

*In the opinion of Ballard Spahr LLP, Denver, Colorado, Bond Counsel, interest on the Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Bonds is not a preference item for purposes of the individual federal alternative minimum tax; however, interest paid to certain corporate holders of the Bonds indirectly may be subject to alternative minimum tax under circumstances described under "TAX MATTERS" herein. Bond Counsel is also of the opinion that to the extent that interest on the Bonds is excludable from gross income for federal income tax purposes, interest on the Bonds is excludable from gross income for State of Colorado income tax purposes and from the calculation of State of Colorado alternative minimum taxable income. See "TAX MATTERS" herein.*

**\$31,945,000**  
**CROWFOOT VALLEY RANCH  
METROPOLITAN DISTRICT NO. 2  
(IN DOUGLAS COUNTY, COLORADO)  
LIMITED TAX  
GENERAL OBLIGATION BONDS  
SERIES 2018A**

**\$3,260,000**  
**CROWFOOT VALLEY RANCH  
METROPOLITAN DISTRICT NO. 2  
(IN DOUGLAS COUNTY, COLORADO)  
SUBORDINATE LIMITED TAX  
GENERAL OBLIGATION BONDS  
SERIES 2018B**

The Crowfoot Valley Ranch Metropolitan District No. 2 Limited Tax General Obligation Bonds, Series 2018A (the "2018A Senior Bonds") are issued as fully registered bonds in denominations of \$500,000 or any integral multiple of \$1,000 in excess thereof, pursuant to the 2018A Senior Indenture. The Crowfoot Valley Ranch Metropolitan District No. 2 Subordinate Limited Tax General Obligation Bonds, Series 2018B (the "2018B Subordinate Bonds," and together with the 2018A Senior Bonds, the "Bonds") are issued as fully registered bonds in denominations of \$500,000 or any integral multiple of \$1,000 in excess thereof, pursuant to the 2018B Subordinate Indenture. 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 2018A SENIOR BONDS – Book-Entry Only System" and "THE 2018B SUBORDINATE BONDS – Book-Entry Only System."

The 2018A Senior Bonds bear interest at the rate set forth below, payable (but only to the extent revenues are available for such purpose) semiannually on June 1 and December 1 of each year, commencing December 1, 2018, and the 2018B Subordinate Bonds bear interest at the rate set forth below, payable (but only to the extent revenues are available for such purpose) on December 15, 2018, and annually thereafter on December 15 of each year. 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 2018A SENIOR BONDS" and "THE 2018B SUBORDINATE BONDS."

**2018A SENIOR BONDS MATURITY SCHEDULE**

\$9,615,000 5.625% Term Bond Due December 1, 2038 - Price: 100% (CUSIP Number: †22802C AA5)  
\$22,330,000 5.750% Term Bond Due December 1, 2048 - Price: 100% (CUSIP Number: †22802C AB3)

**2018B SUBORDINATE BONDS MATURITY SCHEDULE**

\$3,260,000 8.00% Term Bond Due December 15, 2048 - Price: 100% (CUSIP Number: †22802C AC1)

**Dated: Date of Delivery**

**THE PROPERTY IN THE DISTRICT IS GENERALLY VACANT AND UNDEVELOPED. INVESTMENT IN THE BONDS INVOLVES A HIGH DEGREE OF RISK. AS SUBORDINATE OBLIGATIONS, REPAYMENT OF THE 2018B SUBORDINATE BONDS IS SUBJECT TO A HIGHER DEGREE OF INVESTMENT RISK THAN THE 2018A SENIOR BONDS. THE BONDS ARE NOT APPROPRIATE FOR ALL INVESTORS AND ARE BEING OFFERED AND SOLD ONLY TO "FINANCIAL INSTITUTIONS AND INSTITUTIONAL INVESTORS" AS DEFINED IN SECTION 32-1-103(6.5), COLORADO REVISED STATUTES. SEE "RISK FACTORS."**

The 2018A Senior Bonds constitute limited tax general obligations of the District payable solely from and to the extent of the Senior Pledged Revenue, defined generally in the 2018A Senior Indenture as the following: (i) all Senior Property Tax Revenues (generally defined as revenues resulting from the imposition of the Senior Required Mill Levy); (ii) all Senior Specific Ownership Tax Revenues; and (iii) all Capital Fees. The 2018A Senior Bonds are additionally secured by the 2018A Surplus Fund, which will initially be funded with proceeds of the 2018A Senior Bonds in the amount of \$2,854,000.00, and will also be funded with excess Senior Pledged Revenue, if any, and by capitalized interest which will be funded with proceeds of the 2018A Senior Bonds in the amount of \$5,449,111.57.

The 2018B Subordinate Bonds constitute subordinate "cash flow" (meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest payments not paid when due will accrue and compound annually until sufficient Subordinate Pledged Revenue is available for payment) limited tax general obligations of the District payable solely from and to the extent of the Subordinate Pledged Revenue, which is defined generally in the 2018B Subordinate Indenture as the following: (i) all Subordinate Property Tax Revenues (generally defined as revenues resulting from the imposition of the Subordinate Required Mill Levy); (ii) all Subordinate Specific Ownership Tax Revenues; and (iii) all Subordinate Capital Fee Revenue. *Principal is due on the 2018B Subordinate Bonds on each December 15 only to the extent Subordinate Pledged Revenue is available therefor, and failure to make such payments will not be considered an Event of Default under the 2018B Subordinate Indenture. In the event any amounts due and owing on the 2018B Subordinate Bonds remain outstanding on December 15, 2058, such amounts shall be deemed discharged and shall no longer be due and outstanding.*

For further description of the security for the Bonds, see "SECURITY FOR THE 2018A SENIOR BONDS" and "SECURITY FOR THE 2018B SUBORDINATE BONDS." **The Bonds are not obligations of Crowfoot Valley Ranch Metropolitan District No. 1, Douglas County or the State of Colorado.**

Each series of Bonds is subject to redemption prior to maturity at the option of the District. The 2018A Senior Bonds are also subject to mandatory sinking fund redemption under certain circumstances set forth in the 2018A Senior Indenture. The 2018B Subordinate Bonds are also subject to mandatory redemption under certain circumstances set forth in the 2018B Subordinate Indenture. See "THE 2018A SENIOR BONDS – Prior Redemption" and "THE 2018B SUBORDINATE BONDS – Prior Redemption."

