities Fees Resolution, the imposition of the Facilities Fees, or the statutory lien relating thereto.

Risk of Internal Revenue Service Audit

The Internal Revenue Service (the “Service”) implements a program of auditing tax-exempt bonds which can include those issued by special purpose governmental units, such as the District, for the purpose of determining whether the Service agrees (a) with the determination of bond counsel that interest on the Bonds is tax-exempt for federal income tax purposes or (b) that the District is in or remains in compliance with Service regulations and rulings applicable to governmental bonds such as the Bonds. The commencement of an audit of the Bonds could adversely affect the market value and liquidity of the Bonds, regardless of the final outcome. An adverse determination by the Service with respect to the tax-exempt status of interest on the Bonds could be expected to adversely impact the secondary market, if any, for the Bonds, and, if a secondary market exists, would also be expected to adversely impact the price at which the Bonds can be sold. The Indenture does not provide for any adjustment to the interest rates borne by the Bonds in the event of a change in the tax-exempt status of the Bonds. Owners of the Bonds should note that, if the Service audits the Bonds, under current audit procedures the Service will treat the District as the taxpayer during the initial stage of the audit, and the owners of the Bonds will have limited rights to participate in such procedures. There can be no assurance that the District will have revenues available to contest an adverse determination by the Service. No transaction participant, including none of the District, general counsel to the District, Bond Counsel, the Underwriter, nor counsel to the underwriter is obligated to pay or reimburse the owner of any Bond for audit or litigation costs in connection with any legal action, by the Service or otherwise, relating to the Bonds.

There can be no assurance that an audit by the Service of the Bonds will not be commenced. However, the District has no reason to believe that any such audit will be commenced, or that if commenced, an audit would result in a conclusion of noncompliance with any applicable Service position, regulation or ruling. No rulings have been or will be sought from the Service with respect to any federal tax matters relating to the issuance, purchase, ownership, receipt or accrual of interest upon, or disposition of the Bonds. See also “TAX MATTERS” herein.

Potential Conflicts of Interest

Several members of the Board of Directors of the District is either an employee or consultant of the Developer. See “THE DISTRICT – Governing Board” and “– Conflicts of Interest.” The issuance of the Bonds and the application of the proceeds therefrom, as well as other activities of the District, may involve conflicts of interest. By statute, a director must disqualify himself or herself from voting on any issue in which he or she has a conflict of interest unless he or she has disclosed such conflict of interest in a certificate filed with the Secretary of State and the Board of Directors of the District at least 72 hours in advance of any meeting in which such conflict may arise and if his or her participation is necessary to obtain a quorum or otherwise enable to the body to act. However, compliance with such statute does not provide absolute certainty that contracts between the District and persons related to its Directors, such as the Developer, will not be subject to defenses or challenge on the basis of alleged conflicts. It is

expected that the interested members of the Board will comply with the statute by making advance disclosure of their conflicts.

Competition With Other Developments

The Developer competes with other developments in the area, including some which are in near proximity to the District. See “THE DEVELOPMENT – Competition.” The impact of this competition on future development within the District cannot be assessed at the present time because future demand cannot be predicted with accuracy and the factors influencing the success of each development are speculative.

Legal Constraints on District Operations

The District is formed pursuant to statute and exercises only limited powers. Various Colorado laws and constitutional provisions govern the assessment and collection of general ad valorem property taxes, limit revenues and spending of the State and local governments, and limit rates, fees and charges imposed by such entities, including the District. There can be no assurance that the application of such provisions, or the adoption of new provisions, will not have a material adverse effect on the affairs of the District. See “LEGAL MATTERS – Certain Constitutional Limitations.”

Limitations on Remedies Available to Owners of Bonds

No Acceleration. Under the Indenture, there is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal or interest on the Bonds. Consequently, remedies available to the owners of the Bonds under the Indenture may have to be enforced from year to year.

Bankruptcy, Federal Lien Power and Police Power. The enforceability of the rights and remedies of the owners of the Bonds and the obligations incurred by the District in issuing the Bonds may be subject to the federal bankruptcy code (unless limited as described below), and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; the power of the federal government to impose liens in certain situations, which could result in a lien on the Pledged Revenue which is superior to the lien thereon of the applicable series of Bonds and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings (if available) or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The Special District Act provides that Colorado special districts may not seek protection under the federal bankruptcy code unless the special district is unable to discharge its obligations as they become due by means of a mill levy of not less than 100 mills. The Required

Mill Levy consists of a limited mill levy of the District. The Indenture only requires that the District levy the Required Mill Levy (which is defined as, generally, 55 mills, subject to adjustment). The District is presently levying 51.211 mills for debt service and 4.453 mills for operations. If the District's mill levy for all purposes exceeds 100 mills, bankruptcy protection may be available to the District. Bankruptcy protection may also be available to the District if the District's operational mill levy ever exceeds the difference between 100 mills and the Required Mill Levy, if the District ever issues unlimited mill levy general obligation bonds in the future, or due to other unforeseen circumstances.

Future Changes in Law

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

Changes in Federal and State Tax Law

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

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

USES OF PROCEEDS

General Description

Proceeds of the Bonds will be used to: (i) refund the District's outstanding General Obligation Limited Tax Refunding Bonds, Series 2017 (the "Refunded Bonds"), (ii) finance public improvements related to the Development; (iii) fund a deposit to the Reserve Fund; and (iv) pay other costs in connection with the issuance of the Bonds. See "USES OF PROCEEDS."

Sources and Uses of Funds

The sources and uses of funds for the Bonds are anticipated to be as follows:

Sources and Uses of Funds

Sources:

Bond Proceeds

Funds on hand with respect to Refunded Bonds

TOTAL

Uses:

Project Fund Deposit:

Deposit to Escrow for Refunded Bonds

Deposit to Reserve Fund

Costs of issuance, underwriting discount (see
"UNDERWRITING") and contingency

TOTAL

Source: The Underwriter.

THE BONDS

General Description

The Bonds are limited tax general obligations of the District payable from the Pledged Revenue as provided in the Indenture. The maturity date and interest rate for the Bonds are set forth on the cover page hereof. For a complete statement of the details and conditions of the Bond issue, reference is made to the Indenture, copies of which are available from the Underwriter prior to delivery of the Bonds. Portions of the Indenture are described in "THE BONDS," "SECURITY FOR THE BONDS" and Appendix C – Summary of Certain Provisions from the Indenture. Capitalized terms not otherwise defined below are defined in Appendix C. The Bonds are being issued in "Authorized Denominations," defined in the Indenture to mean the amount of \$5,000 or any integral multiple thereof.

Payment of Principal and Interest; Record Date

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

Interest payments shall be paid by check or draft of the Trustee mailed on or before the interest payment date to the Owners. The Trustee may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the Owner of such Bond and the Trustee; provided that the District shall not be required to make funds available to the Trustee prior to the dates on which such interest would otherwise be payable under the Indenture, nor to incur any expenses in connection with such alternative means of payment.

Notwithstanding anything in the Indenture to the contrary, all of the Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on December 2, 2060, being the date on which no further payments will be due on the Bonds, regardless of the amount of principal and interest paid prior to that date (the "Termination Date"), regardless of the amount of principal and interest paid prior to the Termination Date; provided however, that the

foregoing shall not relieve the District of the obligation to impose the Required Mill Levy each year prior to the year in which the Termination Date occurs and apply the Pledged Revenue in the manner required in the Indenture prior to the Termination Date.

To the extent principal of any Bond is not paid when due, such principal shall remain Outstanding until the earlier of its payment or the Termination Date and shall continue to bear interest at the rate then borne by the Bond. To the extent interest on any Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Bond; provided however, that notwithstanding anything in the Indenture to the contrary, the District shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Bonds, including all payments of principal, premium if any, and interest, and all Bonds will be deemed defeased and no longer Outstanding upon the payment by the District of such amount.

The Indenture provides that the Trustee shall perform the functions of paying agent and authenticating registrar with respect to the Bonds. In addition, the principal of, premium if any, and interest on the Bonds shall be paid in accordance with the terms of the Letter of Representations with DTC. See “Book-Entry Only System” below.

Prior Redemption

Optional Redemption. The optional redemption provisions of the Indenture will be provided in the final Official Statement.

Mandatory Sinking Fund Redemption. The Bonds maturing on [December 1, 20__][§] also are subject to mandatory sinking fund redemption prior to the maturity date of such Bonds, in part, by lot, upon payment of par and accrued interest, without redemption premium, on December 1 in the years and amounts set forth below:

[§] Preliminary, subject to change.

<u>Year of Redemption (December 1)</u>	<u>Redemption Amount*</u>
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* final maturity, not a sinking fund redemption

With respect to each maturity of the Bonds subject to mandatory sinking fund redemption, on or before forty-five days prior to each sinking fund installment date for such maturity as set forth above, the Trustee shall select for redemption, by lot in such manner as the Trustee may determine, from the Outstanding Bonds of that maturity, a principal amount of such Bonds equal to the applicable sinking fund installment. The amount of the applicable sinking fund installment for any particular date and maturity may be reduced by the principal amount of any Bonds of that maturity which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled and not theretofore applied as a credit against a sinking fund installment. Such reductions, if any, shall be applied in such year or years as may be determined by the District.

Redemption Procedure and Notice. If less than all of the Bonds within a maturity are to be redeemed on any prior redemption date, the Bonds to be redeemed shall be selected by lot prior to the date fixed for redemption, in such manner as the Trustee shall determine. The Bonds shall be redeemed only in integral multiples of \$5,000. In the event a Bond is of a

denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in the principal amount of \$5,000 or any integral multiple thereof. Such Bond shall be treated for the purpose of redemption as that number of Bonds which results from dividing the principal amount of such Bond by \$5,000. In the event a portion of any Bond is redeemed, the Trustee shall, without charge to the Owner of such Bond, authenticate and deliver a replacement Bond or Bonds for the unredeemed portion thereof.

In the event any of the Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the Bonds or portions thereof to be redeemed will be given by the Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid), not less than thirty (30) days prior to the date fixed for redemption, to the Owner of each Bond to be redeemed in whole or in part at the address shown on the registration books maintained by or on behalf of the District by the Trustee. Failure to give such notice by mailing to any Owner, or any defect therein, shall not affect the validity of any proceeding for the redemption of other Bonds as to which no such failure or defect exists. The redemption of the Bonds may be contingent or subject to such conditions as may be specified in the notice, and if funds for the redemption are not irrevocably deposited with the Trustee or otherwise placed in escrow and in trust prior to the giving of notice of redemption, the notice shall be specifically subject to the deposit of funds by the District. All Bonds so called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

Funds and Accounts

The Indenture creates and establishes the following funds and accounts, which shall be established with the Trustee and maintained by the Trustee in accordance with the provisions of the Indenture: (a) the Project Fund; (b) the Bond Fund; (c) the Reserve Fund; and (d) the Mill Levy Stabilization Fund.

There is also established in the Indenture the Escrow Account, to be maintained by the Escrow Bank in accordance with the provisions of the Bond Resolution and Escrow Agreement.

Project Fund.

In General. So long as no Event of Default shall have occurred and be continuing, the Trustee will disburse funds from the Project Fund in accordance with requisitions in substantially the form set forth in the Indenture, signed by the District Representative or the President or Vice President of the District. The Trustee may rely conclusively upon any such requisition received and shall have no obligation to make an independent investigation in connection therewith.

Termination of Project Fund. Upon the receipt by the Trustee of a resolution of the District determining that all Project Costs have been paid, any balance remaining in the Project Fund shall be credited to the Bond Fund. In addition, upon the Trustee's receipt of written notice of the District's determination that the funds in the Project Fund exceed the amount necessary to pay all Project Costs, such excess amount shall be credited to the Bond

Fund in the amounts determined by the District. The Project Fund shall terminate at such time as no further moneys remain therein.

Event of Default. - Upon the occurrence and continuance of an Event of Default, the Trustee will cease disbursing moneys from the Project Fund, but instead shall apply such moneys in the manner provided by the Indenture with respect to Events of Default.

Reserve Fund. Subject to the receipt of sufficient Pledged Revenue, the Reserve Fund shall be maintained in the amount of [_____] ** (the “Required Reserve”) as provided in the Indenture for so long as any Bond is Outstanding. It is acknowledged by the District that (i) the law places certain restrictions upon the use of Bond proceeds and debt service mill levies which may be credited to the Reserve Fund, and (ii) the use of moneys released from the Reserve Fund shall be subject to any pledges, liens, or other encumbrances thereon, including without limitation any pledge, lien, or encumbrance created under the terms of any other Parity Bonds or Subordinate Bonds.

Moneys in the Reserve Fund shall be used by the Trustee, if necessary, only to prevent a default in the payment of the principal of, premium if any, or interest on the Bonds, and the Reserve Fund is hereby pledged to the payment of the Bonds. In the event the amounts credited to the Bond Fund and the Mill Levy Stabilization Fund are insufficient to pay the principal of, premium if any, or interest on the Bonds when due, the Trustee shall transfer from the Reserve Fund to the Bond Fund an amount which, when combined with moneys in the Bond Fund and the Mill Levy Stabilization Fund, will be sufficient to make such payments when due. In the event that moneys in the Bond Fund, the Mill Levy Stabilization Fund, and the Reserve Fund are together insufficient to make such payments when due, the Trustee will nonetheless transfer all moneys in the Reserve Fund to the Bond Fund. Moneys in the Mill Levy Stabilization Fund shall be used for payment of the Bonds prior to any use of moneys in the Reserve Fund.

If at any time the Reserve Fund is drawn upon or valued so that the amount of the Reserve Fund is less than the Required Reserve, then the Trustee shall apply Pledged Revenue to the credit of the Reserve Fund in amounts sufficient to bring the amount credited to the Reserve Fund to the Required Reserve. Such credits shall be made at the earliest practicable time, but in accordance with and subject to the limitations of the section below entitled “Flow of Funds”. Nothing in the Indenture shall be construed as requiring the District to impose an ad valorem mill levy for the purpose of funding the Reserve Fund in excess of the Required Mill Levy. For purposes of this section, investments credited to the Reserve Fund shall be valued on the basis of their current market value, as reasonably determined by the District, which value shall be determined at least annually, and any deficiency resulting from such evaluation shall be replenished as aforesaid. The amount credited to the Reserve Fund shall never exceed the amount of the Required Reserve.

Notwithstanding the foregoing, in lieu of all or any portion of the moneys required to be credited to the Reserve Fund under the Indenture, the District may at any time or from time to time deposit or pledge to the Reserve Fund a Reserve Fund Guaranty or multiple such guaranties in or to the Reserve Fund, in full or partial satisfaction of the Required Reserve.

** Preliminary, subject to change.

From and after the issuance of any Reserve Fund Guaranty: (i) the amounts available under any Reserve Fund Guaranty shall be used (in addition to the amount of any cash or the original cost of investments credited thereto) in calculating the amount available in the Reserve Fund; (ii) the District may transfer moneys from the Reserve Fund to any other fund or account of the District to be used for any lawful purpose of the District, so long as the Required Reserve is maintained; and (iii) moneys credited to the Reserve Fund pursuant to the section below entitled “Flow of Funds” may be used for the purpose of paying amounts due in connection with such Reserve Fund Guaranty, as determined by the District.

Mill Levy Stabilization Fund. Subject to the receipt of sufficient Pledged Revenue, the Mill Levy Stabilization Fund shall be maintained as provided in the Indenture until the first date on which all of the following conditions are met: (a) the ratio derived by dividing the then-outstanding principal amount of all general obligation debt of the District by the assessed valuation of the taxable property of the District, as such assessed valuation is certified from time to time by the appropriate county assessor (the “Debt to Assessed Ratio”) is 50% or less; and (b) no amounts of principal or interest on the Bonds are due but unpaid (the “Mill Levy Stabilization Fund Conversion Date”), after which the Mill Levy Stabilization Fund shall be terminated and any moneys therein remitted to the District for application to any lawful purpose of the District. It is acknowledged by the District that (i) the law places certain restrictions upon the use of Bond proceeds and debt service mill levies which may be credited to the Mill Levy Stabilization Fund, and (ii) the use of moneys released from the Mill Levy Stabilization Fund shall be subject to any pledges, liens, or other encumbrances thereon, including without limitation any pledge, lien, or encumbrance created under the terms of any other Parity Bonds or Subordinate Bonds.

The Mill Levy Stabilization Fund shall be funded solely from deposits of Pledged Revenue as follows: subject to the receipt of sufficient Pledged Revenue, the Mill Levy Stabilization Fund shall be funded from deposits of Pledged Revenue as provided in the Section hereof entitled “Flow of Funds”, and except to the extent Pledged Revenue is available under such Section, the District has no obligation to fund the Mill Levy Stabilization Fund after issuance of the Bonds in any amount. For purposes of this Section, investments credited to the Mill Levy Stabilization Fund shall be valued on the basis of their current market value, as reasonably determined by the District, which value shall be determined at least annually.

Moneys in the Mill Levy Stabilization Fund, if any, shall be used solely for the purpose of paying the principal of, premium if any, or interest on the Bonds. The District may transfer amounts in the Mill Levy Stabilization Fund to the Bond Fund at such time or times and in such amounts as it may determine, and it is specifically acknowledged that the District may use amounts in the Mill Levy Stabilization Fund to reduce the Required Mill Levy otherwise necessary to pay the Bonds in accordance with the “Required Mill Levy” definition in the Indenture.

In the event the amounts credited to the Bond Fund are insufficient to pay the principal of, premium if any, or interest on the Bonds when due, the Trustee shall transfer from the Mill Levy Stabilization Fund to the Bond Fund an amount which, when combined with moneys in the Bond Fund, will be sufficient to make such payments when due; and in the event

the amounts in the Bond Fund and the Mill Levy Stabilization Fund are insufficient to pay all principal, premium if any, and interest on any due date, the Trustee shall nonetheless transfer all of the moneys in the Mill Levy Stabilization Fund to the Bond Fund. Amounts in the Mill Levy Stabilization Fund (i) shall be used for payment of the Bonds before any use of moneys in the Reserve Fund, and (ii) shall not be used to redeem Bonds being called pursuant to any optional redemption provisions of the Indenture unless such redemption is of all Outstanding Bonds, but shall be used to pay Bonds coming due as a result of any mandatory redemption provisions of the Indenture.

Notwithstanding the foregoing, Permitted Refunding Bonds issued to partially refund the Bonds may be secured by the Mill Levy Stabilization Fund in the same fashion as the Bonds remaining Outstanding after issuance of such Permitted Refunding Bonds, and if so secured, such Permitted Refunding Bonds shall have a claim upon the Mill Levy Stabilization Fund which ranks *pari passu* with the claim of the Bonds remaining Outstanding after issuance of such Permitted Refunding Bonds.

Bond Fund. Subject to the receipt of sufficient Pledged Revenue, there shall be credited to the Bond Fund each Bond Year an amount of Pledged Revenue which, when combined with other legally available moneys in the Bond Fund (including amounts credited thereto from other funds pursuant to the terms of the Indenture from the Mill Levy Stabilization Fund, if any), will be sufficient to pay the principal of, premium if any, and interest on the Bonds which has or will become due in the Bond Year in which the credit is made.

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

- (i) First, to the payment of interest due in connection with the Bonds (including without limitation current interest, accrued but unpaid interest, and interest due as a result of compounding, if any); and
- (ii) Second, to the extent any moneys are remaining in the Bond Fund after the payment of such interest, to the payment of the principal of and premium, if any, on the Bonds, whether due at maturity or upon prior redemption.

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

- (i) First, the Trustee shall pay such amounts as are available, proportionally in accordance with the amount of interest due on each Bond.
- (ii) Second, the Trustee shall apply any remaining amounts to the payment of the principal of and premium, if any, on as many Bonds as can be paid with such remaining amounts, such payments to be in increments of \$5,000 or any integral multiple thereof, plus any

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

Book-Entry Only System

The Bonds will be available only in book-entry form in the principal amount of \$5,000 any integral multiple in excess thereof. DTC will act as the initial securities depository for the Bonds. The ownership of one fully registered Bond for each maturity, as set forth on the cover page of this Official Statement, in the aggregate principal amount of such maturity coming due thereon, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix B – Book-Entry Only System.

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

Neither the District nor the Trustee will have any responsibility or obligation to DTC's Direct Participants or Indirect Participants (defined herein), or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, the Indirect Participants or the beneficial owners of the Bonds as further described in Appendix B to this Official Statement.

SECURITY FOR THE BONDS

Limited Tax General Obligations

The Bonds constitute limited tax general obligations of the District, convertible to unlimited tax general obligations of the District, as provided in the Indenture. All of the Bonds, together with the interest thereon and any premium due in connection therewith, are payable solely from and to the extent of the Pledged Revenue, including all moneys and earnings thereon held in the funds and accounts created in the Indenture, and the Pledged Revenue is pledged to the payment of the Bonds. *The Bonds are not obligations of the Town, the County or the State.*

The Bonds constitute an irrevocable lien upon the Pledged Revenue, but not necessarily an exclusive such lien. The Bonds are secured by a lien on the Pledged Revenue on parity with the lien thereon of any Parity Bonds issued in the future. See “INVESTMENT FACTORS – Limited Security for the Bonds,” and “– Risks Related to Property Tax Revenues.”

The Bonds are not secured directly by any lien on property located within the District; rather they are secured by the District’s covenant to certify to the Board of County Commissioners the Required Mill Levy and other components of the Pledged Revenue. The Required Mill Levy creates a statutory tax lien which may be enforced to the extent that taxes are delinquent in a given year.

Pledged Revenue

The Indenture defines “Pledged Revenue” to mean the moneys derived by the District from the following sources: (1) the Required Mill Levy; (2) the Capital Fees; (3) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; and (4) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

Required Mill Levy

General. “Required Mill Levy” shall have the following meaning, net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County:

(a) Subject to the final paragraph of this definition, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount, when combined with moneys in the Bond Fund, the Mill Levy Stabilization Fund, and other legally available moneys then held by the District, sufficient to fund the Bond Fund for the relevant Bond Year and pay the Bonds as they come due, and if necessary, an amount sufficient to replenish the Reserve Fund to the amount of the Required Reserve, but (i) not in excess of 55 mills, and (ii) for so long as the Mill Levy Stabilization Fund is less than the Minimum Mill Levy Stabilization Fund Amount, not less than 35.603 mills, or such lesser mill levy which will fund the Bond Fund for the relevant Bond Year and pay the Bonds as they come due, will replenish the Reserve Fund to the amount of the Required Reserve, and will fund the Mill Levy Stabilization Fund up to the Minimum Mill Levy Stabilization Fund Amount; provided however, that if there are changes in the method of calculating assessed valuation or

any constitutionally mandated tax credit, cut or abatement after January 9, 2001, the minimum and maximum mill levies provided in the Indenture shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

Based upon changes to the method of calculating assessed valuation since January 9, 2001, the District calculates 55 mills and 35.603 mills listed above are now equal to 48.499 and 74.923, respectively.

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

Covenant to Impose Required Mill Levy.

(a) For the purpose of paying the principal of, premium if any, and interest on the Bonds, funding the Mill Levy Stabilization Fund, and if necessary funding the Reserve Fund, the District covenants to cause to be levied on all of the taxable property of the District, in addition to all other taxes, direct annual taxes in each of the years [20__ to 20__, inclusive (and, to the extent necessary to make up any overdue payments on the Bonds, in each year subsequent to ____)] in the amount of the Required Mill Levy. Nothing in the Indenture shall be construed to require the District to levy an ad valorem property tax in an amount in excess of the Required Mill Levy.

(b) The foregoing provisions of the Indenture are declared to be the certificate of the Board to the board or boards of county commissioners of each county in which taxable real or personal property of the District is located, showing the aggregate amount of taxes to be levied from time to time, as required by law, for the purposes aforesaid.

(c) The amounts necessary to pay all costs and expenses incidental to the issuance of the Bonds and to pay the principal of, premium if any, and interest on the Bonds when due are appropriated for said purposes, and such amounts as appropriate for each year shall also be included in the annual budget and the appropriation bills to be adopted and passed by the Board in each year, respectively, until the Bonds have been fully paid, satisfied, and discharged.

(d) It shall be the duty of the Board, annually, at the time and in the manner provided by law for levying other District taxes, to ratify and carry out the provisions hereof with reference to the levying and collection of taxes; and the Board shall levy, certify, and collect said taxes in the manner provided by law for the purposes aforesaid.

(e) Said taxes shall be levied, assessed, collected, and enforced at the time and in the form and manner and with like interest and penalties as other general taxes in the State of Colorado, and when collected said taxes shall be paid to the District as provided by law. The Board shall take all necessary and proper steps to enforce promptly the payment of taxes levied pursuant to the Indenture.

Capital Fees

“Capital Fees” are defined in the Indenture as all fees, rates, tolls, penalties, and charges of a capital nature (excluding periodic, recurring service charges) imposed by the District or any District-owned “enterprise” under Article X, Section 20 of the Colorado Constitution, for services, programs, or facilities furnished by the District, whether now in effect or imposed in the future, including particularly and without limitation, the Facilities Fees (discussed below); and including the revenue derived from any action to enforce the collection of Capital Fees, and the revenue derived from the sale or other disposition of property acquired by the District from any action to enforce the collection of Capital Fees.

Pursuant to a Resolution Regarding the Imposition of Facilities Fees as adopted by the District on March 5, 2015 (the “Facilities Fees Resolution”), the District imposes the “Facilities Fees” in the amount of: (i) \$4,000 per Type I residential unit, which includes single-family detached residences, single-family attached residences, townhomes and patio homes; and (ii) \$1,500 per Type II residential unit, which includes apartments or other multi-family residences. The Facilities Fees are payable to the District on or before the issuance of a building permit for the subject property. Real property conveyed to and/or owned by non-profit homeowners’ associations is exempt from the Facilities Fee. In addition, Facilities Fees are not to be collected from any property within the District that is to be developed for non-residential purposes, such as the streets and roadways, clubhouse, commercial development, and similar non-residential property, and shall not be imposed on real properties conveyed to and/or owned by a nonprofit homeowners association. *Pursuant to the Indenture, only the first \$500,000 of Facilities Fees collected since June 1, 2020, are pledged to the payment of the Bonds.*

Failure to make payment of the Facilities Fees when due shall constitute a default in the payment of such Facilities Fee. Upon default, interest shall accrue on any outstanding Facilities Fee at the rate of 12% per annum, and the District shall be entitled to institute such remedies and collection proceedings as may be authorized under state law, including but not limited to foreclosure of its perpetual lien.

Until paid in full, the Facilities Fees constitute a perpetual lien against the property served or to be served by improvements provided by the District as provided in Section 32-1-1001(1)(j)(1), C.R.S. The Facilities Fees Resolution states that all such liens shall be in a senior position as against all other liens of record affecting the property served or benefitted, or to be served or benefitted by improvements of the District and shall run with the property and remain in effect as to any portion of such property as to which the approximate fee has not yet been paid. Such lien may be foreclosed in any manner permitted by law. The District covenants in the Facilities Fees Resolution that, in the event that the lien imposed thereby is purported to be extinguished as the result of any foreclosure proceeding, the District will reassert such lien as a

perpetual lien until paid, as authorized pursuant to Section 32-1-1001(1)(j)(I), C.R.S. See also “INVESTMENT FACTORS—Enforceability of Facilities Fees.”

PILOT

“PILOT” is defined in the Indenture as an agreement or other arrangement which provides for a tax equivalency payment or similar payment in lieu of taxes against any property which would be subject to the Required Mill Levy but for the fact that it is classified by the county assessor as exempt from ad valorem property taxation, which agreement or other arrangement complies with the requirements set forth in Treasury Regulation §1.141-4(e)(5). No such agreement has been entered into or recorded against property in the District. Furthermore, due to the nature of the development planned within the District (all residential units), it is not anticipated that PILOT will be generated from property within the District; however, any PILOT so generated resulting from the Required Mill Levy is required to be applied to the payment of the Bonds as provided in the Indenture.

Specific Ownership Tax

Definitions in the Indenture. “Specific Ownership Tax” is defined in the Indenture as the specific ownership tax which is collected by the county and remitted to the District pursuant to §42-3-107, C.R.S., or any successor statute.

The Specific Ownership Tax System in Colorado. The State Constitution requires the General Assembly to enact laws classifying motor vehicles and requiring payment of a graduated annual specific ownership tax thereon, which tax is to be in lieu of ad valorem property taxes on motor vehicles. Accordingly, the State imposes such a tax (the “S.O. Tax”), which is payable at a graduated rate which varies from 2.1% of taxable value in the first year of ownership, to \$3 per year in the tenth year of ownership and thereafter. The S.O. Tax is collected by each county clerk and recorder at the time of motor vehicle registration. Most S.O. Tax revenues (including revenues received from owners of passenger cars and trucks, which constitute the majority of S.O. Tax revenues) are paid directly to the county treasurer of the county in which the revenues are collected. S.O. Tax revenues on certain types of vehicles are paid by the counties to the State and are then distributed back to the counties in the proportion that the mileage of the State highway system located within the boundaries of each county bears to the total mileage of the State highway system.

Each county apportions its S.O. Tax revenue to each political subdivision in the county in the proportion that the amount of ad valorem property taxes levied by the political subdivision in the previous year bears to the total amount of ad valorem property taxes levied by all political subdivisions in the county in the previous year. Based upon these percentages, each county then distributes S.O. Tax revenue to each political subdivision on the tenth day of each month. The S.O. Tax received by the District from the Required Mill Levy is pledged to the Bonds. The amount of Specific Ownership Tax which is received by the District depends in part upon the amount of the Required Mill Levy. S.O. Tax received by the District from the operation and maintenance mill levy will be used to pay operations and maintenance and is not pledged to the Bonds. Furthermore, the amount of S.O. Tax revenue which will be received by the District

in the future can be expected to fluctuate as the number of new car and truck registrations fluctuates.

The District is not in control of the imposition, collection or distribution of the S.O. Tax, and therefore cannot assure any future amounts of Specific Ownership Tax.

Flow of Funds

Pursuant to the Indenture, the District shall transfer all amounts comprising Pledged Revenue to the Trustee as soon as may be practicable after the receipt thereof, and in no event later than the 15th day of the calendar month immediately succeeding the calendar month in which such revenue is received by the District; provided, however, that in the event that the total amount of Pledged Revenue received by the District in a calendar month is less than \$50,000, the Pledged Revenue received during such calendar month may instead be remitted to the Trustee no later than the 15th day of the calendar month immediately succeeding the calendar quarter in which such revenue is received by the District (i.e., no later than April 15th for Pledged Revenue received in January, February or March, no later than July 15th for Pledged Revenue received in April, May or June, no later than October 15th for Pledged Revenue received in July, August or September, and no later than January 15th for Pledged Revenue received in October, November or December). In addition, in order to assure the proper application of moneys constituting Pledged Revenue, on and after the date of issuance of any Additional Bonds, the District shall also transfer to the Trustee all moneys pledged to the payment of such Additional Bonds which are derived from ad valorem taxes of the District, Specific Ownership Taxes, or Capital Fees, and any such moneys shall constitute part of the Trust Estate. IN NO EVENT IS THE DISTRICT PERMITTED TO APPLY ANY PORTION OF THE PLEDGED REVENUE TO ANY OTHER PURPOSE, OR TO WITHHOLD ANY PORTION OF THE PLEDGED REVENUE. To the extent permitted by law, the Trustee shall apply the Pledged Revenue and such other moneys in the following order of priority. For purposes of the following: (i) the priorities established below are intended to create a tiered “waterfall” structure in which no Pledged Revenue flows to a lower priority until all of the higher priorities have been fully funded as provided in the Indenture; (ii) when credits to more than one fund, account, or purpose are required at any single priority level, such credits shall rank *pari passu* with each other, and (iii) when credits are required to go to funds or accounts which are not held by the Trustee under the Indenture, the Trustee may rely upon the written instructions of the District with respect to the appropriate funds or accounts to which such credits are to be made.

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

SECOND: To the credit of the Bond Fund the amounts required by the section above entitled “Bond Fund”, and to the credit of any other similar fund or account established for the current payment of the principal of, premium if any, and interest on any other Parity Bonds, the amounts required by the documents pursuant to which the Parity Bonds are issued;

THIRD: For so long as the Reserve Fund has not been terminated, to the credit of the Reserve Fund, the amounts required by the section above entitled “Reserve Fund”,

and to the credit of any reserve fund or similar fund or account established in connection with any other Parity Bonds to secure the payment of the principal of, premium if any, and interest on such Parity Bonds and fully funded as of the date of issuance of such Parity Bonds, the amounts required by the documents pursuant to which such other Parity Bonds are issued;

FOURTH: For so long as the Mill Levy Stabilization Fund has not been terminated, to the credit of the Mill Levy Stabilization Fund the amounts required by the section above entitled “Mill Levy Stabilization Fund”, and to the credit of any other similar Mill Levy Stabilization Fund or account established in connection with any other Parity Bonds to secure payment of the principal of, premium if any, and interest on such Parity Bonds but not fully funded as of the date of issuance of such Parity Bonds, the amounts required by the documents pursuant to which such other Parity Bonds are issued;

FIFTH: To the credit of any other fund or account established for the payment of the principal of, premium if any, and interest on Subordinate Bonds, including any sinking fund, reserve fund, or similar fund or account established therefor, the amounts required by the documents pursuant to which the Subordinate Bonds are issued;

SIXTH: To the credit of any other fund or account as may be designated by the District, to be used for any lawful purpose, any Pledged Revenue remaining after the payments and accumulations set forth above.

Additional Bonds under the Indenture

In General. After issuance of the Bonds, no Additional Bonds may be issued except in accordance with the provisions of this Section. Nothing in the Indenture shall affect or restrict the right of the District to issue or incur obligations which are not Additional Bonds under the Indenture; provided that notwithstanding the foregoing or anything in the Indenture to the contrary, the District shall not create, incur, assume, or suffer to exist any liens upon the ad valorem tax revenues of the District or the Pledged Revenue or any part thereof superior to the lien thereon of the Bonds.

Permitted Refunding Bonds. The District may issue Permitted Refunding Bonds at such time or times and in such amounts as may be determined by the District in its absolute discretion without compliance with any of the other terms and conditions of this section.

The Indenture defines “Permitted Refunding Bonds” as Parity Bonds issued for refunding or refinancing purposes, so long as each of the following conditions are met:

(a) Such refunding obligations are issued solely for the purpose of paying the costs of refunding all or any part of any obligation of the District which constitutes a lien upon the ad valorem tax revenues of the District or the Pledged Revenue or any part thereof, which costs may include amounts sufficient to pay all expenses in connection with such refunding or refinancing, to fund reserve funds, sinking funds, and similar funds, and to pay the costs of letters of credit, credit facilities, interest rate exchange agreements, bond insurance, or other financial products pertaining to such refunding or refinancing.

(b) Such refunding obligations do not increase the District's debt service in any year in which both the refunding obligations and any Bonds are outstanding.

(c) If additional or increased reserve funds, mill levy stabilization funds, sinking funds, or other similar funds or accounts are created in connection with such refunding obligations, the Bonds shall also be secured by such additional or increased funds or accounts on a *pari passu* basis. It is the intent of the Indenture that refunding obligations issued pursuant to this definition to partially refund the Bonds may be secured by the Reserve Fund and the Mill Levy Stabilization Fund in the same fashion as the Bonds, as provided in the sections above entitled "Reserve Fund" and "Mill Levy Stabilization Fund".

(d) Such refunding obligations are payable on the same day or days of the calendar year as the Bonds, and are not subject to acceleration.

(e) The ad valorem mill levy pledged to the payment of the refunding obligations is not higher than and is subject to the same deductions and adjustments as the ad valorem mill levy pledged to the payment of the Bonds.

(f) The remedies for defaults under such refunding obligations are substantially the same as the remedies applicable to the Bonds.

(c) Parity Bonds. The District may issue additional Parity Bonds if such issuance is consented to by the Consent Parties with respect to 100% in aggregate principal amount of the Bonds then Outstanding, provided that, with or without such consent, the District may issue additional Parity Bonds if each of the following conditions are met as of the date of issuance of such additional Parity Bonds:

(i) No Event of Default has occurred and is continuing and no amounts of principal or interest on the Bonds or any other Parity Bonds are due but unpaid.

(ii) The amount of the Reserve Fund is not less than the Required Reserve.

(iii) Upon issuance of the additional Parity Bonds, the Debt to Assessed Ratio of the District will be 50% or less.

Subordinate Bonds. The District may issue Subordinate Bonds if such issuance is consented to by the Consent Parties with respect to a majority in aggregate principal amount of the Bonds then Outstanding, provided that, with or without such consent, the District may issue Subordinate Bonds if each of the following conditions are met as of the date of issuance of such Subordinate Bonds:

(i) The maximum mill levy which the District promises to impose for payment of the Subordinate Bonds is not higher than the maximum Required Mill Levy as determined under paragraph (a) of the definition of such term in the Indenture, less the mill levy required to be applied in connection with the Bonds, and subject to the same deductions and adjustments as the Required Mill Levy.

(ii) The Subordinate Bonds are payable as to both principal and interest on an annual basis, on a date in any calendar year which is after the final principal or interest payment date due in that calendar year on the Bonds.

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

Definition of Additional Bonds. The Indenture defines “Additional Bonds” as (1) all obligations of the District for borrowed money and reimbursement obligations, (2) all obligations of the District constituting a lien upon any ad valorem tax revenues of the District or any part of the Pledged Revenue, (3) all obligations of the District evidenced by bonds, debentures, notes, or other similar instruments, (4) all obligations of the District to pay the deferred purchase price of property or services, (5) all obligations of the District as lessee under capital leases, and (6) all obligations of others guaranteed by the District; provided that notwithstanding the foregoing, the term “Additional Bonds” does not include:

(a) obligations the repayment of which is contingent upon the District’s annual determination to appropriate moneys therefor, other than capital leases as set forth in (5) above, which obligations do not constitute a multiple-fiscal year financial obligation and do not obligate the District to impose any tax, fee, or other governmental charge;

(b) obligations which are payable solely from the proceeds of additional District obligations, when and if issued;

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

(d) obligations to reimburse any person in respect of surety bonds, financial guaranties, letters of credit, or similar credit enhancements so long as (i) such surety bonds, financial guaranties, letters of credit, or similar credit enhancements are issued as security for any bonds, notes, or other obligations of the District permitted to be issued under the Indenture, and (ii) such reimbursement obligations are payable from the same or fewer revenue sources, with the same or a subordinate lien priority, as the obligations secured by the surety bonds, financial guaranties, letters of credit, or similar credit enhancements; and

(e) any operating leases, payroll obligations, accounts payable, or taxes incurred or payable in the ordinary course of business of the District.

Additional Covenants and Agreements

In the Indenture, the District further irrevocably covenants and agrees with each and every Owner that so long as any of the Bonds remain Outstanding:

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

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

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

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

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

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

(g) The District shall use its reasonable efforts to oppose and prevent the formation within its boundaries of an urban renewal authority or other tax increment financing entity or mechanism with respect to all or any of the property within the District or property excluded from the District subsequent to the issuance of the Bonds if such formation, in the reasonable judgment of the District, would materially adversely affect the District's ability to pay the Bonds when due.