Proceeds of the 2018A Senior Bonds will be used to: (i) finance or reimburse the costs of public improvements related to the Development (defined herein); (ii) fund capitalized interest on the 2018A Senior Bonds; (iii) make an initial deposit to the 2018A Surplus Fund; and (iv) pay the costs of issuance of the Bonds. Proceeds of the 2018B Subordinate Bonds will be used to: (i) finance or reimburse the cost of public improvements related to the Development; and (ii) pay certain other costs of issuance of the 2018B Subordinate Bonds. See "USES OF PROCEEDS."

**This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Limited Offering Memorandum to obtain information essential to making an informed investment decision, giving particular attention to the section entitled "RISK 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 Ballard Spahr LLP, Denver, Colorado, Bond Counsel, and the satisfaction of certain other conditions. Sherman & Howard L.L.C., Denver, Colorado, has acted as Underwriter's counsel. Certain legal matters will be passed upon for the District by its general counsel, Collins Cockrel & Cole P.C., Denver, Colorado. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about June 19, 2018.



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

**This Limited Offering Memorandum is dated June 13, 2018.**

<sup>†</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright © 2018 CUSIP Global Services.

## **USE OF INFORMATION IN THIS LIMITED OFFERING MEMORANDUM**

This Limited Offering Memorandum, 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 Limited Offering Memorandum 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 Limited Offering Memorandum has been obtained from the District, from the sources referenced throughout this Limited Offering Memorandum 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 Limited Offering Memorandum. In accordance with its responsibilities under federal securities laws, the Underwriter has reviewed the information in this Limited Offering Memorandum but does not guarantee its accuracy or completeness. This Limited Offering Memorandum 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 Limited Offering Memorandum are subject to change without notice, and neither the delivery of this Limited Offering Memorandum 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 Limited Offering Memorandum.

This Limited Offering Memorandum 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.

**Crowfoot Valley Ranch Metropolitan District No. 2  
Douglas County, Colorado**

**Board of Directors**

Chad Murphy, President  
David L. Klebba, Treasurer  
John W. Despard, Assistant Secretary  
Matthew B. Greenberg, Assistant Secretary

**Trustee, Registrar and Paying Agent**

UMB Bank, n.a.  
Denver, Colorado

**General Counsel**

Collins Cockrel & Cole P.C.  
Denver, Colorado

**Bond Counsel**

Ballard Spahr LLP  
Denver, Colorado

**Underwriter's Counsel**

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

**Underwriter**

D.A. Davidson & Co.  
Denver, Colorado

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(1) Only those portions of the table involving the direct debt of the District are subject to the continuing disclosure requirement.



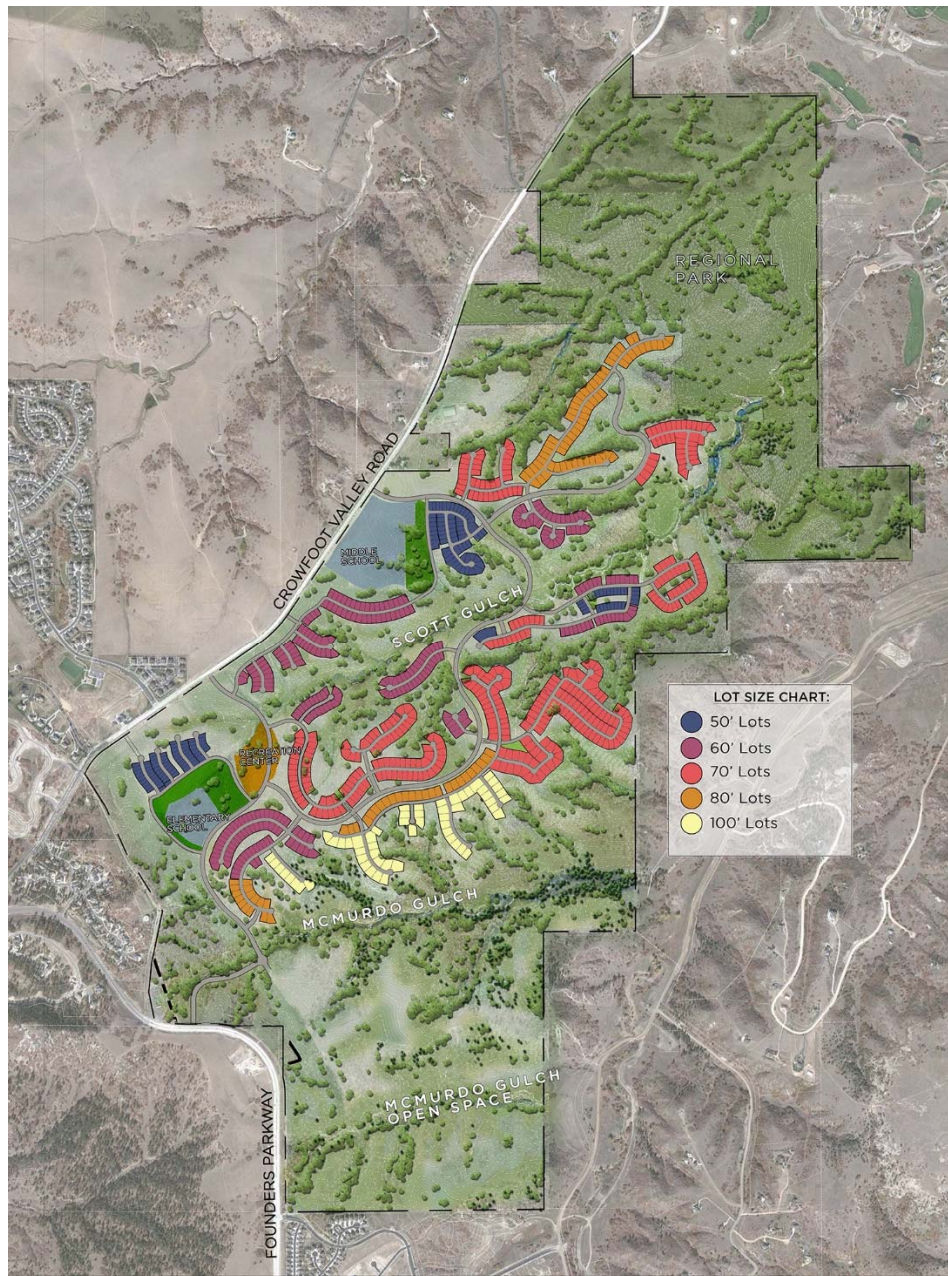
## AERIAL PHOTOGRAPH OF THE DISTRICT

**Note: The boundaries depicted in the Aerial Photograph of the District do not show the impact of the exclusion of approximately 24 acres of property from the southern portion of the District that took place on June 13, 2018. See “THE DISTRICT – Inclusion, Exclusion, Consolidation and Dissolution – Exclusion of Property.”**



## SITE PLAN OF THE PROPOSED DEVELOPMENT

**IMPORTANT CAUTION:** This conceptual site plan depicts only the general plan for the Development as of January 2018 and *not actual development*. *The property in the District is currently vacant and completely undeveloped, with the exception of some existing structures that will be demolished in connection with the Development.* In addition, this site plan was prepared prior to the exclusion of approximately 392 acres and the exclusion of an additional approximately 24 acres from the southern portion of the District’s boundaries, and will be impacted by proposed zoning and platting changes. This site plan is subject to change and does not represent the final depiction of the Development upon its completion. See “RISK FACTORS,” “THE DISTRICT – Inclusion, Exclusion, Consolidation and Dissolution – Exclusion of Property” and “THE DEVELOPMENT.”



**LIMITED OFFERING MEMORANDUM**

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2  
DOUGLAS COUNTY, COLORADO**

**\$31,945,000**  
**CROWFOOT VALLEY RANCH**  
**METROPOLITAN DISTRICT NO. 2**  
**(IN DOUGLAS COUNTY, COLORADO)**  
**LIMITED TAX**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2018A**

**\$3,260,000**  
**CROWFOOT VALLEY RANCH**  
**METROPOLITAN DISTRICT NO. 2**  
**(IN DOUGLAS COUNTY, COLORADO)**  
**SUBORDINATE LIMITED TAX**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2018B**

**INTRODUCTION**

**Changes from the Preliminary Limited Offering Memorandum Dated June 5, 2018**

This Limited Offering Memorandum includes certain information which was not available for inclusion in the Preliminary Limited Offering Memorandum dated June 5, 2018 (the “PLOM”), including the final uses of proceeds of the Bonds and the maturity dates, interest rates, prices, redemption provisions, and other terms of the Bonds. In addition, the following changes have been made to the PLOM:

1. The Financial Forecast (defined herein) has been revised to reflect the final pricing of the Bonds. See Appendix B and “RISK FACTORS – Risks Related to Projections.”

2. The PLOM stated that a petition for exclusion of 23.910 acres of property was received by the District on May 31, 2018. On June 8, 2018, the District Court issued an Order of Exclusion pertaining to this property. On June 13, 2018, the Order of Exclusion was recorded with the Douglas County Clerk & Recorder at Reception No. 2018035654, thereby completing the exclusion process.

**General**

This Limited Offering Memorandum, which includes the cover page and the appendices, provides information in connection with the offer and sale of (i) the Crowfoot Valley Ranch Metropolitan District No. 2 Limited Tax General Obligation Bonds, Series 2018A (the “2018A Senior Bonds”), to be issued by Crowfoot Valley Ranch Metropolitan District No. 2, Douglas County, Colorado (the “District”), a political subdivision of the State of Colorado (the “State”), in the total aggregate principal amount of \$31,945,000, and (ii) the Crowfoot Valley Ranch Metropolitan District No. 2 Subordinate Limited Tax General Obligation Bonds, Series 2018B (the “2018B Subordinate Bonds,” and together with the 2018A Senior Bonds, the “Bonds”), to be issued by the District in the total aggregate principal amount of \$3,260,000.

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 2018A Senior Bonds will also be issued pursuant to an Indenture of Trust (Senior) between the District and UMB Bank, n.a., Denver, Colorado, as trustee (the “2018A Trustee”) dated as of June 1, 2018 (the “2018A Senior Indenture”). The 2018B Subordinate Bonds will also be issued pursuant to an Indenture of Trust (Subordinate) between the District and UMB Bank, n.a., Denver, Colorado, as trustee (the “2018B Trustee” and together with the 2018A Trustee, the “Trustee”), dated as of June 1, 2018 (the “2018B Subordinate Indenture,” and together with the 2018A Senior Indenture, the “Indentures”).

The offering of the Bonds is made only by way of this Limited Offering Memorandum, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Limited Offering Memorandum. A full review should be made of the entire Limited Offering Memorandum and the documents summarized or described herein, particularly the section entitled “RISK FACTORS.” Detachment or other use of this “INTRODUCTION” without the entire Limited Offering Memorandum, including the cover page and appendices, is unauthorized. Undefined capitalized terms have the meanings given in the applicable Indenture.

## **The 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”). The District was formed simultaneously with the formation of Crowfoot Valley Ranch Metropolitan District No. 1 (“District No. 1,” and together with the District, the “Districts”) to serve the needs of a master-planned residential community, currently referred to as “Canyons South” (the “Development,” as further defined below) located entirely in Douglas County (the “County”). District No. 1 was formed to construct, own and operate the majority of the public services and facilities for the Development and the District was formed to fund and assist in the coordination of metropolitan district services and facilities. The District encompasses the entirety of the Development, and District No. 1 contains approximately one acre included within the boundaries of the District.

The District was formed on December 3, 2002, pursuant to an order and decree entered by the District Court in and for Douglas County, and recorded in the real property records of the County on December 18, 2002. Organization of the District was preceded by the approval by the County of a service plan consisting of a financial plan, including proposed funding therefor, and a preliminary engineering survey detailing the proposed improvements within the District; the adoption by the Board of County Commissioners of a resolution approving the formation of the District; and approval of the District’s formation by the qualified electors of the proposed District at an election held for that purpose. The original Consolidated Service Plan for the Districts was approved on August 14, 2002 and the Amended and Restated Service Plan was approved on December 16, 2008 (as so amended and restated, the “Service Plan”).

The 2017 certified assessed valuation of the property in the District is \$618,910; however, this valuation was certified prior to May 23, 2018 exclusion of approximately 392 acres and the June 13, 2018 exclusion of an additional approximately 24 acres of land from the District’s boundaries. See “THE DISTRICT – Inclusion, Exclusion, Consolidation and

Dissolution – Exclusion of Property” and “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Tax Data.”