(h) The District will enforce the collection of all Capital Fees in such time and manner as the District reasonably determines will be most efficacious in collecting the same, including without limitation the bringing of an action to foreclose any statutory or contractual lien which may exist in connection therewith. The District will not (i) reduce the amount of the Facilities Fees, or (ii) amend or supplement the Facility Fee Resolution in any way which would

materially adversely affect the amount or timing of Facilities Fees to be collected, without the prior written consent of the Consent Parties with respect to a majority in aggregate principal amount of the Bonds then Outstanding; provided that nothing in the Indenture shall prevent the District from increasing the amount of the Facilities Fees.

Events of Default and Remedies

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

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

It is acknowledged that due to the limited nature of the Pledged Revenue, the failure to pay the principal of or interest on the Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. WITHOUT LIMITING THE FOREGOING, AND NOTWITHSTANDING ANY OTHER PROVISION CONTAINED IN THE INDENTURE, THE DISTRICT ACKNOWLEDGES AND AGREES THAT THE APPLICATION OF ANY PORTION OF THE PLEDGED REVENUE TO ANY PURPOSE OTHER THAN DEPOSIT WITH THE TRUSTEE IN ACCORDANCE WITH THE PROVISIONS OF THE INDENTURE CONSTITUTES A VIOLATION OF THE TERMS OF THE INDENTURE AND A BREACH OF THE COVENANTS MADE UNDER THE INDENTURE FOR THE BENEFIT OF THE OWNERS OF THE BONDS, WHICH SHALL ENTITLE THE TRUSTEE TO PURSUE, ON BEHALF OF THE OWNERS OF THE BONDS, ALL AVAILABLE ACTIONS AGAINST THE DISTRICT IN LAW OR IN EQUITY. THE DISTRICT FURTHER ACKNOWLEDGES AND AGREES THAT THE APPLICATION OF PLEDGED REVENUE IN VIOLATION OF THE COVENANTS OF THE INDENTURE WILL RESULT IN IRREPARABLE HARM TO THE OWNERS OF THE BONDS. IN NO EVENT SHALL ANY PROVISION OF THE INDENTURE BE INTERPRETED TO PERMIT THE DISTRICT TO RETAIN ANY PORTION OF THE PLEDGED REVENUE.

Remedies on Occurrence of Event of Default. Upon the occurrence and continuance of an Event of Default, the Trustee shall have the following rights and remedies which may be pursued:

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

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

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

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

If any Event of Default under clause (a) above shall have occurred and if requested by the Owners of not less than twenty-five percent in aggregate principal amount of the Bonds then Outstanding, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Owners; provided that the Trustee at its option shall be indemnified as provided in the Indenture.

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

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

Rights and Remedies of Owners. No Owner of any Bond shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust of the Indenture or for the appointment of a receiver or any other remedy under the Indenture, unless a default has occurred of which the Trustee has been notified as provided in the Indenture, or of which under the Indenture it is deemed to have notice, and

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

Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and the fees (including attorneys' fees and any other professionals hired by the Trustee under the Indenture), expenses, liabilities, and advances incurred or made by the Trustee, shall be deposited in the appropriate accounts or accounts created under the Indenture in the same manner as is provided for deposits of other revenue and used for the purposes thereof, until the principal of, premium if any, and interest on all of the Bonds has been paid in full. Whenever all of the Bonds and interest thereon have been paid under the provisions of the Indenture and all expenses and fees of the Trustee have been paid, any balance remaining in any of the funds held under the Indenture shall be paid to the District.

Trustee May Enforce Rights Without Bonds. All rights of action and claims under the Indenture or any of the Bonds Outstanding under the Indenture may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or proceedings relative thereto. Any suit or proceeding instituted by the Trustee shall be brought in its name as the Trustee, without the necessity of joining as plaintiffs or defendants any Owners of the Bonds, and any recovery of judgment shall be for the ratable benefit of the Owners of the Bonds, subject to the provisions of the Indenture.

Trustee to File Proofs of Claim in Receivership, Etc. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition, or other judicial proceedings affecting the District, the Trustee shall, to the extent permitted by law, file such proofs of claims and other documents as may be necessary or advisable in order to have claims of the Trustee and of the Owners allowed in such proceedings, without prejudice, however, to the right of any Owner to file a claim in his own behalf.

Delay or Omission No Waiver. No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein;

and every power and remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

No Waiver of One Default to Affect Another; Cumulative Remedies. No waiver of any default under the Indenture, whether by the Trustee or the Owners, shall extend to or affect any subsequent or any other then existing default or shall impair any rights or remedies consequent thereon. All rights and remedies of the Trustee and the Owners provided in the Indenture shall be cumulative and the exercise of any such right or remedy shall not affect or impair the exercise of any other right or remedy.

Discontinuance of Proceedings on Default. In case the Trustee shall have proceeded to enforce any right under the Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the District and the Trustee shall be restored to their former positions and rights under the Indenture with respect to the Trust Estate, and all rights, remedies, and powers of the Trustee shall continue as if no such proceedings had been taken.

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

Notice of Default; Opportunity to Cure Defaults.

(a) The Trustee shall give to the Owners of all Bonds notice by mailing to the address shown on the registration books maintained by the Trustee, of all Events of Default known to the Trustee (as determined pursuant to the Indenture), within ninety (90) days after the occurrence of such Event of Default unless such Event of Default shall have been cured before the giving of such notice; provided that, the Trustee shall be protected in withholding such notice if and so long as a committee of its corporate trust department in good faith determines that the withholding of such notice is not detrimental to the interests of the Owners.

(b) No default under clause (b) above shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given by the Trustee or by the Owners of not less than twenty-five percent in aggregate principal amount of all Bonds Outstanding to the District, and the District shall have had thirty days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute

an Event of Default if corrective action is instituted within the applicable period and diligently pursued thereafter until the default is corrected.

Supplemental Indentures Not Requiring Consent

Subject to the provisions of the Indenture, the District and the Trustee may, without the consent of or notice to the Owners or Consent Parties, enter into such indentures supplemental to the Indenture, which supplemental indentures shall thereafter form a part of the Indenture, for any one or more of the following purposes:

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

Supplemental Indentures Requiring Consent

Except for supplemental indentures delivered pursuant to the preceding section, and subject to the provisions of the Indenture, either (i) the Consent Parties with respect to a majority (or for modifications of provisions of the Indenture which require the consent of a percentage of Owners or Consent Parties higher than a majority, such higher percentage) in aggregate principal amount of the Bonds then Outstanding, or (ii) the Bond Insurer, acting alone, shall have the right, from time to time, to consent to and approve the execution by the District and the Trustee of such indenture or indentures supplemental to the Indenture as shall be deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided however, that without the consent of the Consent Parties with respect to all the Outstanding Bonds affected thereby and the Bond Insurer, nothing contained in the Indenture shall permit, or be construed as permitting:

- (i) a change in the terms of the maturity of any Outstanding Bond, in the principal amount of any Outstanding Bond, in the optional or mandatory redemption provisions applicable thereto, or the rate of interest thereon;
- (ii) an impairment of the right of the Owners to institute suit for the enforcement of any payment of the principal of or interest on the Bonds when due;

(iii) a privilege or priority of any Bond or any interest payment over any other Bond or interest payment; or

(iv) a reduction in the percentage in principal amount of the Outstanding Bonds, the consent of whose Owners or Consent Parties is required for any such supplemental indenture.

Upon the execution of any supplemental indenture pursuant to the provisions of the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under the Indenture of the District, the Trustee, the Bond Insurer, and all Owners of Bonds then Outstanding shall thereafter be determined, exercised, and enforced under the Indenture, subject in all respects to such modifications and amendments.

If at any time the District shall request the Trustee to enter into such supplemental indenture for any of the purposes of the Indenture, the Trustee shall, upon being satisfactorily indemnified with respect to fees and expenses, cause notice of the proposed execution of such supplemental indenture to be given to the Bond Insurer and to each Owner of a Bond at the address shown on the registration books of the Trustee prior to the proposed date of execution and delivery of any such supplemental indenture. If the Consent Parties with respect to not less than the required percentage in aggregate principal amount of the Bonds then Outstanding at the time of the execution of any such supplemental indenture, or the Bond Insurer, as the case may be, consent to the execution thereof, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the District from executing the same or from taking any action pursuant to the provisions thereof.

Discharge of Indenture; Defeasance of Bonds

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

Any Bond shall, prior to the maturity or prior redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the Indenture if, for the purpose of paying such Bond (i) there shall have been deposited with the Trustee an amount sufficient, without investment, to pay the principal of, premium if any, and interest on such Bond

as the same becomes due at maturity or upon one or more designated prior redemption dates, or (ii) there shall have been placed in escrow and in trust with a commercial bank exercising trust powers, an amount sufficient (including the known minimum yield from Federal Securities in which such amount may be invested) to pay the principal of, premium if any, and interest on such Bond, as the same becomes due at maturity or upon one or more designated prior redemption dates. The Federal Securities in any such escrow shall not be subject to redemption or prepayment at the option of the issuer, and shall become due at or prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the District and such bank at the time of the creation of the escrow, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure such availability as so needed to meet such schedule. The sufficiency of any such escrow funded with Federal Securities shall be determined by a Certified Public Accountant.

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

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

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

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

DEBT SERVICE REQUIREMENTS

Set forth in the following chart are the debt service requirements for the Bonds

(1).

Debt Service Requirements *

Year	Principal ⁽²⁾	Interest	Total
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
TOTAL ⁽¹⁾			

(1) Due to rounding, amounts may not total.

(2) Includes the payment of interest on June 1 and on December 1 of each year and the payment of principal on December 1 of each year indicated. Assumes that mandatory sinking fund redemption payments are made but assumes no optional redemptions will be made prior to maturity. See “THE BONDS – Prior Redemption.”

Source: The Underwriter.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 16, 2020, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At June 30, 2020:

- The policyholders' surplus of AGM was approximately \$2,667 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,018 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE UK and AGE SA were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE”.

PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT

Ad Valorem Property Taxes

Temporary Changes Due to COVID-19. On April 2, 2020, Governor Polis issued Executive Order D 2020 022, which directed the State Board of Equalization to adopt emergency rules extending various statutory deadlines regarding the assessment of property by county assessors and the certification of assessed valuations by county assessors to local governments, including the District. On April 9, 2020, the State Board of Equalization adopted Emergency Rule 2 “Extension of 2020 Valuation, Appeal, and Reporting Deadlines for Certain Taxable Property.” This emergency rule affects certain dates described below, including (a) extending the August 25, 2020, assessed value certification date to October 13, 2020; and (b) extending the October 15, 2020, abstract of assessment date to November 18, 2020. In addition, House Bill 20-

1421, signed by the Governor on June 14, 2020, allows counties to permit taxpayers to delay the payment of property taxes until October 1, 2020, under certain circumstances described below. See INVESTMENT FACTORS – Risks Related to COVID-19.

Property Subject to Taxation. Subject to the limitations imposed by Article X, Section 20 of the State constitution (the Taxpayers Bill of Rights or “TABOR,” described in “LEGAL MATTERS - Certain Constitutional Limitations”), the Board has the power to certify to the Board of County Commissioners (the “Commissioners”) a levy for collection of ad valorem taxes against all taxable property of the District.

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

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

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

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

example, values for levy year 2020 / collection year 2021 will be based on an analysis of sales and other information for the period January 1, 2017 to June 30, 2018. The following table sets forth the State Property Appraisal System for property tax levy years 2016 through 2020:

Collection Year	Levy Year	Value Calculated As Of	Based on the Market Period
2017	2016	July 1, 2014	Jan. 1, 2013 to June 30, 2014
2018	2017	July 1, 2016	Jan. 1, 2015 to June 30, 2016
2019	2018	July 1, 2016	Jan. 1, 2015 to June 30, 2016
2020	2019	July 1, 2018	Jan. 1, 2017 to June 30, 2018
2021	2020	July 1, 2018	Jan. 1, 2017 to June 30, 2018

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

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

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

Residential Property. Residential property is currently assessed at 7.15% of its statutory actual value (the "Residential Assessment Rate"). To avoid extraordinary increases in residential real property taxes when the "level of value" described above is changed (which occurs every two years), the State constitution (in a provision referred to as the "Gallagher Amendment") requires the Colorado General Assembly to adjust the Residential Assessment Rate each time the level of value changes. This adjustment (referred to as the "Gallagher Adjustment") is constitutionally mandated to be calculated in such a manner that the percentage of the aggregate statewide assessed value attributable to residential property remains at approximately 45%, with nonresidential property comprising the remaining approximately 55%. Although the Gallagher Amendment requires the Residential Assessment Rate to be increased or decreased to maintain this 45% level, TABOR prohibits any increase to the Residential Assessment Rate without prior voter approval. As a result, the Gallagher Amendment results only in decreases in the Residential Assessment Rate.

Pursuant to the Gallagher Adjustment process described above, the Residential Assessment Rate is subject to adjustment every two years, resulting in the following history of Residential Assessment Rates since levy year 1989: 15.00% of statutory actual value (levy years 1989-90); 14.34% of statutory actual value (levy years 1991-92); 12.86% of statutory actual value (levy years 1993-94); 10.36% of statutory actual value (levy years 1995-96); 9.74% of statutory actual value (levy years 1997-98 and 1999-2000); 9.15% of statutory actual value (levy

years 2001-02); 7.96% of statutory actual value (levy years 2003-16); 7.20% of statutory actual value (levy years 2017-18); and 7.15% of statutory actual value (levy years 2019-20). The Residential Assessment Rate cannot increase without the approval of Colorado voters.

On June 12, 2020, the Colorado General Assembly adopted Senate Concurrent Resolution 20-001. Pursuant to this resolution, the Colorado Secretary of State is directed to submit to the registered electors of the State, on November 10, 2020, a ballot title asking whether the Colorado Constitution should be amended to repeal the Gallagher Amendment. If this ballot title is approved, the Gallagher Amendment would be removed from the Colorado Constitution, and the Colorado General Assembly would no longer be required to calculate the Residential Assessment Rate every two years in manner which maintains the 45% level described above.

Non-residential property. All non-residential taxable property, with certain specified exceptions, is assessed at 29% of its statutory actual value. Producing oil and gas property is generally assessed at 87.5% of the selling price of the oil and gas.

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

Statewide Review. The Colorado General Assembly is required to cause a valuation for assessment study to be conducted each year in order to ascertain whether or not county assessors statewide have complied with constitutional and statutory provisions in determining statutory actual values and assessed valuations for that year. The final study, including findings and conclusions, must be submitted to the Colorado General Assembly and the State Board of Equalization by September 15th of the year in which the study is conducted. Subsequently, the Board of Equalization may order a county to conduct reappraisals and revaluations during the following property tax levy year. Accordingly, the District's assessed valuation may be subject to modification following any such annual assessment study.

Homestead Property Tax Exemption. The Colorado Constitution provides property tax exemptions for qualifying senior citizens (adopted in 2000) and for disabled

veterans (adopted in 2006). The senior citizen provision provides that for property tax collection years 2007 and later (except that the exemption was suspended for collection years 2009-12), the exemption is equal to 50% of the first \$200,000 of actual value of residential real property that is owner-occupied if the owner or his or her spouse is 65 years of age or older and has occupied such residence for at least 10 years. The disabled veterans provision provides that for property tax collection years 2008 and later, the same exemption is available to homeowners who have served on active duty in the U.S. Armed Forces and who are rated 100% permanently disabled by the federal government due to a service-connected disability. The State is required to reimburse all local governments for the reduction in property tax revenue resulting from these exemptions; therefore, it is not expected that this exemption will result in the loss of any property tax revenue to the District. There is no assurance, however, that the State reimbursement will be received in a time period which is sufficient to replace the reduced property tax revenue.

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

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

Adjustment of Taxes to Comply with Certain Limitations. Section 29-1-301, C.R.S., contains a statutory restriction limiting the property tax revenues which may be levied for operational purposes to an amount not to exceed the amount of such revenue levied in the prior year plus 5.5% (subject to certain statutorily authorized adjustments). At the 2006 Election, however, the District's electors approved a question which exempts the District from this restriction.

Property Tax Collections. Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in December 2018 are being collected in 2019. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (not later than the last day of April) or in two equal installments (not later than the last day of February and June 15th) without interest or penalty. Interest accrues on unpaid first installments

at the rate of 1% per month from March 1 until the date of payment unless the whole amount is paid by April 30. If the second installment is not paid by June 15, the unpaid installment will bear interest at the rate of 1% per month from June 16 until the date of payment. Notwithstanding the foregoing, if the full amount of taxes is to be paid in a single payment after the last day of April and is not so paid, the unpaid taxes will bear penalty interest at the rate of 1% per month accruing from the first day of May until the date of payment. The County Treasurer collects current and delinquent property taxes, as well as any interest or penalty, and after deducting a statutory fee for such collection, remits the balance to the District on a monthly basis. The payments to the District must be made by the tenth of each month, and shall include all taxes collected through the end of the preceding month.

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

Potential for Creation of Tax Increment Entity. Various Colorado statutes allow the formation of tax increment entities, such as urban renewal authorities, downtown development authorities and transportation authorities. Upon the inclusion of the property in the District within any such entity, the assessed valuation of the property in the District would not increase beyond the amount existing at the time of such inclusion (other than by means of the general reassessment). Any increase above this amount would be paid to the tax increment entity. The District is unaware of any plans to include the property within its boundaries in a tax increment entity. See "INVESTMENT FACTORS – Risks Related to Property Tax Revenues."

Ad Valorem Property Tax Data

A history of the District's assessed valuations and mill levies is set forth in the following table.

History of Assessed Valuations and Mill Levies for the District

Levy/ Collection Year	Assessed Valuations		Mill Levies		
	Assessed Valuation	Percent Change	General Fund	Bond Redemption	Total
2015/2016	\$,1,380,170	--	4.000	46.000	50.000
2016/2017	2,798,920	102.8%	4.000	46.000	50.000
2017/2018	8,293,230	196.3	4.422	50.855	55.277
2018/2019	11,727,880	41.4	4.422	50.855	55.277
2019/2020	20,636,280	76.0	4.453	51.211	55.664

Sources: Douglas County Assessor's Office.

The following table sets forth the history of the District's ad valorem property tax collections for the time period indicated.

Property Tax Collections for the District

Levy/ Collection Year	Taxes Levied ⁽¹⁾	Current Tax Collection ⁽²⁾	Collection Rate
2014/2015	\$ 42,058	\$ 42,288	100.55%
2015/2016	69,009	69,099	100.00
2016/2017	139,946	139,947	100.00
2017/2018	458,425	458,427	100.00
2018/2019	648,282	648,284	100.00
2019/2020 ⁽³⁾	1,148,698	1,139,700	99.22

(1) Levied amounts do not reflect abatements or other adjustments.

(2) The County Treasurer's collection fee has not been deducted from these amounts. Figures do not include interest, fees and penalties.

(3) As of June 30, 2020.

Sources: State of Colorado, Department of Local Affairs, Division of Property Taxation, *Annual Reports*, 2014-2019; and Douglas County Treasurer's Office.

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

Ten Largest Owners of Taxable Property within the District

Taxpayer Name	2019 Assessed Valuation	Percentage of Total Assessed Valuation ⁽¹⁾
Tri Pointe Homes Inc.	\$1,141,210	5.53%
Melody Homes Inc.	1,042,610	5.05
Stratus Terrain LLC	704,520	3.41
KB Home Colorado Inc.	524,190	2.54
Public Service Co. of Colorado (Xcel)	134,800	0.65
Richmond American Homes of Colorado Inc.	105,230	0.51
Homeowner #1	42,280	0.21
Homeowner #2	41,380	0.20
Homeowner #3	40,740	0.20
Homeowner #4	40,670	0.20
TOTAL	<u>\$3,817,630</u>	<u>18.50%</u>

(1) Based on a 2019 assessed valuation of \$20,636,280.