Description, Location and Maps. The District currently contains approximately 1,627 acres, located to the southeast of the City of Castle Pines (the “City”) and to the northeast of and adjacent to the Town of Castle Rock (the “Town”). The District is approximately 27 miles south of downtown Denver and 18 miles south of the Denver Tech Center, and approximately 42 miles north of downtown Colorado Springs. The District’s boundaries are generally located east of the confluence of Founder’s Parkway and Crowfoot Valley Road. See **AERIAL PHOTOGRAPH OF THE DISTRICT** on page vii.

## **The Development**

The following section contains a summary of the information set forth herein under “THE DEVELOPMENT.” Additional information regarding the Development (defined below) is set forth therein. *The property in the District is currently vacant and completely undeveloped, with the exception of some existing structures that will be demolished in connection with the Development. Completion of development within the District depends upon the successful re-platting and subdivision of the property within the District (which requires the approval of the Board of County Commissioners of the County), market activity, the availability of private development financing, governmental regulations, general local, regional and national economic conditions, the managerial and financial capability of the Developer (defined below) and the Homebuilders (defined below), and other significant factors over which the District, the Developer and the Homebuilders may have no control. See “RISK FACTORS.”*

The Development. The planned “Canyons South” development is expected to contain approximately 1,627 acres (of which approximately 1,131 acres are currently owned by the Developer) and is a master-planned community greenfield development in the County to the southeast of the City and to the northeast of and adjacent to the Town. The development is planned to consist entirely of single family residential uses, as well as a recreational amenity center, two school sites, and a 450-acre regional park and open space (the “Development”). At full buildout, the Development is expected to consist of approximately 968 single family detached homes. According to the Developer, land development and residential construction are expected to occur between late 2018 and 2024, and home sales are expected to begin in 2020 and continue through late 2027. There is no assurance, however, that these expectations will be realized. None of the property in the District is currently developed, and significant governmental land entitlements, land sales, private development financing and other actions must occur before any development can commence. See “THE DEVELOPMENT – Status of Development in the District.” *The actual rate and amount of development is subject to material change. See “RISK FACTORS –Development Not Assured.”*

Approximately 901 acres of the Development was platted into single family lots, open space, and other uses in 2008; however, since 2008, no construction has taken place. The Developer (defined below) plans to re-plat these 901 acres and to plat other property in the District with the goal of platting approximately 968 single family lots, open space, parks, and other uses. The Developer is in the process of filing an amendment to the Canyons South Plat, known as Canyon South Filing No. 1A, 1st Amendment (the “Canyons South Replat”). The Canyons South Replat contains platting adjustments and lot reconfigurations necessary to

accommodate the planned residential development. If approved and recorded, the Canyons South Replat will change the plat to match the Developer's intended development plan for the property for the initial phase of 271 lots. Additional engineering and final platting of future phases will be required prior to commencement of future phases of construction. According to the Developer, the Canyons South Replat has been submitted to the County for review and is anticipated to be completed and recorded by late 2018. Amendments to a final plat document like the Canyons South Replat require County staff approval and Board of County Commissioner approval. See "RISK FACTORS – Development Not Assured" and "THE DEVELOPMENT – Zoning, Platting and Land Entitlements – Subdivision and Platting"

Construction of the Development will require the completion of substantial public improvements, including streets, water improvements, sewer improvements, parks, and similar infrastructure. No such construction has yet taken place. Net proceeds of the Bonds (in the aggregate amount of \$25,928,188.43) will be deposited to the Senior Project Fund and the Subordinate Project Fund and will be available to finance a portion of these costs. The total public improvement budget is estimated by the Developer to be approximately \$74.8 million, and therefore the Bonds are expected to finance only approximately 35% of the total costs. According to the District, additional costs for the acquisition of public improvements will be paid for with Developer financing, subject to availability. See "RISK FACTORS – Construction of Necessary Public Improvements Not Assured."

The Developer. The Development is a project of HT Canyons South, LP, a Delaware limited partnership, acting through its subsidiaries HT Canyons South Development LP, a Delaware limited partnership, and HT Canyons South Land LP, a Delaware limited partnership (collectively, the "Developer"). HT Canyons South Development LP will develop the land in the Development and currently owns approximately 297 acres of land to be developed in the first phase of the Development, and HT Canyons South Land LP currently owns the remaining approximately 834 acres of land to be conveyed to HT Canyons South Development LP prior to the commencement of physical construction of each phase.

HT Canyons South, LP is a joint venture of and is owned by an affiliate of Hines Interests Limited Partnership ("Hines"), as general partner, and TREZ Capital ("TREZ"), as limited partner. Hines is a privately owned global real estate investment, development and management firm with a presence in 201 cities in 21 countries. TREZ is a real estate investor based in Canada. Hines and TREZ have jointly developed other residential land development projects for homebuilders in Colorado and Texas, including Flatiron Meadows in Erie, Colorado; Parkside West in Las Colinas within Irving, Texas; and Edgestone at Legacy in Frisco, Texas. The Developer is member-managed by Hines pursuant to an operating agreement entered into between Hines and TREZ. In addition, the Developer has engaged Hines as development manager for the Development pursuant to a Development Management Agreement. See "THE DEVELOPMENT – The Developer."

The Developer acquired the property in the Development on or about May 14, 2018, from Canyons South LLC (the "Prior Developer") for approximately \$35,075,000, plus a \$2,000/lot fee due to the Prior Developer at the time each lot is sold to a third-party homebuilder.

The Homebuilders. The Developer currently owns all of the land to be developed in the Development and has executed finished lot contracts with homebuilders to sell 641 of the approximately 968 planned lots in the Development, or approximately 66%. The Developer is currently a party to four purchase and sale agreements with the following homebuilders: William Lyon Homes, Inc. (“William Lyon Homes”) (430 planned lots), Lennar Colorado LLC (“Lennar”) (103 planned lots), Weekley Homes, LLC, an affiliate of David Weekley Homes (“David Weekley Homes”) (54 planned lots) and Toll Southwest LLC, an affiliate of Toll Brothers, Inc. (“Toll Brothers”) (54 planned lots). William Lyon Homes, Lennar, David Weekley Homes, and Toll Brothers are referred to herein collectively as the “Homebuilders.” According to the Developer, these respective contracts are expected to close on a lot-by-lot basis with each of the Homebuilders on a rolling takedown structure. William Lyon Homes, Lennar and David Weekley Homes have collectively posted and released on average 15% hard earnest money deposits to secure their respective contracts, equaling approximately \$11,398,200 in total as of May 29, 2018, and Toll Brothers is expected to post and release an aggregate earnest money deposit of \$810,000. *Each of the contracts include various conditions and contingencies, some of which have not yet occurred, including receiving County plat approval, and there is no guarantee that the Homebuilders or other homebuilders will purchase all or any of the planned lots. Additionally, the Toll Brothers PSA is currently subject to termination by Toll Brothers during the Inspection Period. See “THE DEVELOPMENT – Land Ownership and Sales Contract Status” and “– The Homebuilders.”*