Source: Douglas County Assessor's Office.

The following table sets forth the 2019 assessed valuation of specific classes of real and personal property within the District. Residential property accounts for the largest percentage of the District assessed valuation, and therefore it is anticipated that owners of residential property will pay the largest percentage of ad valorem property taxes levied by the District.

2019 Valuations of Classes of Property in the District

Property Class	Assessed Valuation	Percent of Total Assessed Valuation
Residential	\$13,284,200	64.37%
Vacant	7,071,850	34.27
Commercial	144,320	0.70
State Assessed	134,800	0.65
Agricultural	1,070	0.01
Natural Resources	40	0.00
TOTAL	<u>\$20,636,280</u>	<u>100.00%</u>

Source: Douglas County Assessor's Office.

Mill Levy Affecting Property Owners Within the District

In addition to the District's ad valorem property tax levy, owners of property within the District are obligated to pay taxes to other taxing entities. The following table sets forth the mill levy that is imposed on properties within the District.

2019 Mill Levy Affecting District Property Owners

<u>Taxing Entity⁽¹⁾</u>	<u>2019 Mill Levy⁽²⁾</u>
Douglas County School District Re-1	43.839
Douglas County	19.274
Douglas Public Library District	4.023
Town of Castle Rock	1.196
Cherry Creek Basin Water Quality Authority	0.451
Cedar Hill Cemetery	0.128
Total Overlapping Mill Levy	68.911
District	<u>55.664</u>
Total Sample Mill Levy	<u>124.575</u>

(1) Douglas County Soil Conservation District also overlaps the District, but does not assess a mill levy.

(2) One mill equals 1/10 of one cent. Mill levies certified in 2019 are for the collection of ad valorem property taxes in 2020.

Source: Douglas County Assessor's Office.

Estimated Overlapping General Obligation Debt

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

Estimated Overlapping General Obligation Debt

Entity ⁽¹⁾	2019 Assessed Valuation ⁽²⁾	Outstanding General Obligation Debt	Outstanding General Obligation Debt Attributable to the District ⁽³⁾	
			Percent	Debt
Douglas County Re-1 School District	\$7,287,446,506	\$455,050,000	0.28%	<u>\$1,274,140</u>
TOTAL				<u>\$1,274,140</u>

- (1) The following entities also overlap the District, but have no reported general obligation debt outstanding: Town of Castle Rock, Cedar Hill Cemetery, Cherry Creek Basin Water Quality Authority, Douglas County, Douglas County Soil Conservation District, and Douglas County Public Library District.
- (2) The 2019 assessed valuations certified by the County Assessor will be for collection of ad valorem property taxes in 2020.
- (3) The percentage of each entity's outstanding debt chargeable to the District is calculated by comparing the assessed valuation of the portion overlapping the District to the total assessed valuation of the overlapping entity. To the extent the District's assessed valuation changes disproportionately with the assessed valuation of overlapping entities, the percentage of debt for which property owners within the District are responsible will also change.

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

DISTRICT DEBT STRUCTURE

Required Elections

Various State constitutional and statutory provisions require voter approval prior to the incurrence of general obligation indebtedness by the District. Among such provisions, Article X, Section 20 of the Colorado Constitution (as previously defined herein, the Taxpayers Bill of Rights or “TABOR”) requires that, except for refinancing bonded debt at a lower interest rate, the District must have voter approval in advance for the creation of any multiple-fiscal year direct or indirect district debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. For a discussion of TABOR, see “LEGAL MATTERS – Certain Constitutional Limitations.” For a discussion of District debt elections, see “DISTRICT DEBT STRUCTURE – General Obligation Debt – Authorized but Unissued Debt; Additional Bonds” under this caption.

The issuance of the Bonds was approved by the electors of the District at the Elections.

General Obligation Debt

Statutory Debt Limit. The District is subject to a statutory debt limitation established pursuant to section 32-1-1101(6), C.R.S. This limitation provides that, with certain exceptions listed below, the total principal amount of general obligation debt issued by a special district after 1991 shall not at the time of issuance exceed the greater of \$2 million or 50% of the special district’s assessed valuation. Based on the District’s certified assessed valuation of \$20,636,280, the District’s debt limitation is \$10,318,140. The Bonds will exceed this amount, but are permitted to be issued because they qualify for an exception from the debt limitation statute. Exceptions from the debt limitation statute include obligations which are: rated in certain rating categories; determined by the board of the special district to be necessary to construct improvements ordered by a federal or state regulatory agency for public health or environmental reasons; secured by a letter of credit, line of credit or other credit enhancement issued by certain qualified financial institutions; or issued to financial institutions or institutional investors. Special districts are also permitted to issue general obligation debt above the statutory debt limit if such debt is payable from a limited mill levy not exceeding fifty mills.

Outstanding General Obligation Debt. Upon the issuance of the Bonds, the Bonds will be the only outstanding limited tax general obligation indebtedness of the District.

Authorized but Unissued Debt; Additional Bonds. The District’s ability to issue additional debt is limited by the electoral authorization obtained from the District’s electors, the Service Plan, and the Indenture. These limitations are described below.

Elections. At the Elections, the District’s eligible electors authorized the District to issue up to \$492,000,000 in general obligation debt for public infrastructure, operations, and refundings. After the issuance of the Bonds, \$[_____] * of this authorization will remain unissued. The Board currently has no plans to seek voter approval for general obligation

* Preliminary; subject to change.

indebtedness in excess of this amount but reserves the right to do so in the future. The District further reserves the right to issue additional general obligation indebtedness when permitted by law and the provisions of the Indenture.

Service Plan. Pursuant to the District's Service Plan, the District may not issue in excess of \$36,000,000 in new money general obligation bonds (meaning bonds, notes or other multiple-fiscal year obligations for the payment of which the District is obligated to impose ad valorem taxes, but excluding refundings) without the approval of the Town; provided that obligations of the District to guarantors, insurance providers, and in support of other credit facilities related to bond issuances, as well as any amounts owed under reimbursement agreements entered into between the District and developers(s) are not subject to the \$36,000,000 limit. Upon issuance of the Bonds, the District will have approximately \$[]* in such new money general obligation bond authorization remaining under the Service Plan.

Limitations of the Indenture. The Indenture limits the District's ability to issue additional debt as described in "SECURITY FOR THE BONDS – Additional Obligations under the Indenture."

Revenue and Other Financial Obligations

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

Selected Debt Ratios

The following table sets forth ratios of direct debt of the District and overlapping debt within the District (only for those entities which currently pay their general obligation debt through a mill levy assessed against property within the District) to assessed valuation and statutory actual value of the District:

* Preliminary, subject to change.

Selected Debt Ratios of the District

Direct Debt (Consisting of the Bonds).....	
Overlapping Debt (1)	<u>1,274,140</u>
Total Direct Debt and Overlapping Debt	
2019 District Assessed Valuation	\$20,636,280
Direct Debt to 2019 Assessed Valuation	
Direct Debt Plus Overlapping Debt to 2019 Assessed Valuation	
2019 District Estimated Statutory "Actual" Value (2).....	
Direct Debt to 2019 Estimated Statutory "Actual" Value.....	
Direct Debt Plus Overlapping Debt to 2019 Estimated Statutory "Actual" Value	

- (1) Figure is estimated based on information supplied by other taxing authorities and does not include self-supporting general obligation debt. See "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Estimated Overlapping General Obligation Debt" and the footnote regarding the type of overlapping debt which is included.
- (2) This figure has been calculated using a statutory formula under which assessed valuation is calculated at 29% of the statutory "actual" value of the property within the District (with certain specified exceptions). *Statutory "actual" value is not intended to represent market value.* See "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes."

Sources: County Assessor's Office, the District, and information obtained from individual overlapping entities.

THE DISTRICT

Organization and Description

General. The District is a quasi-municipal corporation and political subdivision of the State created pursuant to the Special District Act set forth in Title 32, Article 1, C.R.S., for the purpose of financing and constructing public improvements and services and for dedicating, when appropriate, such public improvements to such other entity as appropriate for the use and benefit of the District's residents and property owners. The creation of the District was ordered on June 27, 2006, by the Douglas County District Court following the approval by the 2006 Election and the approval of Service Plan by the Town.

Boundaries and Location. The District consists of approximately 717.66 acres, all of which (other than property set aside for street rights-of-way, open space, park and recreation and similar public uses) is planned to be developed for residential use. The District is generally located at the northeast corner of Highway 86 and Founders Parkway, which is generally located along the Front Range approximately 30 miles southeast of downtown Denver. See "AERIAL VIEWS OF THE DISTRICT" on pages vii and viii.

Inclusion, Exclusion, Consolidation and Dissolution

Inclusions and Exclusions. Subject to compliance with statutory procedures, the Service Plan, and the Master IGA, the Board may order the inclusion or exclusion of real property to or from the District, as the case may be, thereby modifying the boundaries of the District. Such included or excluded property is obligated to the same extent as all other property within the District for the payment of then outstanding District indebtedness and subsequent refundings thereof, notwithstanding the exclusion. Boundary changes resulting from property included or excluded to or from the District prior to the first day of May of each year are reflected in the District's assessed valuation and are subject to the ad valorem property tax levy of the District for that assessment year. Inclusions or exclusions that occur after May 1 are considered in the following assessment year. The Service Plan requires the District provide written notice to the Town of the hearing dates of all inclusions and exclusions and that the District will attempt to provide such note at least thirty (30) days prior to the applicable hearing date.

The District currently encompasses approximately 717.66 acres within the Town and presently encompasses all of the property planned for the approximately 1,291 residential units referred to herein as the Development. Substantially all of the property comprising Terrain was originally included in the boundaries of Castle Oaks Metropolitan District (the "Original District"). Subsequently, exclusions from the Original District were completed in 2003, which excluded property was then part of the creation of the District and Castle Oaks Metropolitan District No. 2 ("District No. 2"). As a result of an inclusion recorded with the County Clerk on April 15, 2015, an exclusion recorded with the County Clerk on December 9, 2015, and an inclusion recorded with the County Clerk on April 30, 2018, substantially all of the property excluded from the Original District and comprising the original boundaries of the District and District No. 2 is now within the boundaries of the District, resulting in a total acreage of the

District of approximately 717.66 acres and a total acreage of the Original District of approximately 451.70 acres.

Consolidation With Other Districts. Two or more special districts may consolidate into a single district upon the approval of the District Court and of the electors of each of the consolidating special districts. The District Court order approving the consolidation can provide that the consolidated district assumes the debt of the districts being consolidated. If so, separate voter authorization of the debt assumption is required. If such authorization is not obtained, then the territory of the prior district will continue to be solely obligated for the debt after the consolidation. At the present time, no consolidations with other districts are pending or expected.

Dissolution of the District. The Special District Act allows a special district board of directors to file a dissolution petition with the District Court. The District Court must approve the petition if the special district's plan for dissolution meets certain requirements, generally regarding the continued provision of services to residents and the payment of outstanding debt. If the special district has debt outstanding, the district may continue to exist for only the limited purpose of levying its debt service mill levy and discharging the indebtedness. The District's Service Plan provides that at such time as the District has completed construction of the improvements provided for in the Service Plan, and upon arrangement for repayment of all of its outstanding debt, the Board will place the question of dissolution of the District before its constituents and will exercise every reasonable effort to process the dissolution of the District in accordance with Colorado law.

District Powers

The rights, powers, privileges, authorities, functions and duties of the District are established by the laws of the State, particularly the Special District Act, which provides that the Board has certain powers including, but not limited to, the power: to have perpetual existence; to sue and be sued; to enter into contracts and agreements; to incur indebtedness and revenue obligations; to acquire, dispose of, and encumber real and personal property; to have the management, control, and supervision of all the business and affairs of the special district and all construction, installation, operation, and maintenance of special district improvements; to appoint, hire, and retain agents, employees, engineers, and attorneys; to fix and from time to time increase or decrease fees, rates, tolls, penalties or charges for services, programs or facilities furnished by or available from the District, and to pledge such revenue for the payment of any indebtedness of the District; to furnish services and facilities without the boundaries of the special district and to establish fees, rates, tolls, penalties, or charges for such services and facilities; to have and exercise all rights and powers necessary or incidental to or implied from the specific powers granted to special districts by statute; to enter into contracts with public utilities, cooperative electric associations and municipalities for the purpose of providing street lighting service; to erect and maintain, in providing safety protection services, traffic and safety controls and devices; to finance line extension charges for new telephone construction in non-residential special districts; to establish, maintain, and operate a system to transport the public by bus, rail, or any other means of conveyance; and to exercise the power of eminent domain and dominant eminent domain for the special district's authorized purposes. In addition, the Board has the power to furnish security services for any area within the District, if the District has provided written notification to, consulted with, and obtained the written consent of all local law

enforcement agencies having jurisdiction within the area and any applicable master association or similar body having authority to furnish security services. The Board is further authorized to furnish covenant enforcement and design review services pursuant to the Special District Act. The Service Plan places additional restrictions on the District's powers.

Governing Board

The District is governed by a board of directors (the "Board") which, pursuant to State law, may consist of either five or seven members. In order to be eligible for nomination to the Board, prospective Board members must be eligible electors of the District as defined by State law. Directors are elected to staggered four year terms of office at successive biennial elections. In accordance with the Special District Act, the terms of office of the directors elected in the regular special district elections held in 2020 and 2022 are for three years. The Board is a five-member board of directors and currently has no vacancies. Vacancies on the Board are filled by appointment of the remaining directors, the appointee to serve until the next regular election, at which time the vacancy is filled by election for any remaining unexpired portion of the term. The directors hold regular meetings and, as needed, special meetings. Each director is entitled to one vote on all questions before the Board when a quorum is present. Directors serving a term of office commencing prior to January 1, 2018 may receive a maximum of \$1,600 per year from the District as compensation for service to the District, payable not in excess of \$100 per meeting attended, and directors serving a term of office commencing on or after January 1, 2018 may receive a maximum compensation of \$2,400 per year from the District, not to exceed \$100 per meeting attended. Presently, the directors do not receive such compensation from the District. Directors may not receive compensation from the District as employees of the District, except as provided by State law. Pursuant to the State constitution, directors are limited to two terms in office unless the District's voters have approved a waiver or modification of this limit. At the Election, the electors of the District approved an election question which exempts the Board from State constitutional term limitations.

The present directors, their positions on the Board, occupations and terms of office are as follows:

<u>Name and Office</u>	<u>Occupation</u>	<u>Years of Service</u>	<u>Current Term Expires</u>
Craig Campbell, President	Developer	5	2022
Christian Matt Janke, Vice President/Treasurer	Developer	9	2023
Tom Morton, Assistant Secretary	Real Estate Consultant	4	2023
Jack Hoagland, Assistant Secretary	Real Estate Development	< 1	2022
Kevin McGlynn, Assistant Secretary	[PLEASE CONFIRM]	< 1	2022

Conflicts of Interest

State law requires directors to disqualify themselves from voting on any issue in which they have a conflict of interest unless the applicable director has disclosed the conflict in a certificate filed with the Secretary of State and with the Board at least 72 hours in advance of any meeting of which the conflict may arise and if his or her participation is necessary to obtain a quorum or otherwise enable the body to act. Additionally, no contract for work or material, including a contract for services, regardless of the amount, may be entered into between the District and a Board member, or between the District and the owner of 25% or more of the territory within the District, unless a notice is published for bids and such Board member or owner submits the lowest responsible and responsive bid. Board members voting on the Bond Resolution are expected to file general conflict statements with the Secretary of State and the Board prior to the adoption of the Bond Resolution. See “INTRODUCTION – The Development – The Developer.”

Administration

The Board is responsible for the overall management and administration of the affairs of the District. The District has no employees. The District retains CliftonLarsonAllen LLP, Greenwood Village, Colorado, as its accountant, and White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado as its general counsel.

District Agreements

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

Master Intergovernmental Agreement. The District and the Town entered into a Master Intergovernmental Agreement dated as of February 28, 2006 (the “Master IGA”), that, among other things, sets forth the parameters of the District’s authority to finance and construct the Public Improvements pursuant to the Service Plan.

Under the Master IGA, it is recognized that the District has the authority to construct and finance the infrastructure prescribed by the Town’s home rule charter, ordinances, resolutions, rules and regulations (collectively, the “Town Regulations”) that are necessary to furnish “municipal services” (defined as police and fire protection, water and wastewater, storm water drainage and detention, parks and recreation, transportation and street maintenance, general administrative services including code enforcement and any other service provided by Town within the municipality under its police powers) to the property comprising the Terrain development, as further identified in the District’s Service Plan. The District is not permitted to provide other infrastructure without the prior written consent of the Town. The Public Improvements are required to be constructed pursuant to the standards and procedures set forth in the District’s Service Plan and the Development Agreements (as more particularly defined and described under the caption “THE DEVELOPMENT—Platting, Zoning/Land Use and Public

Approvals—Development Agreements and Subdivision Improvement Agreements”) and the home rule charter, ordinances, resolutions, rules and regulations of the Town.

Except as provided in the Service Plan, the Development Agreements or as otherwise allowed by the Town, the District is required to convey all Public Improvements to the Town for operation and maintenance by the Town. Upon acceptance of the Public Improvements, the Town agrees to operate, maintain, repair and/or replace such Public Improvements in order to provide municipal services to the property in the District. However, the Town may convey such Public Improvements to a regional authority or other governmental or quasi-governmental agency or authority so long as an equivalent level of maintenance and operation of such Public Improvements at an equivalent cost is guaranteed by Town, and the Town obtains an opinion of a bond attorney with a nationally-recognized expertise in the area of municipal bonds indicating that the conveyance will not adversely affect the tax-exempt status of any outstanding financial obligations of the District.

The Town is permitted to impose and collect “Development Exactions” (the fees and charges imposed by the Town under Town Regulations on development, including per unit charges for capital plant investment, such as system development fees) within the District in accordance with Town Regulations, and to retain all Development Exactions except as otherwise provided in the Development

Agreements, which provides in part that the owner of the property subject thereto (including the Development) is entitled to a credit of \$250 per single-family equivalent (“SFE”) against the water component of the “System Development Fees” imposed and collected by the Town for water connections on the property, and a credit of \$715 per SFE against the wastewater component of the System Development Fees imposed and collected by the Town for potable water connections on the property. These credits are effected in the form of a reduction in the amount of the System Development Fees imposed by the Town with respect to new development in the Terrain development, including the District. In addition to the Town’s fees, the District is permitted to impose availability of service or facility charges pursuant to Section 32-1-1006(1)(h), C.R.S., and fees for the connection to public improvements constructed by the District, and for the right to use other public facilities of the District, but it may not impose any service charges for the use of such facilities. See “DISTRICT FINANCIAL INFORMATION – Sources of District Revenue – Facilities Fees.” The District is to collect its fees directly from the homebuilder or developer. The District is not precluded from levying and collecting ad valorem property taxes, or from imposing any other rate, fee, tax, penalty or charge or other source of revenue that is identified for utilization and application in the financing plan included as part of the District’s Service Plan.

The Master IGA also contains provisions regarding the incurrence of financial obligations by the District, compliance by the District with its Service Plan and the exercise of the District’s powers, as well as the reservation of certain powers by the Town and the procedure and remedies consequent upon a default by either party under the Master IGA. A copy of the Master IGA is available from the District as provided in “INTRODUCTION—Additional Information.”

Prior Funding and Reimbursement Agreement. The District and the Developer have entered into an Amended and Restated Funding and Reimbursement Agreement dated as of December 16, 2015 and effective as of January 1, 2016, as amended by that First Amendment and Extension of Amended and Restated Funding Reimbursement Agreement effective as of January 1, 2017, and that Second Amendment and Extension of Amended and Restated Funding Agreement effective as of January 1, 2019 (as so amended, the “Prior Funding and Reimbursement Agreement”). Pursuant to the Prior Funding and Reimbursement Agreement, the Developer has agreed to make advances to the District for the payment of capital costs and operation, maintenance and administrative costs of the District and District No. 2 in amounts not to exceed the aggregate amount of \$450,000 through December 31, 2019. After such date, the Developer has the option to renew such agreement on an annual basis by providing written notice to the District. The Developer’s obligation to make advances was not extended beyond December 31, 2019, and thus is no longer in effect.

The District agrees to repay the Developer for such advances and to pay interest at the rate of 7.0% per annum from the date of any such advance until the date such advance is repaid or is converted to a note, bond or other instrument (a “Reimbursement Obligation”). The agreement further provides, however, that to the extent they have not been converted into Reimbursement Obligations, the District’s obligations do not constitute a debt of the District within the meaning of any constitutional or statutory provision, and all reimbursements to the Developer are subject to annual appropriation by the District. The requirement to repay any amounts advanced by the Developer, to the extent they have not been converted into Reimbursement Obligations, terminates on January 1, 2056.

As of June 30, 2020, there is presently outstanding under the Prior Funding and Reimbursement Agreement the amount of \$120,791.43.

Public Improvements Reimbursement Agreement. The District and the Developer have entered into a Public Improvements Reimbursement Agreement dated as of July 28, 2020, (the “Public Improvements Reimbursement Agreement”). Pursuant to the Public Improvements Reimbursement Agreement, the District has agreed to reimburse the Developer for certain eligible costs of public infrastructure provided by the Developer. Reimbursement requires, among other things, certification by an engineer as to the infrastructure provided. After acceptance pursuant to the Public Improvements Reimbursement Agreement, reimbursement obligations of the District shall bear simple interest at a rate of 8% per annum. The agreement further provides, however that the District’s obligations do not constitute a debt of the District within the meaning of any constitutional or statutory provision, and all reimbursements to the Developer are subject to annual appropriation by the District. The requirement of the District to make reimbursement payments to the Developer terminates on July 28, 2040.

As of the date of this Official Statement, there is no outstanding balance under the Public Improvements Reimbursement Agreement.

Other Agreements. From time to time, the District has and may continue to enter into agreements with contractors for the construction of Public Improvements and the provision of services, including the operation or maintenance of Public Improvements, contingent upon the

availability of funds therefor. Such agreements do not constitute debt or multiple fiscal year obligations of the District.

Facilities and Services Provided by the District

The District has the authority pursuant to its Service Plan to provide for the design, financing, construction, acquisition, installation, relocation and maintenance of all or a portion of the Public Improvements, including but not limited to water, sanitation, streets, safety, parks and recreation, transportation, mosquito control and television relay and translation. As set forth in the Service Plan and further refined in the Master IGA, the District is responsible for managing the construction and operation of the Public Improvements needed to serve the District, and is responsible for providing the property tax base needed to support the Financing Plan for the Public Improvements and for operations in the District. The “Financing Plan” refers to the financial plan for the District, which will be implemented to provide the public improvements and services needed for continued development in the District, See “—District Agreements” above.

The District is to dedicate the Public Improvements to the Town, or other governmental entity, as set forth in the Service Plan, except the District is authorized to own, operate and maintain park and recreation improvements. All Public Improvements are to be transferred and conveyed with any necessary easements or rights of way upon completion of their construction and installation and applicable warranty periods.

For information concerning the construction status of, and anticipated funding of the costs related to, such improvements, see “THE DEVELOPMENT—Status of Infrastructure Construction; Development Costs.”

Services Provided by other Governmental Entities. Residents of the District are anticipated to be provided a wide range of services by various entities other than the District. The Town provides fire and police protection services. Natural gas service is provided by Black Hills Energy, and electrical service is provided by Intermountain Rural Electric Association. The District is served by Douglas County School District RE-1.

Insurance Coverage

The Board acts to protect the District against loss and liability by maintaining certain insurance coverage. Currently, the District maintains insurance through the Colorado Special Districts Property and Liability Pool (“CSDPLP”). CSDPLP was established by the Special District Association of Colorado in 1988 to provide special districts with general liability, auto/property liability, public officials’ liability and workers’ compensation insurance coverage as an alternative to the traditional insurance market. CSDPLP provides insurance coverage to over one thousand special districts and is governed by a nine-member board of special district representatives. The District’s current policy expires on December 31, 2020, and provides \$2,000,000 of coverage (per occurrence) for commercial general liability, public officials liability, employment practices liability, and occurrence liability. Although the District believes this coverage is reasonable for a governmental entity of its size and function, it is possible that future claims could exceed the applicable insurance coverage.

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THE DEVELOPMENT

The information contained in this section has been supplied by the Developer and contains important information concerning the Developer and the Development. Investors are urged to review this information carefully before making an investment in the Bonds. Neither the District nor the Underwriter make any representation regarding the projected development plans, the financial soundness of the Developer, or its ability to complete the Development as planned. See “INVESTMENT FACTORS” for a discussion of some of the primary development risks associated with the development of property in the District.

Development Overview

The Development, planned as a residential master planned community, consists of approximately 717.66 acres located within the approximately 1,185-acre Terrain master planned community development in the east central portion of the Town, generally at the northeast corner of Highway 86 and Founders Parkway. See “—Terrain Overview” below. The Development is located in the central portion of the Terrain development.

The Developer is undertaking site development within the Development, including land entitlements, platting and engineering, with a view to the sale of platted lots to homebuilders, as applicable, who are then anticipated to complete lot finishing and undertake vertical construction, although the Developer may elect to provide finished lots for sale to homebuilders, as applicable. Neither the Developer nor any affiliate thereof is expected to participate in vertical construction activities. See “—Developer and Related Entities” below.

The Development is planned to consist of 1,291 residential units (comprised of 1,097 single-family detached homes and 194 single-family attached homes), neighborhood parks, trails and open space, as more particularly described herein. Final plats for 1,091 single-family detached lots have been approved and recorded. Additionally, a plat for approximately 200 single-family detached lots has been submitted to the Town for approval. See “—Platting, Zoning/Land Use and Public Approvals—Platting” below. Subject to the approval of necessary plats, related site development plan approvals, and issuance of building permits, the Development is fully entitled for its intended uses in accordance with the zoning documentation applicable to the Development, as more particularly described in “—Platting, Zoning/Land Use and Public Approvals—Zoning/Land Use” below.

Of the 1,291 planned residential units, a total of 996 lots have been purchased by six homebuilding companies (all homebuilders presently active or potentially operating within the Development in the future are referred to herein as the “Homebuilders”) —Melody Homes, Inc., a subsidiary of D.R. Horton, Inc. (“Melody Homes”) (161 single-family detached lots); Taylor Morrison of Colorado, Inc. (“Taylor Morrison”) (137 single-family detached lots); Richmond American Homes of Colorado Inc. (“Richmond”) (155 single-family detach lots); TRI Pointe Homes Inc. (“TRI Pointe”) (257 single-family detached lots and 74 single-family attached lots); KB Home of Colorado, Inc. (“KB”) (120 single-family attached lots); and Meritage Homes of Colorado, Inc. (“Meritage”) (92 single-family detached lots). Of such 996 lots purchased by Homebuilders, as of June 30, 2020, Homebuilders had entered into contracts with homeowners for the purchase of 711 single-family homes, of which 651 had closed. The

Developer has 95 lots under contract with Meritage, which are anticipated to close in December 2020. Additionally, in May 2020, the Developer sold the North Basin portion of the Development to a regional developer. This developer has all 200 lots under contract with KB. Full build out of the Development is anticipated in 2025. *No assurance is given that the sale of lots in the Development will occur in the timeframe necessary to achieve the buildout schedule planned by the Developer.*

Of the 1,291 lots planned for the Development, 830 have been fully developed, 261 are under development with the balance being the 200 North Basin lots yet to be developed. The Developer estimates the total cost of public infrastructure required for the Development, excluding in-tract lot-specific improvements, at approximately \$73,000,000, of which approximately \$47,000,000 had been expended as of June 30, 2020. The Developer further estimates the total cost of dry utilities required for the Development at approximately \$7,000,000, of which approximately \$6,000,000 (or 85.7% of the total estimated dry utilities costs) had been expended as of June 30, 2020. Net proceeds of the Series 2015 Bonds and Series 2016 Bonds (both, as defined below) in the total amount of approximately \$22,393,305 have been applied by the District to either directly fund or reimburse to the Developer for a portion of such previously expended costs of public infrastructure prior to the date of issuance of the Bonds. Proceeds from the Bonds, along with an anticipated approximately \$1,600,000 in District Facility Fees will go toward reimbursing the Developer for a portion of the infrastructure costs spent to date. The remaining approximately \$26,000,000 in infrastructure costs are anticipated to be funded by Meritage (currently developing 187 single-family detached lots), TRI Pointe (currently developing 74 single-family attached lots) and KB (200 to be developed single-family lots), although such funding is not guaranteed to occur.

Terrain Overview. Terrain is an approximately 1,185-acre master-planned community that, pursuant to the existing zoning documentation therefor (described in “— Platting, Zoning/Land Use and Public Approvals—Zoning/Land Use” below), may include up to 2,150 single-family residential units (including up to 1,291 residential units in the Development), a community center, a school, parks, 2 pools, trails and open space.

Residential construction within the first phase of the Terrain development (also referred to herein as “Phase I of Terrain”) began in 2006. The Terrain development was initially entitled and development activities commenced by Castle Oaks, LLC and Autumn Sage Development, Ltd., which marketed such property as “Castle Oaks.” The Developer acquired the property comprising Terrain, including the Development, in June of 2010, re-branded the community “Terrain,” and has continued development activities since such date, as more particularly described herein.

Terrain is designed to integrate homes with the natural surroundings. The entire development is planned to be interlaced with parks and trails and other open space with native mesas and stream beds. With over 50% of the site designated as open space, active parks, public dedications and trails, Terrain is planned to offer residents a variety of natural open space and developed parks all within close proximity to the amenities of the Town. In addition, with Denver only 15 miles to the north and Colorado Springs 40 miles to the south, Terrain also is expected to offer a strategic regional location along Colorado’s “front range.”

A total of 888 single-family residential lots have been platted in Phase I of Terrain (within the boundaries of the Original District), of which all have constructed homes thereon and have been sold and closed to homeowners as of June 30, 2020. These existing homes are all single-family detached homes with prices ranging from the mid \$500's to the mid \$600's. Homes in these first planning areas were built by national homebuilders, including Lennar Homes, TRI Pointe Homes, Taylor Morrison and DR Horton.

None of the above-described existing development in Phase I of Terrain is located within the boundaries of the District. Only the property located within the boundaries of the District (the Development) will generate property taxes pledged to the payment of the Bonds.

Notwithstanding any of the foregoing, neither the Developer nor any other property owner is contractually obligated to pursue the development of the property comprising the Terrain development, and no assurance is given that development will continue in accordance with the present permitted land uses, modifications thereof, or at all.

Platting, Zoning/Land Use and Public Approvals

Development of the property comprising the Development will be subject to, and is being undertaken in accordance with: (i) the Development Agreements, (ii) the limitations on land uses provided in the applicable zoning documentation, comprised of preliminary and final site development plans; (iii) the subdivision of property in accordance with plats; and (iv) subdivision improvement agreements anticipated to be entered into at the time of platting of property, all in accordance with the Town's Municipal Code and as more particularly described in "—Development Agreements and Subdivision Improvement Agreements" below.

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

Of the 1,291 lots planned for the Development, 830 have been platted and fully developed, 261 have been platted and are under development with the balance being the 200 North Basin lots in the process of platting but yet to be developed.

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

Zoning/Land Use. The property comprising the Development is presently zoned in accordance with the Town's zoning process for a "Planned Development" zoning district (which is the zoning classification applicable to the Development), which process is generally comprised of: (i) an optional "sketch plan," which may be submitted by the applicant, intended

to address in a preliminary fashion the proposed use and density of the property, including, among other matters, open space and major planned roadways; (ii) a “PD Plan and Zoning Regulations,” subject to approval by Town Council (after recommendations are provided by the Town’s Planning Commission), which, together with the Development Agreements (described below) are intended to provide City Council approval of more detailed land use plans for particular phases of the project; and (iii) one or more site-specific “Site Development Plans,” also subject to approval by Town Council (after recommendations are provided by the Town’s Planning Commission). Site Development Plan approval for each phase of the Development (in addition to applicable subdivision approvals as described in “—Platting” above) is required prior to the issuance of any building permit for property within such phase of the Development.

In accordance with the foregoing, with respect to the property planned for the Development, the Town has approved the following zoning documentation resulting in a maximum of 1,764 residential units approved for the Development allocated among four “Villages” and three additional planning areas (see Table II below): (i) on October 14, 2002, the Castle Oaks Preliminary PD Site Plan, Amendment No. 1 and PD Zoning Regulations; (ii) on June 22, 2004, the 1st Amendment to Castle Oaks Preliminary PD Site Plan, Amendment No. 1 and PD Zoning Regulations; (iii) on December 19, 2008, the 2nd Amendment to Castle Oaks Preliminary PD Site Plan, Amendment No. 1; (iv) on February 14, 2012, the 3rd Amendment to Castle Oaks Preliminary PD Site Plan, Amendment No. 1; and (v) on October 6, 2015, the Terrain Planned Development Plan and PD Zoning Regulations. With respect to the preceding documents, items (i) through (iv) are collectively referred to herein as the “Castle Oaks Zoning Approvals” and item (v) is referred to herein as the “Terrain Zoning Approval.”

The Castle Oaks Zoning Approvals govern development of the 189 dwelling units on the 189 single-family detached lots platted within Planning Areas 30, 33 and 44 pursuant to the Filing 5 Plats, comprising approximately 64.28 acres of the Development. Although organized differently than the Terrain Zoning Approval (described below), the Castle Oaks Zoning Approvals govern product types, lot sizes and similar development standards, and enable a degree of flexibility in density allocation. Additional parcels, comprised of the “Terrain Swim Club,” a dog park, public land dedication, and rights- of-way comprise the remaining acreage of property within the District that is the subject of the Castle Oaks Zoning Approvals.

The Terrain Zoning Approval pertains to 590.4 acres within the Development, and authorizes a maximum of 1,575 dwelling units (of various product types and lot sizes as described therein) within approximately 257.3 developable acres, together with approximately 333.1 acres dedicated to road rights- of-way, open space and similar public uses. The Terrain Zoning Approval establishes four distinct “Villages,” each of which has a maximum number of dwelling units. Within each such Village, there are various planning areas having differing potential product types, lot sizes and similar development standards, but which allow for flexibility in density allocation among planning areas subject to the maximum Village-level density. The four Villages and maximum densities are: (i) North Basin Village—200 dwelling units; (ii) Ravenwood Village—375 dwelling units; (iii) Flat Rock Village—225 dwelling units; and (iv) Sunstone Village—775 dwelling units.

Collectively, the Castle Oaks Zoning Approvals and the Terrain Zoning Approval are referred to herein as the “Development Plan,” comprise the “PD Plan and Zoning

Regulations” described above for the Terrain development and comprise, together with the Site Development Plans described below, all of the zoning documentation applicable to the Development. The foregoing does not include all zoning documentation applicable to the areas of the Terrain development that are outside of the Development. Such Development Plan for the Development is subject to the further requirements of the applicable Site Development Plans, when approved.

In summary, the Development Plan allowed for up to 1,764 residential units within the Development—189 single-family detached lots and dwelling units located in Planning Areas 30, 33 and 44 (pursuant to the Castle Oaks Zoning Approvals, and all of which is presently platted, developed and homeowner occupied), and the remaining 1,575 residential units to be located within the part of the Development that is subject to the Terrain Zoning Approval. Of the 1,575 units allowed by the Terrain Zoning Approval, 1,091 residential units have been platted and the final 200 residential units are in the process of being platted. Therefore, of the 1,575 units allowed by the Terrain Zoning Approval, 1,291 lots will be platted.

Development Agreements and Subdivision Improvement Agreements. In connection with the Town’s approval of the Development Plan, and in accordance with the Town’s Municipal Code, the following development agreements (collectively, the “Development Agreements”) further address development within Terrain, including the Development: (i) the Town and Castle Oaks Estates, LLC (a prior developer of property within the Development, referred to herein as “Castle Oaks”) entered into the Castle Oaks Development Agreement dated October 28, 2002, as subsequently amended January 10, 2012, in relation to the Castle Oaks Preliminary PD Site Plan, Amendment No. 1 (as amended, the “Castle Oaks Development Agreement”); and (ii) pursuant to Town Ordinance No. 2015-39, approved on October 6, 2015, the Town and Developer have since entered into the Terrain Development Agreement, in relation to the Terrain Zoning Approval, referred to herein as the “Terrain Development Agreement.” The Terrain Development Agreement supersedes the Castle Oaks Development Agreement as it relates to the portions of the Development that are subject to the Terrain Zoning Approval, but the Castle Oaks Development Agreement remains in effect as to other portions of Terrain, including those portions of the Development that are within the Filing 5 Plats and are subject to the Castle Oaks Zoning Approvals (e.g., planning areas 30, 33 and 44).

The Development Agreements constitute covenants that run with the land, binding upon successors in interest to such property (including the Developer). The Castle Oaks Development Agreement superseded in its entirety an annexation agreement entered into by the prior developer of the property in connection with the annexation of property comprising the Terrain development, and other surrounding areas, in 1981.

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

The Development Agreements generally provide that the Developer (and/or the District) is responsible for causing the provision (at its initial expense, but subject to the District's participation as described herein) of all infrastructure necessary for the Town to provide the foregoing municipal services (which infrastructure is to be dedicated to the Town upon completion), with the exception of the "Town Facilities" described below. Such facilities are anticipated to be provided in phases, provided that the Town has the right to withhold further development approvals (which would include the issuance of building permits) for any property which utilizes or benefits from a particular phase of facilities that have not yet been completed. The Town has the obligation to provide the "Town Facilities" which include the water supply, treatment and storage and wastewater treatment necessary to serve the subject property. The Developer is also obligated to reimburse the Town for construction of certain road improvements; to cause construction of certain improvements for Castle Oaks Drive and Rocky View Road, traffic signals in the Development, pedestrian and bicycle connections; to cause the extension of water, wastewater, and storm water utilities and streets to such lands and pay applicable fees; and to cause the design, installation and maintenance of any landscaping within any public street right-of-way dedicated to the Town. Finally, the Developer is required to dedicate certain lands to the Town or other public entities for parks, recreational areas, open space, well sites, utilities, public safety and other public purposes or to the Douglas County School District for educational facilities. The Developer's obligations under the Development Agreements are subject to the District's participation as otherwise described herein and as expressly contemplated in the Development Agreements.

The Development Agreements generally contemplate that the Town and Developer will enter into one or more subdivision improvement agreements (the "Subdivision Improvement Agreements") at the time of approval of a plat with respect to any particular property in the Development. It is anticipated that, in accordance with such Subdivision Improvement Agreements, the Developer will be required to provide security to assure the completion of the infrastructure described therein (relating to the property that is the subject of the related plat); subject to the provision of infrastructure by the District as otherwise discussed herein. The District may undertake to provide such public improvements. In such event, provisions of the Development Agreements and Town Regulations requiring the posting of financial guarantees to secure the construction and warranty obligations therein, may be satisfied by the District by the cash funding of an escrow to be available for the payment of construction contract progress payments upon Town approval of draw requests, and to be made available to the Town in the event of a default by the District to complete or remediate the related public improvements as provided in the applicable Subdivision Improvement Agreement. As of June 30, 2020, the Developer has entered into and/or fully complied with Subdivision Improvement Agreements for all but 200 residential lots in the Development.