### **Security for the 2018A Senior Bonds**

General. The 2018A Senior Bonds constitute limited tax general obligations of the District payable solely from and to the extent of the Senior Pledged Revenue as described herein. The primary component of the Senior Pledged Revenue is expected to be tax revenues imposed and collected by the District and pledged to the payment of the 2018A Senior Bonds pursuant to the 2018A Senior Indenture. The obligation incurred by the District under the 2018A Senior Indenture constitutes a limited tax general obligation of the District. See “SECURITY FOR THE 2018A SENIOR BONDS – Additional Senior Obligations under the 2018A Senior Indenture.” *Payment of the principal of and interest on the 2018A Senior Bonds is not secured by any deed of trust, mortgage or other lien or security interest on any property within the District.*

The 2018A Senior Bonds are additionally secured by the 2018A Surplus Fund, which will initially be funded with proceeds of the 2018A Senior Bonds in the amount of \$2,854,000.00, and will also be funded with excess Senior Pledged Revenue, if any, and by capitalized interest which will be funded with proceeds of the 2018A Senior Bonds in the amount of \$5,449,111.57. See “THE 2018A SENIOR BONDS – Funds and Accounts.”

The Senior Pledged Revenue may or may not be sufficient to pay the principal of and interest on the 2018A Senior Bonds. *No representation is made by the District or the Underwriter that the Senior Pledged Revenue will be sufficient to pay the principal of and interest on the 2018A Senior Bonds. See “RISK FACTORS,” “SECURITY FOR THE 2018A SENIOR BONDS” and “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT.”*

Senior Pledged Revenue and the Senior Required Mill Levy. “Senior Pledged Revenue” is defined in the 2018A Senior Indenture as the following, net of any costs of

collection (to the extent not previously deducted by definition): (i) all Senior Property Tax Revenues; (ii) all Senior Specific Ownership Tax Revenues; (iii) all Capital Fees; and (iv) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

“Senior Property Tax Revenues” are generally defined as all moneys derived from imposition by the District of the Senior Required Mill Levy (described below). Senior Property Tax Revenues are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County. (For the avoidance of doubt, Senior Property Tax Revenues do not include specific ownership tax revenues.)

“Senior Required Mill Levy” is generally defined as an ad valorem mill levy imposed upon all taxable property of the District each year in an amount which, if imposed by the District for collection in the succeeding calendar year, would generate Senior Property Tax Revenues sufficient to pay the 2018A Senior Bonds, but not in excess of 50 mills (subject to adjustment as set forth in the 2018A Senior Indenture), and for so long as the amount on deposit in the 2018A Surplus Fund is less than the Maximum Surplus Amount (defined as \$6,389,000), equal to 50 mills (subject to adjustment as set forth in the 2018A Senior Indenture).

Limited Tax Pledge. The Senior Required Mill Levy is limited to 50 mills (subject to adjustment as described herein). In the event that the Senior Pledged Revenue is insufficient to pay the 2018A Senior Bonds when due, the unpaid principal will continue to bear interest, and the unpaid interest will compound semi-annually at the rate then borne by the 2018A Senior Bonds until the total repayment obligation of the District for the 2018A Senior 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 2018A 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 Senior Required Mill Levy under the circumstances set forth in the 2018A Senior Indenture).* In addition, the District will not be liable to 2018A Owners for unpaid principal and interest beyond the amount permitted by law and its electoral authorization, and all 2018A Senior Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount.

Other Components of Senior Pledged Revenue. Senior Pledged Revenue also includes Senior Specific Ownership Tax Revenues and Capital Fees (if any). Each is described in “SECURITY FOR THE 2018A SENIOR BONDS.”

### **Security for the 2018B Subordinate Bonds**

***The payment of the 2018B Subordinate Bonds is subordinate to the payment of the 2018A Senior Bonds and any Senior Obligations.***

General. The 2018B Subordinate Bonds are subordinate limited tax general obligations of the District payable solely from the Subordinate Pledged Revenue as described herein. The security for the payment of the 2018B Subordinate Bonds is generally dependent upon the generation of property tax and specific ownership tax revenues derived from the District’s imposition of the Subordinate Required Mill Levy under the 2018B Subordinate Indenture. *Payment of the principal of and interest on the 2018B Subordinate Bonds is not*



*secured by any deed of trust, mortgage or other lien or security interest on any property within the District. See “SECURITY FOR THE 2018B SUBORDINATE BONDS.”*

The Subordinate Pledged Revenue may or may not be sufficient to pay the principal of and interest on the 2018B Subordinate Bonds. No representation is made by the District or the Underwriter that the Subordinate Pledged Revenue will be sufficient to pay the principal of and interest on the 2018B Subordinate Bonds.

Subordinate Pledged Revenue and the Subordinate Required Mill Levy. “Subordinate Pledged Revenue” is defined in the 2018B Subordinate Indenture as the following, net of any costs of collection (to the extent not previously deducted by definition): (i) all Subordinate Property Tax Revenues; (ii) all Subordinate Specific Ownership Tax Revenues; (iii) Subordinate Capital Fee Revenue (defined as any revenue from Capital Fees remaining after deduction of any amount thereof used, paid, pledged, or otherwise applied to the payment of any Senior Obligations); and (iv) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

“Subordinate Property Tax Revenues” are defined as all moneys derived from imposition by the District of the Subordinate Required Mill Levy. Subordinate Property Tax Revenues are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County. (For the avoidance of doubt, Subordinate Property Tax Revenues do not include specific ownership tax revenues.)

“Subordinate Required Mill Levy” is generally defined as an ad valorem mill levy equal to (i) 50 mills (subject to adjustment as set forth in the 2018B Subordinate Indenture), **less the “Senior Obligation Mill Levy”** (which includes the Senior Required Mill Levy described herein and any other ad valorem property tax levy required to be imposed by the District for the payment of the Senior Obligations (defined herein)), or (ii) such lesser amount which, if imposed by the District for collection in the succeeding calendar year, would generate Subordinate Property Tax Revenues which, when combined with moneys then on deposit in the Subordinate Bond Fund, will pay the 2018B Subordinate Bonds in full in the year such levy is collected.