Pursuant to, and subject to the limitations contained in, the Terrain Development Agreement, the Terrain Zoning Approval constitutes a "site specific development plan" for purposes of certain State law pertaining to the vesting of property rights, and creates, under State law, statutory "vested property rights" with respect to the matters described in the Terrain Zoning Approval from the date of recordation of the Terrain Development Agreement through December 31, 2028 (the "Vesting Period"). During the Vesting Period, as further described in, and subject to the limitations contained in, the Terrain Development Agreement, the Town shall not take any zoning or land use action, which would alter, impair, prevent, diminish, impose a

moratorium on development, or otherwise delay development or the use of the Development in accordance with the Terrain Zoning Approval and also shall not unilaterally amend the Terrain Zoning Approval. However, the establishment of vested property rights does not preclude the enforcement or application of certain Town Regulations in effect as of the date of recording of the Terrain Development Agreement, the enforcement or application of certain Town Regulations that are generally applicable to all property within the Town, or the imposition of regional, state, or federal regulations which are beyond the control of the Town. The portions of Terrain that are subject to the Castle Oaks Development Agreement and the Castle Oaks Zoning Approvals, including the Filing 5 Plats (e.g., planning areas 30, 33 and 44) portion of the Development, do not have similar statutory vested property rights.

The Development Agreements also set forth obligations of the Town and the Developer relating to the acquisition, funding and allocation of water rights and certain wastewater necessary to serve the Terrain development, including the payment, pre-payment and credits against the payment of a portion of the System Development Fees imposed by the Town for such purposes, as more particularly described in “—Water and Sewer” below.

Product Type, Construction and Sales Activity

The Development is planned to consist of 1,291 residential units (comprised of 1,097 single-family detached homes and 194 single-family attached homes), neighborhood parks, trails and open space, as more particularly described herein.

Of the 1,291 planned residential units, a total of 996 lots have been purchased by six homebuilding companies (all homebuilders presently active or potentially operating within the Development in the future are referred to herein as the “Homebuilders”) —Melody Homes, Inc., a subsidiary of D.R. Horton, Inc. (“Melody Homes”) (161 single-family detached lots); Taylor Morrison of Colorado, Inc. (“Taylor Morrison”) (137 single-family detached lots); Richmond American Homes of Colorado Inc. (“Richmond”) (155 single-family detach lots); TRI Pointe Homes Inc. (“TRI Pointe”) (257 single-family detached lots and 74 single-family attached lots); KB Home of Colorado, Inc. (“KB”) (120 single-family attached lots); and Meritage Homes of Colorado, Inc. (“Meritage”) (92 single-family detached lots). Of such 996 lots purchased by Homebuilders, as of June 30, 2020, Homebuilders had entered into contracts with homeowners for the purchase of 711 single-family homes, of which 651 had closed. The Developer has 95 lots under contract with Meritage, which are anticipated to close in December 2020. Additionally, in May 2020, the Developer sold the North Basin portion of the Development to a regional developer. This developer has all 200 lots under contract with KB. Full build out of the Development is anticipated in 2025. During 2019, Terrain ranked as one of the top 10 master planned communities in home sales in the metro Denver area.

Notwithstanding the foregoing, no assurance is given that the sale of lots in the Development will occur in the timeframe necessary to achieve the buildout schedule anticipated by the Developer.

Any obligations that may be entered into by homebuilders for the purchase of lots will be subject to the satisfaction of certain conditions, which may include, without limitation, the Developer’s provision of improvements necessary for the homebuilder to obtain building

permits for such lots, as well as the homebuilders' determination of feasibility. Full build out of the residential portion of the Development is anticipated in 2025.

The Developer presently plans that the Development will include thirteen different product types, although no assurance is given that the Development as finally constructed will not differ from the information presented herein.]

Status of Home Construction Within the District as of June 30, 2020

	TOTAL LOTS	SOLD	CLOSED TO HOMEOWNERS
DR HORTON:	161	127	115
KB	120	65	35
TRIPOINTE - DEBUT	100	100	95
TRIPOINTE - PRELUDE	157	129	116
TAYLOR MORRISON	137	137	137
RICHMOND	155	153	153
MERITAGE HOMES	187	0	0
TRIPOINTE DUPLEX	74	0	0
NORTH BASIN(PA 1-26)	200	0	0
TOTALS	1291	711	651

Amenities Serving the Development. The Terrain development is planned to include a variety of amenities serving all residents within the community. It is anticipated that residents in the Development will have access to all of the following-described amenities, notwithstanding that certain of the amenities may be located outside the boundaries of the District.

Parks. The Terrain development presently includes a 9-acre municipal park (owned by the Town) known as “Wrangler Park,” which is adjacent to the Sage Canyon Elementary School and includes playgrounds, a tennis court, walking trails, picnic pavilions, a synthetic turf practice field and landscaping. A dog park (“Dog Bone Park”) with an agility course for dogs as well as benches and shade structures is located near the Terrain Swim Club. Ravenwood Village includes an approximate 2 acre park with an outdoor swimming pool and restroom/changing facility. North Basin Village is planned to include an approximate 34 acre municipal park (owned and constructed by the Town) plus 12 additional acres of public land dedication which is all in addition to the approximate 475 acres of open space in this village.

Trails and Open Space. The Terrain development is served by open space and trail systems as follows:

Wild Oak Open Space & Trail Network. Wild Oak is the swath of natural open space that follows McMurdo Gulch which generally runs north-south through the eastern side of the Development. Within the open space, an 8-foot-wide paved trail is planned to wind its way through the diverse landforms, rugged outcroppings and native vegetation of Terrain. And along the trail, explorers will discover historic landmarks such as the 1930s-era Civilian Conservation Corps campsite. In all, open space and public land dedications will encompass over 50% of the Terrain land plan, providing residents a truly unique and beautiful outdoor experience right in their backyard.

Colorado Front Range Trail. A collaborative effort between individual landowners, cities, counties and the State, the Front Range Trail system currently runs from Castle Rock to Thornton and is planned to ultimately stretch from the Wyoming border south to New Mexico. The newest segment of this trail network is anticipated to stretch into the Wild Oak open space in the larger Terrain area, adjacent to the eastern border of the Development. Within the overall Terrain development area, trail nodes in key locations are anticipated to feature benches, enhanced plantings and interpretive displays. To promote connectivity to the main trail system, each neighborhood within the Development is being designed to include direct connections where feasible.

Terrain Swim Club. Finally, the Terrain development includes an approximately 2,000 square foot recreational facility known as the “Terrain Swim Club,” located adjacent to Planning Area 27 at the center of the development located in the District. The Terrain Swim Club was designed by the award- winning Woodley Architectural Group and includes an indoor gathering space that opens onto a swimming pool and surrounding deck area. Rustic Contemporary architecture reflects the Terrain spirit and complements the stands of Gambel oak next to the Swim Club. Together with adjacent municipal sports fields anticipated to be planned and constructed by the Town, the Terrain Swim Club has become a centerpiece for the whole community. Construction of the Terrain Swim Club was completed and opened in May of 2012. In 2013, the Terrain Swim Club won a national award as a top amenity.

Status of Infrastructure Construction; Development Costs

As of June 30, 2020, Terrain was nearly fully developed. All that remains to be developed are 261 lots in Sunstone Village (which were 60% complete) and North Basin Village.

All other horizontal infrastructure has been completed. The estimated remaining costs of public infrastructure for the 261 lots and North Basin Village is \$21,200,000. Of this \$21,200,000, Meritage Homes and TriPointe Homes are funding \$3,200,000. The remaining \$18,000,000 will either be funded by the regional developer that owns North Basin Village or by KB Home which is under contract to purchase North Basin Village from the regional developer.

Water and Sewer

Pursuant to the Development Agreements, water and sewer services are anticipated to be provided to the Terrain development by the Town. In connection with the initial annexation into the Town of the property comprising the larger Terrain (Castle Oaks) development area, the Town has obtained such property's groundwater rights and, in accordance with the Development Agreements, established an initial credit against the Town's water dedication requirements for such property in the amount of 2,092 SFE (the "Water Credit"). As of July 2, 2015, and after accounting for all SFE previously allocated for development within Terrain, the Terrain Development Agreement states that 1,070 SFE (the "Terrain Water Credit") remained available for use within the Development and for additional development within Terrain. The Development Agreements provide that, commencing on the 1,047th SFE and continuing through the 2,092nd SFE, the Town will collect a payment of \$574 per SFE of Water Credit as reimbursement for the Town's acquisition of the water rights, payable at the time of plat approval. However, the Developer is entitled to a reduction in the amount of System Development Fees owed to the Town in the amount of \$250 per SFE for the water component and \$715 per SFE for the wastewater component, in part, due to the Developer's construction of certain wastewater collection facilities.

Pursuant to the Development Agreements, no additional water rights or water resources (or cash- in-lieu payments) are to be required by the Town from the Developer as a condition to the issuance of land use approvals within the Development so long as the aggregate water demand from the Development does not exceed the Terrain Water Credit. However, if the Terrain Water Credit is exhausted prior to full development of the Property, which is anticipated to occur after the use of the 2,092 SFE, the regional developer or the Homebuilders have the right to provide additional water resources or pay cash-in-lieu of water rights dedication in accordance with the Development Agreements and Town regulations then in effect. Absent provision of such additional water resources, if required, the Town is not to be obligated to approve further development for portions of the Development for which sufficient Terrain Water Credits are not allocated or for which a cash-in-lieu payment has not been made. The Developer presently anticipates that the Development as planned will require additional water resources, to be provided through the subsequent contribution by the Homebuilders (or other applicable party) of payments of cash-in-lieu fees as provided in the Development Agreements (to the extent determined necessary to support such development).

The Development Agreements provide that the Developer is to be responsible for a proportionate cost of the upgrades to the Woodlands Interceptor previously constructed by the Town necessary to collect and transmit wastewater flows from the development of the Terrain development, including the Development, such proportionate cost to be in the total amount of \$810,000. As of June 30, 2020 this obligation had been fully satisfied.

Land Acquisition; Encumbrances on Land

Land Acquisition. On June 9, 2010, the Developer acquired all of the property comprising the larger Terrain development area (including the Development), to the extent not previously conveyed to homebuilders, for a purchase price of \$16,500,000. No debt was incurred by the Developer, and no monetary liens were recorded against such property, in connection with such acquisition.

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

Other Encumbrances. With the exception of the homeowners association covenants, the Development Agreements, the Development Plan, and Subdivision Improvement Agreements described elsewhere in this Official Statement and other matters of record, the Developer has stated that the property in the Development is not presently encumbered, and the Developer does not plan to encumber such property, in a manner which would materially adversely affect the Development as planned as described herein. However, homebuilders may further encumber the property in the Development in connection with their own construction financing or other matters beyond the control of the Developer and no representations are made herein with respect to the impact of such encumbrances. The property within the Development is also subject to various easements, rights of way, and similar encumbrances (including statutory liens for ad valorem taxes due and payable in arrears) consistent with and/or required pursuant to the Development Plan.

Environmental Matters

Environmental Site Assessment. A Phase I Environmental Assessment of the property comprising the Terrain development (the “ESA”) was performed for the Developer in May of 2010 by Enviro-Sciences, Inc. The ESA concluded that no “Recognized Environmental Conditions” were identified as a result of the assessment.

Wetland Delineation. A Terrain Property Wetland Delineation of property including the Development was prepared for the Starwood Land Ventures, LLC in July of 2014 by Atwell, LLC (the “Wetland Delineation”). The purpose of the Wetland Delineation was to determine if wetlands, watercourses or bodies of water are present within the subject property, and, if found, to delineate and survey the boundaries of the features and determine if they would potentially fall under the jurisdiction of the U.S. Army Corps of Engineers (“USACE”), based on Section 404 of the Clean Water Act and Section 10 of the Rivers and Harbors Act. The Wetland Delineation identified 11 wetlands in the Development, all of which are associated with the drainage/ravine/stream systems of McMurdo Gulch and tributaries.

On October 14, 2014, CORE Consultants (Core), on behalf of Starwood Land, requested from the USACE, a Jurisdictional Determination for Waters of the United States (“WOUS”), including wetlands, on the proposed Development, which subsequently has been provided. A permit under Section 404 of the Clean Water Act is required for the discharge of dredged or fill material into WOUS. According to the Developer, a detention pond and certain drainage facilities serving development in Planning Areas 34, 41, 42 and 44 are located on or

require discharge of dredged or fill material into identified WOUS in the Development. As a result, the Developer submitted and, as of November 3, 2015, has obtained a Section 404 permit for such work, and may proceed with development of Planning Areas 34, 41, 42 and 44.

As part of this process, the Developer entered into a Memorandum of Agreement with the USACE, dated as of September 28, 2015, pursuant to which the Developer agreed to mitigate adverse effects of development on certain property within the Terrain development (including land within the Development) that was associated with the Civilian Conservation Corps. Such mitigation includes, among other things, the dedication of certain land as open space, construction of trails and development of interactive, educational exhibits about the Civilian Conservation Corps.

Marketing and Advertising

In 2010, the Developer re-branded the Terrain development from “Castle Oaks” to “Terrain” and commenced marketing efforts highlighting its vision of the community as intimately sized neighborhoods tied by a series of trails and walkways (connecting to larger open space areas, schools, parks and recreation amenities) designed with a “Colorado feel” to complement the land and its character. The Developer views this Colorado feel of the Terrain development, together with its close proximity to shopping, restaurants and services, as well as natural open spaces and trails, as its most significant strengths.

The Developer has created a marketing program to support the marketing efforts of homebuilders. Such program has included a search-engine-optimized website with blog, interest list sign-up and home-finder tool, strong emphasis on development of interest list, realtor relations program, community outreach that leverages existing Terrain events, community events, community collateral, sales training, targeted media buys (traditional and online), and regularly scheduled builder meetings and quarterly reports on marketing activity and effectiveness. To fund such efforts, the Developer assesses on all homebuilders, pursuant to their purchase and sale contracts, a marketing fee equal to 0.5% of the price of each sold home, payable upon closing of the home to the homeowner. The Developer has also designed and installed new entry signage and directional signage from natural elements, giving each neighborhood within the Terrain development its own distinctive identity. In 2013, the Homebuilders Association of Metro Denver awarded Terrain the “Community of the Year” in recognition of excellence in these marketing programs.

Homeowners’ Associations and Restrictive Covenants

Master Covenants. All of the property in the Terrain development (including all of the property comprising the Development) is subject to a Master Declaration of Covenants, Conditions and Restrictions for Castle Oaks Estates, dated August 24, 2004 and recorded with the County Clerk on August 27, 2004 (the “Castle Oaks Covenants”), which encompasses the entirety of the Terrain development. Pursuant to the Castle Oaks Covenants, such property is subject to certain covenants, conditions, obligations, liabilities and restrictions for the purposes of protecting and enhancing the quality, value, aesthetic, desirability and attractiveness of the community. In addition, the Castle Oaks Estates Master Association, a Colorado non-profit corporation (the “Master Association”), with the responsibility of adopting and enforcing rules

regarding the use and enjoyment of the subject property and the activities of occupants thereon, managing and maintaining common property, enforcing the covenants, conditions, restrictions, easements, and providing design review services. Every owner of a Site (defined below) within the Development automatically becomes a member of the Master Association and is entitled to one vote in the Master Association. Every Site owner is also subject to the payment of assessments established as set forth in the Master Covenants, presently imposed at a rate of \$73 per month. The Master Association will have a statutory lien against each lot to secure payment of all assessments and associated delinquency costs levied by the homeowners association against each Site. The Castle Oaks Covenants also provides for the creation of the Design Review Committee (“DRC”). All improvements, alterations, or additions to property within the Development must first be approved by the DRC, which currently is comprised of persons appointed by the Developer (defined below). As used herein, “Site” means (i) a lot or parcel of land within the Terrain development which is shown on a recorded plat or any other parcel of land which may be sold or conveyed without violation of the provisions of Colorado law pertaining to the subdivision of land; (ii) a condominium unit; and (iii) each 2,400 rentable square feet in a rental apartment building, but expressly excludes (a) any property owned by a public body; (b) an property owned by the Master Association; or (c) any “Common Area” as defined in the Castle Oak Covenants.

Other homeowners’ sub-associations may be established with respect to individual neighborhoods within the Development, provided that the lien of any assessment imposed thereby is to be subordinate to the lien of the Master Association assessments.

Competition

Development in the District is expected to compete with active competitive residential communities as well as future developments in the Town and the larger North Douglas County competitive market area, including parts of nearby Castle Pines , and Parker.

Schools

The Terrain development is served by a variety of public, private and charter schools. Public schools are available through Douglas County School District RE-1. While an additional site within the Terrain development is currently set aside in the Development Plan for school uses, the Developer has no information as to any present plans with respect to the construction of additional schools thereon.

Developer and Related Entities

The Developer. The Terrain development (including the Development) is being undertaken by SLV Castle Oaks, L.L.C. (as previously defined, the “Developer”), having as its sole member SLV Deal Sub IV, L.L.C. (“SLV Deal”). SLV Deal is 99.7% owned by Starwood Land Ventures, LLC.

The Developer has previously undertaken site development within the Development (as well as the remainder of the Terrain development area), including land entitlements, platting and engineering. The Developer currently owns 95 lots in the Development. Neither the Developer nor any affiliate thereof is expected to participate in vertical construction

activities.

Starwood Land has participated in the development and financing of award-winning master planned communities in multiple markets within the country. Since its inception in July 2007, Starwood Land has acquired over 24,000 lots in over 80 communities across nine states with an acquisition value exceeding \$500 million. The projected total sell out for these projects is anticipated to be over \$1.5 billion in sales. Through December 2019, Starwood Land had sold over 17,000 lots to almost every public builder and numerous local builders. Proceeds generated to date exceed \$900 million. Starwood Land has a building model that has successfully rejuvenated these communities and continues to invest in its projects, never compromising quality.

Key Project Personnel.

Mike Moser, Chief Executive Officer. As Chief Executive Officer, Mr. Moser oversees all acquisition and asset management activities in the eastern United States. Mr. Moser is responsible for overseeing the consolidated operations of the Developer. Mr. Moser led the Developer to an \$81 million acquisition of Florida assets of a now bankrupt homebuilder, Touse Homes. He has led the Developer in the acquisition of well over \$500 million in the last five years. Prior to joining the Developer, Mr. Moser spent nearly 13 years at Taylor Woodrow, a United Kingdom-based public homebuilder where he served as Division President of the U.S. Tower Division and Southeast homebuilding operations. Mr. Moser maintains a Florida Broker's and Community Association Manager's license and is an active member of the Professional Golfers Association of America.

Larry Colditz, Chief Financial Officer. As Chief Financial Officer, Mr. Colditz is responsible for all finance and accounting functions. Prior to joining the Developer, Mr. Colditz spent three years with Beazer Homes as Corporate Controller and six years with Lennar Homes as Director of Accounting. He has over 25 years of financial management experience and is a Certified Public Accountant.

Craig K. Campbell, Vice President West Region. As Vice President of the West Region, Mr. Campbell oversees all operations of the Terrain community. Prior to joining the Developer, Mr. Campbell spent three years with Standard Pacific Homes (since acquired by Lennar) as Division President and three years with Morrison Homes as Division President. Mr. Campbell has managed transactions for over 18,000 lots, over \$500 million in housing revenue and \$800 million in lot sale revenue. Mr. Campbell holds a Masters in Finance from the University of Colorado.

DISTRICT FINANCIAL INFORMATION

Sources of District Revenues

Taxes. Ad valorem property taxes imposed by the District, described below and in "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT," are expected to constitute the largest source of District revenue and are expected to be the primary source of Pledged Revenue pledged to the Bonds. Specific ownership tax revenues are expected to be an additional source of revenue.

Facilities Fees. The District is permitted to impose availability of service or facility charges pursuant to Section 32-1-1006(1)(h), C.R.S., and fees for the connection to public improvements constructed by the District, and for the right to use other public facilities of the District, but may not impose any service charges for the use of such facilities, as provided in the Master IGA with the Town and the District's Service Plan. Pursuant to the Indenture, there is pledged to the payment of the Bonds all such fees constituting Capital Fees (as defined herein). The District presently imposes Capital Fees comprised of the Facilities Fees more particularly described in "THE BONDS—Security for the Bonds—Capital Fees." No other Capital Fees are presently imposed by the District.

Budget Process

The District is required by law to adopt an annual budget setting forth: all proposed expenditures for the administration, operations, maintenance, debt service, and capital projects to be undertaken during the budget year of all offices, units, departments, boards, commissions, and institutions of the District; anticipated revenues; estimated beginning and ending fund balances; actual figures for the prior fiscal year and estimated figures projected through the end of the current fiscal year; a written budget message describing the important features of the proposed budget; and explanatory schedules or statements classifying the expenditures by object and the revenues by source. No budget shall provide for expenditures in excess of revenues by source.

No later than October 15 of each year, the person appointed to prepare the budget must submit a proposed budget to the Board for the ensuing year. The Board must cause to be published a notice that such proposed budget is open for inspection by the public. Prior to adoption, any elector of the District may register his or her objections to the proposed budget. The District must adopt its budget by December 15. After adoption of the budget, the Board must enact a corresponding appropriation resolution before the beginning of the fiscal year. If the District fails to file a certified copy of its budget within thirty days following the beginning of the fiscal year (i.e., by the following January 30) with the Colorado Division of Local Government in the Department of Local Affairs, the division may authorize the County Treasurer to prohibit release of the District's tax revenues and other moneys held by the County Treasurer until the District files its budget.

In general, the District cannot expend money for any of the purposes set out in the appropriation resolution in excess of the amount appropriated. However, in the case of an emergency or some contingency which could not have been reasonably foreseen, the Board may authorize the expenditure of funds in excess of the budget by adopting a resolution. If the District receives revenues which were unanticipated at the time of adoption of the budget (other than property taxes), the Board may authorize the expenditure of such revenues by adopting a supplemental budget after notice and hearing.

Financial Statements

Under State law, the Board is required to have the financial statements of the District audited annually unless exempt. Subsequent to the issuance of the Bonds, the Indenture requires that the District have its financial statements audited annually, notwithstanding any

State law audited exemptions that may exist. See “THE BONDS - Additional Covenants and Agreements under the Indenture.”

The District’s financial statements for the years ended December 31, 2015-2016, have been audited by Barnet Griggs & Associates, PC, Certified Public Accountants, and the District’s financial statements for the years ended December 31, 2017-[2019], have been audited by Fiscal Focus Partners LLC, Certified Public Accountants. The 2019 audited financial statements of the District and the report of the certified public accountants are included in this Official Statement in Appendix A. The audited financial statements included in Appendix A represent the most recent audited financial statements of the District.

District Funds

The District uses three funds. The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, the general long-term debt principal, interest and related costs. The Capital Projects Fund is used to account for the capital expenditures of the District.

History of District Revenue and Expenditures

Set forth below are statements of revenues, expenditures and changes in fund balance for the District’s General Fund, Capital Projects Fund and Debt Service Fund. The figures in the charts have been derived from the District’s audited financial statements for the years 2015-19.

The following information should be read together with the District’s 2019 audited financial statements and accompanying notes which appear in Appendix A. Preceding years’ financial statements may be obtained from the sources noted in “INTRODUCTION – Additional Information.”

Statement of Revenue, Expenditures
and Changes in Fund Balance – General Fund

	2015	2016	2017	2018	2019
General revenues:					
Property taxes	\$7,510	\$5,521	\$11,196	\$36,674	\$51,861
Specific ownership taxes	722	563	1,227	3,878	5,202
Interest income	--	--	--	7	142
Intergovernmental revenue - District No. 2	16,209	--	--	--	--
Total revenues	24,441	6,084	12,423	40,559	57,205
Expenditures:					
Accounting/audit	15,892	26,626	20,987	28,184	34,308
Election	--	173	--	1,809	--
County Treasurer's fees	113	83	168	550	778
District No. 2 costs	15,869	1,774	--	--	--
Dues and subscriptions	--	--	308	294	306
Insurance and bonds	2,731	3,422	3,261	3,261	3,388
Legal	63,496	27,108	30,211	27,648	23,474
Total expenditures	98,101	59,186	54,935	61,746	62,254
Excess (deficiency) of revenues over expenditures	(73,660)	(53,102)	(42,512)	(21,187)	(5,049)
Other financing sources (uses)					
Developer advance	--	45,000	20,000	35,000	--
Transfers (to) from other funds	38,435	9,521	--	(4,465)	--
Total other financing sources (uses)	38,435	54,521	20,000	30,535	--
Net change in fund balance	(35,225)	1,419	(22,512)	9,348	(5,049)
Fund balance - beginning of year	43,809	8,584	10,003	(12,509)	(3,161)
Fund balance - end of year (1)	\$8,584	\$10,003	(\$12,509)	(\$3,161)	(\$8,210)

(1) The General Fund reported a deficit fund balance in the fund financial statements for the years ended December 31, 2017, 2018, and 2019. The fund balance deficits for the years ended 2017 and 2018 were due solely to timing differences between when expenditures were recognized and when the related funding was received in the subsequent year; these deficit ending fund balances were not due to any financial hardship for the District. The deficit fund balance as of December 31, 2019 is also not indicative of financial hardship nor does it have any impact on the District's ability to operate. The District did not fail to pay any obligations when due during the years ended December 31, 2017, 2018 or 2019. Per the adopted 2020 budget, due to the increase of projected assessed valuations of property within the District and the resulting increase in property tax revenues, the District does not anticipate needing developer advances in 2020 to fund operations. The adopted 2020 budget anticipates receiving revenues in excess of expenditures such that the excess will remedy the deficit ending fund balance as of December 31, 2019 and will result in the subsequent year's ending fund balance to be in excess of TABOR Emergency Reserve requirements and to serve as an operating reserve.

Source: District's audited financial statements for the years ended December 31, 2015 through 2019.

Statement of Revenue, Expenditures and Changes in Fund Balance – Debt Service Fund

	2015	2016	2017	2018	2019
General revenues:					
Property taxes	\$34,548	\$63,489	\$128,751	\$421,753	\$596,423
Specific ownership taxes	\$3,320	\$5,786	\$14,106	44,601	59,821
Interest income	6,650	36,836	65,557	49,122	63,946
Facility fees	--	172,000	328,000	1,352,000	836,000
Total revenues	44,518	278,111	536,414	1,867,476	1,556,190
Expenditures:					
Bond interest	695,313	1,435,237	1,847,850	1,577,356	1,705,250
Paying agent fees	--	3,500	7,500	7,000	3,500
County Treasurer's fees	517	952	1,931	6,328	8,948
Bond issue costs	8,000	--	992,605	3,745	--
Total expenditures	703,830	1,439,689	2,849,886	1,594,429	1,717,698
Excess (deficiency) of revenues over expenditures	(659,312)	(1,161,578)	(2,313,472)	273,047	(161,508)
Other financing sources (uses)					
Bond issuance	--	--	34,105,000	--	--
Bond premium	--	--	293,924	--	--
Payment to escrow account	--	--	(35,684,592)	--	--
Developer repayment	--	--	(1,500,000)	--	--
Release of interest earned to Developer	--	--	(21,068)	--	--
Developer advance	--	1,500,000	--	--	--
Transfers (to) from other funds	4,946,602	3,253,217	17	--	--
Total other financing sources (uses)	4,946,602	4,753,217	(2,806,719)	--	--
Net change in fund balance	4,287,290	3,591,639	(5,120,191)	273,047	(161,508)
Fund balance - beginning of year	48,056	4,335,346	7,926,985	2,806,794	3,079,841
Fund balance - end of year	\$4,335,346	\$7,926,985	\$2,806,794	\$3,079,841	\$2,918,333

Source: District's audited financial statements for the years ended December 31, 2015 through 2019.

Statement of Revenue, Expenditures and Changes in Fund Balance – Capital Projects Fund

	2015	2016	2017	2018
General revenues:				
Interest income	\$10,733	\$31,866	\$28,557	\$ --
Total revenues	10,733	31,866	28,557	--
Expenditures:				
Capital Outlay	7,965,446	9,129,080	11,029,379	27,319
Accounting	5,264	25,970	12,462	564
Legal	65,909	32,112	7,743	2,543
Engineering	7,840	4,375	--	--
Bond issue costs	573,768	510,176	--	--
Permits	500	--	--	--
Total expenditures	8,618,727	9,701,713	11,049,584	30,426
Excess (deficiency) of revenues over expenditures	(8,607,994)	(9,669,847)	(11,021,027)	(30,426)
Other financing sources (uses)				
Bond issuance	17,800,000	13,370,000	--	--
Bond premium	116,056	410,459	--	--
Developer repayment	(5,315,202)	(6,763,393)	(4,300,377)	--
Developer advance	5,677,123	6,401,472	10,176,483	--
Transfers (to) from other funds	(4,985,037)	(3,262,738)	(17)	4,465
Total other financing sources (uses)	13,292,940	10,155,800	5,876,089	4,465
Net change in fund balance	4,684,946	485,953	(5,144,938)	(25,961)
Fund balance - beginning of year	--	4,684,946	5,170,899	25,961
Fund balance - end of year	\$4,684,946	\$5,170,899	\$25,961	\$ --

Source: District's audited financial statements for the years ended December 31, 2015 through 2019.

Unaudited Year to Date Financial Statements

Set forth hereafter are statements of financial activity for the District for 2020. The District's 2020 financial statements have not been audited and may be presented on a budgetary basis that does not fully reflect generally accepted accounting principles.

DRAFT

Unaudited 2020 Year to Date Budget Summary and Comparison – General Fund

CASTLE OAKS METRO DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE SIX MONTHS ENDED JUNE 30, 2020

GENERAL FUND

	Annual Budget	Year to Date Actual	Variance
REVENUES			
Property taxes	\$ 91,893	\$ 91,173	\$ (720)
Specific ownership tax	8,271	3,578	(4,693)
Interest income	74	33	(41)
TOTAL REVENUES	<u>100,238</u>	<u>94,784</u>	<u>(5,454)</u>
EXPENDITURES			
Accounting	27,000	15,200	11,800
Auditing	5,950	-	5,950
County Treasurer's fee	1,378	1,368	10
Dues and licenses	350	350	-
Insurance and bonds	3,600	3,440	160
Legal services	30,000	19,437	10,563
Election expense	2,000	6,771	(4,771)
Contingency	5,722	-	5,722
TOTAL EXPENDITURES	<u>76,000</u>	<u>46,566</u>	<u>29,434</u>
NET CHANGE IN FUND BALANCES	24,238	48,218	23,980
FUND BALANCES - BEGINNING	<u>(4,689)</u>	<u>(8,210)</u>	<u>(3,521)</u>
FUND BALANCES - ENDING	<u>\$ 19,549</u>	<u>\$ 40,008</u>	<u>\$ 20,459</u>

Source: District's unaudited financial statement for the period from January 1 through June 30, 2020.

Unaudited 2020 Year to Date Budget Summary and Comparison – Debt Service Fund

CASTLE OAKS METRO DISTRICT NO. 3 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE SIX MONTHS ENDED JUNE 30, 2020

DEBT SERVICE FUND

	Annual Budget	Year to Date Actual	Variance
REVENUES			
Property taxes	\$ 1,056,805	\$ 1,048,527	\$ (8,278)
Specific ownership tax	95,112	41,147	(53,965)
Interest income	27,700	16,061	(11,639)
Facilities fees	508,000	300,000	(208,000)
TOTAL REVENUES	<u>1,687,617</u>	<u>1,405,735</u>	<u>(281,882)</u>
EXPENDITURES			
County Treasurer's fee	15,852	15,729	123
Paying agent fees	7,000	3,500	3,500
Bond interest Series 2017	1,705,250	852,625	852,625
Contingency	4,898	-	4,898
TOTAL EXPENDITURES	<u>1,733,000</u>	<u>871,854</u>	<u>861,146</u>
NET CHANGE IN FUND BALANCES	(45,383)	533,881	579,264
FUND BALANCES - BEGINNING	<u>2,821,178</u>	<u>2,918,334</u>	<u>97,156</u>
FUND BALANCES - ENDING	<u>\$ 2,775,795</u>	<u>\$ 3,452,215</u>	<u>\$ 676,420</u>

Source: District's unaudited financial statement for the period from January 1 through June 30, 2020.

ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Official Statement contains general information concerning historic economic and demographic conditions in and surrounding the Town and the County. It is intended only to provide prospective investors with general information regarding the District's community. The information was obtained from the sources indicated and is limited to the time periods indicated. The District makes no representation as to the accuracy or completeness of data obtained from parties other than the District. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future. *In particular, it is important to note that certain of the information provided in this section predates the COVID-19 pandemic crisis. See "INVESTMENT FACTORS –Risks Related to COVID-19. Due to the significance of the pandemic, actual economic and demographic trends in the area around the District may vary greatly from past trends.*

Population and Age Distribution

The following table provides a history of the population of the Town of Castle Rock, Douglas County, and the State. Between 2011 and 2018, the population of the Town of Castle Rock increased 30.3%, Douglas County increased 17.2%, Denver-Aurora MSA increased 12.6%, and the population of the State increased 11.1%.

Population

Year	Town of Castle Rock	Percent Change	Douglas County	Percent Change	Denver- Aurora MSA	Percent Change	Colorado	Percent Change
1970	1,531	--	8,407	--	1,118,563	--	2,209,596	--
1980	3,921	156.1%	25,153	199.2%	1,450,768	29.7%	2,889,735	30.8%
1990	8,710	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	2,179,240	30.7	4,301,261	30.6
2010	48,231	138.5	285,462	62.4	2,543,482	16.7	5,029,196	16.9
2011	49,748	3.1	292,650	2.5	2,606,377	2.5	5,123,692	1.9
2012	51,073	2.7	298,836	2.1	2,653,814	1.8	5,195,943	1.4
2013	52,725	3.2	306,484	2.6	2,704,338	1.9	5,272,942	1.5
2014	55,226	4.7	314,822	2.7	2,758,083	2.0	5,352,866	1.5
2015	57,152	3.5	322,224	2.4	2,817,019	2.1	5,454,707	1.9
2016	60,045	5.1	328,370	1.9	2,861,054	1.6	5,542,951	1.6
2017	63,106	5.1	335,901	2.3	2,896,323	1.2	5,616,567	1.3
2018	64,818	2.7	342,847	2.1	2,934,952	1.3	5,694,311	1.4

(1) MSA population adjusted to reflect the 2001 consolidation of Broomfield County.

Sources: United States Department of Commerce, Bureau of Census (1970-2010), and Colorado State Demography Office (2011-2018 estimates and 2000 MSA estimate).

Age Distribution. The following table sets forth a projected comparative age distribution profile for the Town of Castle Rock, Douglas County, Denver-Aurora MSA, the State and the nation as of January 1, 2020.

Age Distribution

Age	Town of Castle Rock	Douglas County	Denver-Aurora MSA	Colorado	United States
0-17	27.8%	25.0%	22.4%	22.2%	22.3%
18-24	8.9	9.1	8.3	9.3	9.5
25-34	9.7	10.2	15.6	14.8	13.5
35-44	16.0	14.0	14.6	13.7	12.7
45-54	15.8	16.1	13.2	12.6	12.5
55-64	10.9	13.0	12.2	12.5	12.9
65-74	7.0	8.2	8.6	9.3	9.9
75 and Older	3.9	4.4	5.1	5.6	6.7

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Income

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

Annual Per Capita Personal Income

Year ⁽¹⁾	Douglas County	Denver-Aurora MSA	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) County and MSA figures posted November 2019; state and national figures posted March 2020. All figures are subject to periodic revisions.

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

The following two tables reflect the Median Household Effective Buying Income (“EBI”), and also the percentage of households by EBI groups. EBI is defined as “money income” (defined below) less personal tax and nontax payments. “Money income” is defined as the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation,

Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deductions are made for personal income taxes (federal, state and local), personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate. The resulting figure is known as “disposable” or “after-tax” income.

Median Household Effective Buying Income Estimates⁽¹⁾

Year	Town of Castle Rock	Douglas County	Denver- Aurora MSA	Colorado	United States
2016	\$76,791	\$86,417	\$56,042	\$52,345	\$46,738
2017	77,639	85,782	59,102	54,718	48,043
2018	84,706	90,772	62,677	57,732	50,620
2019	81,999	88,284	64,624	59,227	52,468
2020	86,521	92,451	68,521	62,340	54,686

(1) The difference between consecutive years is not an estimate of change from one year to the next; combinations of data are used each year to identify the estimated mean of income from which the median is computed.

Source: © The Nielsen Company, *SiteReports*, 2016-2017; and Claritas, ©2018-2020 by Environics Analytics (EA).

Percent of Households by Effective Buying Income Groups – 2020 Estimates

Effective Buying Income Group	Town of Castle Rock	Douglas County	Denver- Aurora MSA	Colorado	United States
Under \$24,999	7.0%	6.1%	12.8%	15.6%	20.2%
\$25,000 - 49,999	15.4	13.1	22.4	24.2	25.6
\$50,000 - 74,999	17.8	16.8	19.6	19.6	19.5
\$75,000 - 99,999	20.9	19.6	17.4	16.6	14.6
\$100,000 - 124,999	14.0	13.8	9.7	8.7	7.2
\$125,000 - 149,999	8.6	9.3	6.1	5.3	4.4
\$150,000 or More	16.3	21.3	12.0	10.0	8.5

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Employment

The following table presents information on employment within Douglas County, Denver-Aurora MSA, the State and the United States for the time period indicated.

Labor Force and Employment⁽¹⁾

	<u>Douglas County⁽¹⁾</u>		<u>Denver-Aurora MSA⁽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	172,348	3.1%	1,507,539	3.7%	2,828,876	3.9%	5.3%
2016	177,701	2.6	1,543,166	3.0	2,896,771	3.2	4.9
2017	184,973	2.3	1,592,620	2.6	2,992,42	2.7	4.4
2018	191,240	2.9	1,646,342	3.2	3,096,358	3.3	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 ⁽²⁾	187,496	8.2	1,637,743	10.4	3,049,684	10.0	13.3

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

(2) Preliminary.

Sources: State of Colorado, Department of Labor and Employment, Labor Market Information, Colorado Areas Labor Force Data and U.S. Department of Labor, Bureau of Statistics.

The following two tables set forth the number of individuals employed within selected Douglas County and Denver-Aurora MSA industries which 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; government; professional and technical services; and accommodation and food services. For the twelve-month period ended December 31, 2019, total average employment in Douglas County increased 4.1% as compared to the same period ending December 31, 2018, and total average weekly wages increased 8.4% during the same time period.