Limited Tax Pledge. The Subordinate Required Mill Levy is limited to 50 mills (subject to adjustment as described in the 2018B Subordinate Indenture). In the event that the Subordinate Pledged Revenue is insufficient to pay the 2018B Subordinate Bonds, the unpaid principal will continue to bear interest and the unpaid interest will compound annually at the rate then borne by the 2018B Subordinate Bonds until the total repayment obligation of the District for the 2018B Subordinate Bonds equals the amount permitted by law and its electoral authorization or, as described below, until December 15, 2058. *During this period of accrual, the District will not be in default on the payment of such principal and interest, and the 2018B 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 Subordinate Required Mill Levy under the circumstances set forth in the 2018B Subordinate Indenture).* In addition, the District will not be liable to 2018B Owners for unpaid principal and interest beyond the amount permitted by law and its electoral authorization, and all 2018B Subordinate Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount. In addition, in the event any amounts due and owing on the 2018B Subordinate Bonds remain outstanding on December 15, 2058, such amounts shall be extinguished and no longer be due and outstanding.

No Regularly Scheduled Principal Payments on the 2018B Subordinate Bonds. In addition to being subordinate obligations, the 2018B Subordinate Bonds are structured as “cash flow” bonds, meaning that (a) principal on the 2018B Subordinate Bonds is payable on the Mandatory Redemption Date(s) (each December 15) from, and only to the extent of, Subordinate Pledged Revenue available therefor, if any, in accordance with the terms of the 2018B Subordinate Indenture, pursuant to a special mandatory redemption more particularly described in “THE 2018B SUBORDINATE BONDS - Prior Redemption - Mandatory Redemption” “ - No Mandatory Sinking Fund Redemption” and “- Funds and Accounts – Subordinate Bond Fund” and (b) interest on the 2018B Subordinate Bonds is payable on each December 15, but only from and to the extent of, Subordinate Pledged Revenue available therefor. Unpaid interest will accrue and compound annually at the rate of interest on the 2018B Subordinate Bonds until sufficient Subordinate Pledged Revenue is available for payment. The failure to pay interest each December 15 is not an Event of Default under the 2018B Subordinate Indenture. The failure to pay principal on any Mandatory Redemption Date or upon the maturity date also is not an Event of Default under the 2018B Subordinate Indenture. See “SECURITY FOR THE 2018B SUBORDINATE BONDS – Events of Default and Remedies.” If, however, Subordinate Pledged Revenue is available on a Mandatory Redemption Date, then all such revenue must be applied first to pay interest due on the 2018B Subordinate Bonds and then to pay all or a portion of the principal amount of the 2018B Subordinate Bonds, and such 2018B Subordinate Bonds will be subject to mandatory redemption on that date in advance of their maturity date. *In addition, in the event any amounts due and owing on the 2018B Subordinate Bonds remain outstanding on December 15, 2058, such amounts shall be extinguished and no longer be due and outstanding. See “RISK FACTORS.”*

## **Purpose**

Proceeds of the 2018A Senior Bonds will be used to: (i) finance or reimburse public improvements related to the Development; (ii) fund capitalized interest on the 2018A Senior Bonds; (iii) make an initial deposit to the 2018A Surplus Fund; and (iv) pay the costs of issuance of the Bonds. Proceeds of the 2018B Subordinate Bonds will be used to: (i) finance or reimburse additional public improvements related to the Development; and (ii) pay certain other costs of issuance of the 2018B Subordinate Bonds. See “USES OF PROCEEDS.”

## **The Bonds; Prior Redemption**

2018A Senior Bonds. The 2018A Senior Bonds are issued solely as fully registered certificates in the denominations of \$500,000 or any integral multiple of \$1,000 in excess thereof. The 2018A Senior 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 2018A Senior Bonds is described in “THE 2018A SENIOR BONDS – Payment of Principal and Interest; Record Date.” The 2018A Senior Bonds are subject to redemption prior to maturity at the option of the District and also are subject to mandatory sinking fund redemption, as more particularly described in “THE 2018A SENIOR BONDS – Prior Redemption.”

2018B Subordinate Bonds. The 2018B Subordinate Bonds are issued solely as fully registered certificates in the denominations of \$500,000 or any integral multiple of \$1,000 in excess thereof. The 2018B Subordinate 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 2018B Subordinate Bonds is described in “THE 2018B SUBORDINATE BONDS – Payment of Principal and Interest; Record Date.” The 2018B Subordinate Bonds are subject to redemption prior to maturity at the option of the District and to mandatory redemption under certain circumstances set forth in the 2018B Subordinate Indenture, as more particularly described in “THE 2018B SUBORDINATE 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 Elections (defined herein) and the applicable Indenture.

### **Book-Entry Registration**

Each series of 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 each series of 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 2018A SENIOR BONDS – Book-Entry Only System” and “THE 2018B SUBORDINATE BONDS – Book-Entry Only System.”

### **Tax Status**

In the opinion of Ballard Spahr LLP, Denver, Colorado, Bond Counsel, interest on the Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Bonds is not a preference item for purposes of the individual federal alternative minimum tax; however, interest paid to certain corporate holders of the Bonds indirectly may be subject to alternative minimum tax under circumstances described under “TAX MATTERS” herein. Bond Counsel is also of the opinion that to the extent that interest on the Bonds is excludable from gross income for federal income tax purposes, interest on the Bonds is excludable from gross income for State of Colorado income tax purposes and from the calculation of State of Colorado alternative minimum taxable income. See “TAX MATTERS” herein.

### **Professionals**

Ballard Spahr LLP, Denver, Colorado, is acting as Bond Counsel. Sherman & Howard L.L.C., Denver, Colorado, is acting as counsel to the Underwriter. As of May 25, 2018, Collins Cockrel & Cole P.C., Denver, Colorado, represents the District as general counsel; prior to such date, Spencer Fane LLP, Denver, Colorado, served as general counsel to the District, and Collins Cockrel & Cole P.C. served as counsel to the Developer. UMB Bank, n.a., Denver, Colorado will act as the trustee, paying agent and registrar for the Bonds (the “Trustee”). D.A.

Davidson & Co., Denver, Colorado, will act as the underwriter for the Bonds (the “Underwriter”). See “UNDERWRITING.”