Average Number of Employees Within Selected Industries - Douglas County

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Agriculture, Forestry and Fisheries	188	193	205	207	224
Mining	567	478	303	250	291
Utilities	n/a ⁽¹⁾	n/a ⁽¹⁾	n/a ⁽¹⁾	n/a ⁽¹⁾	n/a ⁽¹⁾
Construction	7,786	8,340	8,421	8,843	9,264
Manufacturing	2,481	2,378	2,243	2,058	2,012
Wholesale Trade	3,698	3,800	4,064	4,416	4,635
Retail Trade	17,486	17,924	17,933	18,706	18,633
Transportation & Warehousing	995	977	1,443	1,508	1,578
Information	5,450	5,584	5,300	6,466	5,215
Finance & Insurance	7,052	8,231	9,026	9,759	12,780
Real Estate, Rental & Leasing	1,568	1,694	1,847	1,911	2,022
Professional & Technical Services	12,044	12,028	13,193	13,071	13,420
Management of Companies/Enterprises	2,852	3,010	3,166	3,373	3,568
Administrative & Waste Services	6,225	6,070	5,934	5,702	5,977
Educational Services	1,899	2,079	1,966	1,972	2,110
Health Care & Social Assistance	11,117	11,825	12,506	13,295	13,887
Arts, Entertainment & Recreation	3,135	3,220	3,605	3,581	3,777
Accommodation & Food Services	11,735	11,962	12,112	12,654	13,144
Other Services	3,657	3,952	4,198	4,085	4,150
Non-classifiable	8	9	4	11	12
Government	<u>12,750</u>	<u>12,845</u>	<u>13,443</u>	<u>13,594</u>	<u>13,858</u>
Total ⁽²⁾	<u>112,883</u>	<u>116,808</u>	<u>121,135</u>	<u>125,683</u>	<u>130,787</u>

(1) Due to confidentiality, figures are not released.

(2) Figures may not equal totals when added due to the rounding of averages.

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 MSA was government (comprising approximately 13.5% of the metro area's work force), followed in order by health care and social assistance; professional and technical services; accommodations and food services; and retail trade. For the twelve month period ending December 31, 2019, total average employment in Denver-Aurora MSA increased approximately 2.4% as compared to the same twelve month period ending December 31, 2018, and total average weekly wages increased 4.6% during the same time period.

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

Industry	2015	2016	2017	2018	2019
Agriculture, Forestry, Fishing, Hunting	2,551	2,847	3,453	3,632	4,193
Mining	11,907	9,505	9,592	10,319	10,925
Utilities	3,697	3,653	3,609	3,627	3,740
Construction	82,575	87,752	92,242	97,900	100,770
Manufacturing	68,051	69,012	68,897	69,647	70,644
Wholesale Trade	69,961	71,162	72,372	73,262	74,395
Retail Trade	135,857	137,944	138,307	139,465	138,783
Transportation & Warehousing	46,339	47,875	51,573	55,555	60,697
Information	45,620	46,671	47,143	50,191	50,839
Finance & Insurance	72,729	75,009	76,913	78,044	77,858
Real Estate, Rental & Leasing	26,334	27,460	28,362	29,355	31,038
Professional & Technical Services	125,078	129,546	133,452	139,236	146,202
Management of Companies/Enterprises	30,058	30,123	31,838	33,314	34,337
Administrative & Waster Services	96,173	97,341	98,057	98,896	100,740
Educational Services	22,192	22,817	22,810	23,702	24,170
Health Care & Social Assistance	151,849	158,017	157,607	161,614	164,457
Arts, Entertainment & Recreation	23,121	23,901	25,799	26,719	28,042
Accommodation & Food Services	131,824	137,006	140,305	142,558	144,765
Other Services	42,057	43,724	45,312	45,801	46,982
Non-Classifiable	148	144	39	97	133
Government	<u>189,753</u>	<u>194,000</u>	<u>197,198</u>	<u>199,463</u>	<u>204,546</u>
Total All Industries ⁽¹⁾	<u>1,377,873</u>	<u>1,415,507</u>	<u>1,444,879</u>	<u>1,482,397</u>	<u>1,518,254</u>

(1) Figures may not equal totals when added, due to rounding of averages.

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

The following table sets forth the major private employers located in Douglas County. No independent investigation of the stability or financial condition of the employers listed hereafter has been conducted; therefore, no representation can be made that these employers will continue to maintain their status as major employers.

Largest Private Non-Retail Employers in Douglas County

Employer	Product or Service	Estimated Numbers of Employees ⁽¹⁾
Charles Schwab	Financial services	4,300
DISH Network	Satellite TV & equipment	2,700
Centura Health: Parker Adventist Hospital & Castle Rock Adventist Hospital	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/architectural services	880
IHS Markit	Indexed technical data	750
ViaSat, Inc.	Telecommunications	620
Sprint Corporation	Telecommunications	590

(1) Updated May 2020.

Source: Development Research Partners as posted by Metro Denver Economic Development Corp.

Retail Sales

The retail trade sector employs a large portion of the work force in Douglas County. The County and State experienced increased retail sales activity for the five-year period shown.

Retail Sales (in thousands of dollars)

Year	Town of Castle Rock	Percent Change	Douglas County	Percent Change	Denver-Aurora MSA	Percent Change	Colorado	Percent Change
2015	\$1,369,100	--	\$ 9,824,997	--	\$101,283,636	--	\$182,845,695	--
2016	1,504,889	9.9%	11,108,593	13.1%	103,217,680	1.9%	184,703,410	1.0%
2017	1,631,528	8.4	11,331,725	2.0	107,792,202	4.4	194,641,958	5.4
2018	1,745,281	7.0	11,580,675	2.2	113,916,980	5.7	206,121,045	5.9
2019	1,908,818	9.4	12,398,378	7.1	122,014,385	7.1	224,618,938	9.0
2020 ⁽¹⁾	579,254	--	3,710,019	--	37,298,197	--	68,089,573	--

(1) As of April 30, 2020.

Source: State of Colorado, Department of Revenue, Retail Sales Report, 2015-2020.

Building Permits

The following tables set forth histories of building permits issued in the Town of Castle Rock and in the unincorporated portions of Douglas County.

Building Permit Issuances in Town of Castle Rock

Year	Single Family – New ⁽¹⁾		Multi-Family - New		Commercial - New	
	Permits	Value	Permits	Value	Permits	Value
2015	794	\$182,149,931	83	\$ 9,565,533	51	\$25,430,159
2016	753	169,668,570	380	38,810,205	79	59,440,534
2017	862	253,423,531	402	58,746,347	129	62,694,257
2018	1,028	304,165,959	372	41,317,324	58	51,919,998
2019	901	272,981,745	23	3,801,979	44	45,658,744
2020 ⁽²⁾	456	138,981,678	116	n/a	26	25,726,396

(1) Includes single family detached and attached.

(2) As of June 30, 2020.

Source: Town of Castle Rock Building Division.

Building Permit Issuances in Unincorporated Douglas County

Year	Residential - New		Multi-Family ⁽¹⁾		Commercial - New	
	Permits	Value	Permits	Value	Permits	Value
2015	955	\$305,990,236	7	\$ 9,704,822	68	\$111,244,300
2016	857	275,619,304	24	48,523,416	56	66,415,881
2017	969	307,832,358	89	83,237,391	68	53,689,689
2018	1,058	334,795,828	104	18,344,557	67	110,958,809
2019	998	302,639,231	270	36,508,200	81	83,781,421
2020 ⁽²⁾	451	143,377,320	28	15,424,980	36	18,613,617

(1) Includes apartments, condominiums and townhouses.

(2) As of June 30, 2020.

Source: Douglas County Building Division.

Foreclosure Activity

The following table sets forth data on the number of foreclosures filed for the time period indicated. Such information does not take into account the number of foreclosures which were filed and subsequently redeemed or withdrawn.

History of Foreclosures - Douglas County

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

(1) As of June 30, 2020, which reflects a 38.1% decrease from the total filings (139) in the same period in 2019.

Sources: Colorado Division of Housing (2015-2019) and Douglas County Public Trustee (2020).

TAX MATTERS

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the Bonds is excluded 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 Bonds (the “Tax Code”), interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, and interest on the Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Bonds. For purposes of this paragraph and the succeeding discussion, “interest” includes the original issue discount on certain of the Bonds only to the extent such original issue discount is accrued as described herein.

The Tax Code and Colorado law impose several requirements which must be met with respect to the Bonds in order for the interest thereon to be excluded from gross income, alternative minimum taxable income, Colorado taxable income and Colorado alternative minimum taxable income. Certain of these requirements must be met on a continuous basis throughout the term of the Bonds. These requirements include: (a) limitations as to the use of proceeds of the Bonds; (b) limitations on the extent to which proceeds of the Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the Bonds above the yield on the Bonds to be paid to the United States Treasury. The District will covenant and represent in the Indenture that it will take all steps to comply with the requirements of the Tax Code and Colorado law (in effect on the date of delivery of the Bonds) to the extent necessary to maintain the exclusion of interest on the Bonds from gross income and alternative minimum taxable income under such federal income tax laws and Colorado taxable income and Colorado alternative minimum taxable income under such Colorado income tax laws. Bond Counsel’s opinion as to the exclusion of interest on the Bonds from gross income, alternative minimum taxable income, Colorado taxable income and Colorado alternative minimum taxable income is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the District to comply with these requirements could cause the interest on the Bonds to be included in gross income, alternative minimum taxable income, Colorado taxable income or Colorado alternative minimum taxable income, or a combination thereof, from the date of issuance. Bond Counsel’s opinion also is rendered in reliance upon certifications of the District and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

The Tax Code contains numerous provisions which may affect an investor’s decision to purchase the Bonds. Owners of the Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain “subchapter S” corporations may result in adverse federal and Colorado tax consequences. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the Bonds made to any owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant

to the Tax Code. Backup withholding may also be applied if the owner underreports “reportable payments” (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such a certificate is required by the Tax Code. Certain of the Bonds may be sold at a premium, representing a difference between the original offering price of those Bonds and the principal amount thereof payable at maturity. Under certain circumstances, an initial owner of such bonds (if any) may realize a taxable gain upon their disposition, even though such bonds are sold or redeemed for an amount equal to the owner’s acquisition cost. Bond Counsel’s opinion relates only to the exclusion of interest (and, to the extent described above for the Discount Bonds, original issue discount) on the Bonds from gross income, alternative minimum taxable income, Colorado taxable income and Colorado alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal or Colorado tax consequences arising from the receipt or accrual of interest on or ownership of the Bonds. Owners of the Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based on existing law as of the delivery date of the Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal or state tax laws may be pending now or could be proposed in the future that, if enacted into law, could adversely affect the value of the Bonds, the exclusion of interest (and, to the extent described above for the Discount Bonds, original issue discount) on the Bonds from gross income or alternative minimum taxable income or both from the date of issuance of the Bonds or any other date, the tax value of that exclusion for different classes of taxpayers from time to time, or that could result in other adverse tax consequences. In addition, future court actions or regulatory decisions could affect the tax treatment or market value of the Bonds. Owners of the Bonds are advised to consult with their own tax advisors with respect to such matters.

The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, the market value of the Bonds may be adversely affected. Under current audit procedures, the Service will treat the District as the taxpayer and the Owners may have no right to participate in such procedures. The District has covenanted in the Indenture not to take any action that would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes or lose its exclusion from alternative minimum taxable income for the owners thereof for federal income tax purposes. None of the District, the Underwriter, the Financial Advisor or Bond Counsel is responsible for paying or reimbursing any Bond holder with respect to any audit or litigation costs relating to the Bonds. See Appendix E for the proposed form of the Bond Counsel opinion.

LEGAL MATTERS

No Litigation Involving the District

In connection with the issuance of the Bonds, the District states that to the best of the Board's actual knowledge, on the date of issuance of the Bonds, there is no litigation of any nature is now pending or threatened, seeking to restrain or to enjoin the execution, issuance, or delivery of the Bonds, the Indenture, or the Bond Resolution, or in any manner questioning the authority or proceedings for the Elections, or the issuance of the Bonds, or the execution and delivery of the Bonds, Indenture, or Bond Resolution, or affecting the validity or enforceability of the Elections, the Bonds, the Indenture or the Bond Resolution, the pledge or collection of the Pledged Revenue under the Indenture; and no litigation of any nature is now pending or, threatened, which, if determined adversely to the District, would have a material adverse effect upon the Pledged Revenue, respectively, or the District's ability to comply with its obligations under the Bond Resolution, the Indenture or the Bonds, or to consummate the transactions contemplated thereby. The District's general counsel is expected to render an opinion on the date of issuance of the Bonds stating that, to the best of its actual knowledge, there is no action, suit, or proceeding pending in which the District is a party, nor is there any inquiry or investigation pending against the District by any governmental agency, public agency, or authority which, if determined adversely to the District, would have a material adverse effect upon the District's ability to comply with its obligations under the Indenture.

Sovereign 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 District, 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; the operation of any public hospital, correctional facility or jail; a dangerous condition of any public building; certain dangerous conditions of a public highway, road or street; and the operation and maintenance of any public water facility, gas facility, sanitation facility, electrical facility, power facility or swimming facility by such public entity. In such instances, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which occur during the performance of their duties and within the scope of their employment. 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 \$350,000 for claims accruing before January 1, 2019, or the sum of \$387,000 for claims accruing on or after January 1, 2019, and before January 1, 2022; (b) for an injury to two or more persons in any single occurrence, the sum of \$990,000 for claims accruing before January 1, 2019, except in such instance, no person may recover in excess of \$350,000; or the sum of \$1,093,000 for claims accruing on or after January 1, 2019, and before January 1, 2022, except in such instance, no person may recover in excess of \$387,000. These amounts increase every four years pursuant to a formula based on the Denver-

Boulder-Greeley Consumer Price Index, with the first such increase to occur on or before January 1, 2019. The Board by resolution may increase any maximum amount that may be recovered from the District for certain types of injuries. However, the District may not be held liable either directly or by indemnification for punitive or exemplary damages unless the District voluntarily pays such damages in accordance with State law. The District has not acted to increase the damage limitations in the Immunity Act.

The District may be subject to civil liability and damages including punitive or exemplary damages under federal laws, and it may not be able to claim sovereign immunity for actions founded upon federal laws. Examples of such civil liability include suits filed pursuant to Section 1983 of Title 42 of the United States Code, alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the District may be enjoined from engaging in anti-competitive practices which violate federal and State 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

Legal matters relating to the issuance of the Bonds, as well as the treatment of interest on the Bonds for purposes of federal and State income taxation, are subject to the approving legal opinion of Sherman & Howard L.L.C., Denver, Colorado, as Bond Counsel. Such opinion, the form of which is attached hereto as Appendix E, will be dated as of and delivered at closing. Certain legal matters pertaining to the organization and operation of the District will be passed upon by its general counsel, White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado. Kutak Rock LLP, Denver, Colorado, acted as counsel to the Underwriter in connection with the issuance of the Bonds. Legal fees to Bond Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

Certain Constitutional Limitations

In 1992, the voters of Colorado approved a constitutional amendment which is codified as Article X, Section 20, of the Colorado Constitution (the Taxpayers Bill of Rights or "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 the District ("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 District, 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.

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, including the debt service on the Bonds, can be paid without regard to any spending limits, assuming revenues are available to do so. TABOR's tax increase limitations could cause the District's property tax revenues to decrease if the assessed valuation of taxable real property in the District should decline, absent voter approval to increase the District's property tax mill levy as explained above.

At the 2006 Election, the District's voters approved election questions which authorize the District to retain excess revenues which may otherwise be required by TABOR to be refunded to taxpayers. As required by TABOR, the issuance of the Bonds was authorized at the Election.

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, excluding bonded debt service. 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 District has budgeted emergency reserves 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 District 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.

RATINGS

[TO BE UPDATED] The underlying ratings on the Bonds assigned by Moody's Investors Service ("Moody's") as of the date of this Official Statement are set forth on the cover page hereof. Moody's and S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") are expected to assign the insured ratings of "A2" and "AA", respectively to the Bonds based upon the issuance of the Policy by AGM at the time of delivery of the Bonds. The ratings reflect only the view of Moody's and S&P, and are not a recommendation to buy, sell or hold the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on the investigations, studies and assumptions of its own. There is no assurance that the ratings will continue for any given period of time or that the ratings will not be revised or withdrawn entirely by Moody's and S&P if in its judgment circumstances so warrant. Any such downward revision or withdrawal of the ratings could have an adverse effect on the market price of the Bonds. Neither the Underwriter, the Trustee, nor the District have undertaken any responsibility after issuance of the Bonds to ensure the maintenance of the ratings or to oppose any such revision or withdrawal.

UNDERWRITING

D.A. Davidson & Co., Denver, Colorado (the "Underwriter") has agreed to purchase the Bonds from the District under a Bond Purchase Agreement at a purchase price equal to \$ _____ (which is equal to the par amount of the Bonds, plus original issue premium of \$ _____, less Underwriter's discount of \$ _____). The Underwriter is committed to take and pay for all of the Bonds if any are taken.

CONTINUING DISCLOSURE

The District will execute a continuing disclosure certificate (the "Disclosure Certificate") at the time of the closing for the Bonds. The Disclosure Certificate will be executed for the benefit of the beneficial owners of the Bonds. The Disclosure Certificate will provide that so long as the Bonds remain Outstanding, the District 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 material events; all as specified in the Disclosure Certificate. The form of the Disclosure Certificate is attached hereto as Appendix D. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

[SUBJECT TO ONGOING DISCUSSION] During the past five years, the District did not file or did not properly link certain quarterly information for certain quarters in the calendar years 2015 through 2018 and did not file notice of its failure to provide the aforementioned information on or before the date specified in its prior continuing disclosure undertakings. The District has filed a notice of its failure to file its 2017 fiscal year unaudited financial statements with its March 2018 quarterly report as required by the continuing

disclosure agreement by and among the District, the Developer and UMB Bank, n.a. relating to the District's Refunded Bonds; however, the District subsequently made available its audited 2017 financial statements on EMMA in July 2018.

OFFICIAL STATEMENT CERTIFICATION

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

CASTLE OAKS METROPOLITAN DISTRICT NO. 3

By: _____
Craig Campbell, President

APPENDIX A
AUDITED FINANCIAL STATEMENTS

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APPENDIX B

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each 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 3.6 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the 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 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Principal, interest and redemption proceeds on the Bonds 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 District 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 District, 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 District 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 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

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

The District and the Trustee may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purpose of payment of the principal of or interest or premium, if any, on the Bonds, giving any notice permitted or required to be given to registered owners under the Indenture, including any notice of redemption, registering the transfer of Bonds, obtaining any consent or other action to be taken by registered owners and for all other purposes whatsoever, and will not be affected by any notice to the contrary. The District and the Trustee will not have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any DTC Direct Participant, Indirect Participant or other person not shown on the records of the Trustee as being a registered owner with respect to: the accuracy of any records maintained by DTC, any DTC Direct Participant or Indirect Participant regarding ownership interests in the Bonds; the payment by DTC, any DTC Direct Participant or Indirect Participant of any amount in respect of the principal of or interest or premium, if any, on the Bonds; the delivery to any DTC Direct Participant, Indirect Participant or any Beneficial Owner of any notice which is permitted or required to be given to registered owners under the Authorizing Document, including any notice of redemption; the selection by DTC, any DTC Direct Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; or any consent given or other action taken by DTC as a registered owner.

As long as the DTC book-entry system is used for the Bonds, the Trustee will give any notice of redemption or any other notices required to be given to registered owners of Bonds only to DTC or its nominee. Any failure of DTC to advise any DTC Direct Participant, of any DTC Direct Participant to notify any Indirect Participant, of any DTC Direct Participant or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or of any other action premised on such notice.

APPENDIX C

SUMMARY OF CERTAIN DEFINITIONS IN THE INDENTURE

The following definitions in this Appendix and in the body of this Official Statement under the captions “INTRODUCTION,” “THE BONDS” and “SECURITY FOR THE BONDS” are in substantially final form and are qualified in all respects by reference to the Indenture. Copies of the Indenture may be obtained from the District and the Underwriter as provided under the caption “INTRODUCTION – Additional Information” in the body of this Official Statement.

The defined terms set forth below are generally defined as they appear in the Indenture. Terms that are defined slightly differently in the front part of this Official Statement have been indicated in each affected definition below.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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APPENDIX E
FORMS OF BOND COUNSEL OPINION

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APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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