### **Continuing Disclosure Undertaking**

Continuing Disclosure Agreement. Although the Underwriter has determined that the Bonds are exempt from the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, section 240.15c2-12) (the “Rule”), the District and the Developer have agreed, pursuant to the provisions of the Continuing Disclosure Agreement dated as of the date of delivery of the Bonds (the “Continuing Disclosure Agreement”), to provide certain information to the Trustee on a quarterly and annual basis for dissemination to the Municipal Securities Rulemaking Board (MSRB) via its Electronic Municipal Market Access (EMMA) and to provide notice of certain material events. The form of the Continuing Disclosure Agreement is attached hereto as Appendix D.

No Prior Continuing Disclosure Undertakings. The District has never entered into such an undertaking, and therefore has never failed to materially comply with any prior undertaking entered into pursuant to the Rule.

### **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 approving legal opinions of Bond Counsel (the forms of which are attached hereto as Appendix G), and certain other matters. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about June 19, 2018.

### **Additional Information**

All references herein to the Indentures, 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:

Crowfoot Valley Ranch  
Metropolitan District No. 2  
c/o Collins Cockrel & Cole P.C.  
390 Union Blvd. Suite 400  
Denver, Colorado 80228  
Telephone: (303) 986-1551

D.A. Davidson & Co.  
1550 Market Street, Suite 300  
Denver, Colorado 80202  
Telephone: (303) 764-6000

## FORWARD-LOOKING STATEMENTS

This Limited Offering Memorandum, including but not limited to the Market Study attached as Appendix A and the Financial Forecast attached as Appendix B, and the information in “RISK FACTORS” and “THE DEVELOPMENT” contains statements relating to future results that are “forward-looking statements.” When used in this Limited Offering Memorandum, 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, “RISK FACTORS.”

## RISK FACTORS

Each prospective purchaser of the Bonds should consider carefully, along with other matters referred to herein, the following risks of investment. 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 Limited Offering Memorandum. Certain of such investment considerations are set forth below. This section of this Limited Offering Memorandum does not purport to summarize all of the risks. Investors should read this Limited Offering Memorandum 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. Although the revenues pledged to the 2018A Senior Bonds and the 2018B Subordinate Bonds are derived from the same property tax revenue source, the 2018B Subordinate Bonds are subordinate to the 2018A Senior Bonds, no regularly scheduled principal payments are due on the 2018B Subordinate Bonds and the possibility of nonpayment of principal and interest on the 2018B Subordinate Bonds is substantially higher than the nonpayment of principal and interest on the 2018A Senior Bonds. The Bonds are offered only to financial institutions and institutional investors in minimum denominations of \$500,000, will not receive a credit rating from any source, and are not suitable investments for all investors. By purchasing the Bonds, each purchaser represents that it is a financial institution or an institutional investor with sufficient knowledge and experience in financial and business matters, including the purchase and ownership of tax-exempt obligations, to be able to evaluate the merits and risks of an investment in the Bonds.**

### **Lack of Operating History**

The District was organized in December 2002, but remains undeveloped and therefore has a very limited operating history. The District has had minimal financial activity since formation and, to date, has provided no services nor constructed or financed any public improvements. Until the assessed value of the property in the District increases to an amount sufficient to generate revenues to pay debt service on the Bonds and the costs of operating the

District, the District plans to rely on revenue generated from (1) Developer advances to pay operations and maintenance costs to District No. 1, and (2) capitalized interest and Capital Fees to pay debt service on the 2018A Senior Bonds. See “DISTRICT FINANCIAL INFORMATION,” “USES OF PROCEEDS” and “THE DISTRICT – District Agreements.”

### **Limited Security for the 2018A Senior Bonds**

General. The 2018A Senior Bonds constitute limited tax general obligations of the District as provided in the 2018A Senior Indenture. All of the 2018A Senior Bonds, together with the interest thereon and any premium due in connection therewith, are payable solely from and to the extent of the Senior Pledged Revenue, including all moneys and earnings thereon held in the funds and accounts created in the 2018A Senior Indenture, and the Senior Pledged Revenue is pledged to the payment of the 2018A Senior Bonds.

The 2018A Senior Bonds are additionally secured by the 2018A Surplus Fund, which will initially be funded with proceeds of the 2018A Senior Bonds in the amount of \$2,854,000.00, and will also be funded with excess Senior Pledged Revenue, if any, and by capitalized interest which will be funded with proceeds of the 2018A Senior Bonds in the amount of \$5,449,111.57. See “THE 2018A SENIOR BONDS – Funds and Accounts.”

The 2018A Senior Bonds are not obligations of District No. 1, the County or the State. *Payment of the principal of and interest on the 2018A Senior Bonds is not secured by any deed of trust, mortgage or other lien or security interest on any property within the District.*

The Senior Pledged Revenue may or may not be sufficient to pay the principal of and interest on the 2018A Senior Bonds. No representation is made by the District or the Underwriter that the Senior Pledged Revenue will be sufficient to pay the principal of and interest on the 2018A Senior Bonds.

Limited Tax Pledge. The Senior Required Mill Levy is limited to 50 mills (subject to adjustment as described herein). In the event that the Senior Pledged Revenue is insufficient to pay the 2018A Senior Bonds when due, the unpaid principal will continue to bear interest, and the unpaid interest will compound semi-annually on each interest payment date of the 2018A Senior Bonds, at the rate then borne by the 2018A Senior Bonds; provided however, that notwithstanding anything in the 2018A Senior Indenture to the contrary, the District is not obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the 2018A Senior Bonds, including all payments of principal and interest, and the 2018A Senior Bonds will be deemed defeased and no longer Outstanding upon the payment by the District of such amount. *During this period of accrual, the District will not be in default on the payment of such principal and interest, and the 2018A 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 Senior Required Mill Levy under the circumstances set forth in the 2018A Senior Indenture).*

### **Limited Security for the 2018B Subordinate Bonds**

General. The 2018B Subordinate Bonds constitute subordinate limited tax general obligations of the District as provided in the 2018B Subordinate Indenture. All of the

2018B Subordinate Bonds, together with the interest thereon and any premium due in connection therewith, are payable solely from and to the extent of the Subordinate Pledged Revenue as described herein, including all moneys and earnings thereon held in the funds and accounts created in the 2018B Subordinate Indenture, and the Subordinate Pledged Revenue is pledged to the payment of the 2018B Subordinate Bonds.

The 2018B Subordinate Bonds are not obligations of District No. 1, the County or the State. *Payment of the principal of and interest on the 2018B Subordinate Bonds is not secured by any deed of trust, mortgage or other lien or security interest on any property within the District.*

The Subordinate Pledged Revenue may or may not be sufficient to pay the principal of and interest on the 2018B Subordinate Bonds. No representation is made by the District or the Underwriter that the Subordinate Pledged Revenue will be sufficient to pay the principal of and interest on the 2018B Subordinate Bonds.

Limited Tax Pledge. The Subordinate Required Mill Levy is limited to a maximum of 50 mills (subject to adjustment as described in the 2018B Subordinate Indenture), **less the Senior Obligation Mill Levy** (which includes the Senior Required Mill Levy described herein and any other ad valorem property tax levy required to be imposed by the District for the payment of the Senior Obligations). ***The Financial Forecast attached hereto as Appendix B projects that the Subordinate Required Mill Levy will be \$0 until 2030.*** To the extent interest on any 2018B Subordinate Bond is not paid when due, such interest is to compound annually on each interest payment date for the 2018B Subordinate Bonds, at the rate then borne by the 2018B Subordinate Bond; provided, however, that, notwithstanding anything in the 2018B Subordinate Indenture to the contrary, the District is not obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the 2018B Subordinate Bonds, including all payments of principal, premium if any, and interest, and all 2018B Subordinate Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount. *During this period of accrual, the District will not be in default on the payment of such principal and interest, and the 2018B Owners will have no recourse against the District to require any payments (other than to require the District to continue to assess, enforce and collect the Subordinate Required Mill Levy under the circumstances set forth in the 2018B Subordinate Indenture).* In addition, in the event any amounts due and owing on the 2018B Subordinate Bonds remain outstanding on December 15, 2058, such amounts shall be extinguished and no longer be due and outstanding.

### **Subordinate Lien Status of the Subordinate Pledge Revenue**

Under the 2018B Subordinate Bonds, the Subordinate Required Mill Levy is defined, generally, as an ad valorem mill levy equal to 50 mills (subject to adjustment as described in the 2018B Subordinate Indenture), **less the Senior Obligation Mill Levy** (which includes the Senior Required Mill Levy described herein and any other ad valorem property tax levy required to be imposed by the District for the payment of the Senior Obligations). ***Accordingly, initially there will be no Subordinate Pledged Revenue available for payment of the 2018B Subordinate Bonds. The Financial Forecast attached hereto as Appendix B projects that no Subordinate Pledged Revenue will be available for payment of any interest on the 2018B Subordinate Bonds until 2030 and that no Subordinate Pledged Revenue will be***

*available for payment of any principal on the 2018B Subordinate Bonds until 2048. The Financial Forecast presents forecasted information relating to the District's imposition of the Subordinate Required Mill Levy and principal and interest payments on the 2018B Subordinate Bonds based on speculative development projections and numerous assumptions. No assurance is given that the 2018B Subordinate Bonds will be paid as set forth in the Financial Forecast, or ever. See "FORWARD-LOOKING STATEMENTS," "Risks Related to the Projections" below, and Appendix B.*

### **No Regularly Scheduled Principal Payments on the 2018B Subordinate Bonds**

In addition to being subordinate obligations, the 2018B Subordinate Bonds are structured as "cash flow" bonds, meaning that (a) principal on the 2018B Subordinate Bonds is payable on the Mandatory Redemption Date(s) (each December 15) from, and only to the extent of, Subordinate Pledged Revenue available therefor, if any, in accordance with the terms of the 2018B Subordinate Indenture, pursuant to a special mandatory redemption more particularly described in "THE 2018B SUBORDINATE BONDS - Prior Redemption - Mandatory Redemption," "- No Mandatory Sinking Fund Redemption" and "- Funds and Accounts – Subordinate Bond Fund" and (b) interest on the 2018B Subordinate Bonds is payable on each December 15, but only from and to the extent of, Subordinate Pledged Revenue available therefor. Unpaid interest will accrue and compound annually on the interest payment date of the 2018B Subordinate Bonds at the rate of interest on the 2018B Subordinate Bonds until sufficient Subordinate Pledged Revenue is available for payment. *The failure to pay interest each December 15 is not an Event of Default under the 2018B Subordinate Indenture. The failure to pay principal on any Mandatory Redemption Date or upon the maturity date also is not an Event of Default under the 2018B Subordinate Indenture. See "SECURITY FOR THE 2018B SUBORDINATE BONDS – Events of Default and Remedies."* If, however, Subordinate Pledged Revenue is available on a Mandatory Redemption Date, then all such revenue must be applied first to pay interest due on the 2018B Subordinate Bonds and then to pay all or a portion of the principal amount of the 2018B Subordinate Bonds, and such 2018B Subordinate Bonds will be subject to mandatory redemption on that date in advance of their maturity date. *No representation is made by the District or the Underwriter that the Subordinate Pledged Revenue will be sufficient to pay the principal of and interest on the 2018B Subordinate Bonds. See "SECURITY FOR THE 2018A SUBORDINATE BONDS," "DISTRICT FINANCIAL INFORMATION" and "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT."*

### **Discharge of 2018B Subordinate Bonds on December 15, 2058**

The 2018B Subordinate Indenture provides that notwithstanding any other provision therein, in the event that any amount of principal of or interest on the 2018B Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue available therefor on December 15, 2058, *the 2018B Subordinate Bonds and the lien of the 2018B Subordinate Indenture securing payment thereof shall be deemed discharged*, the estate and rights thereby granted shall cease, terminate, and be void, and thereupon the 2018B Trustee shall cancel and discharge the lien of the 2018B Subordinate Indenture, and execute and deliver to the District such instruments in writing as shall be required to evidence the same. Upon such discharge, the 2018B Owners will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the 2018B Subordinate Bonds remaining unpaid.



## **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 Senior Property Tax Revenues generated by the District's imposition of the Senior Required Mill Levy and the level of Subordinate Property Tax Revenues generated by the District's imposition of the Subordinate 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. The property within the District, for example, is expected to be developed for residential use. 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, the Homebuilders or other owners of property in the District will not seek to do so.

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." Approximately 450 acres in the District are owned by the County and expected to be used as park and open space, and approximately 37 acres are owned by the County and are set aside for future potential public school development. None of this property is subject to taxation by the District. The Developer, the Homebuilders and any other owners of property in the District are not prohibited from selling property to tax-exempt purchasers. It is also possible that future multi-family housing projects in the District could qualify for tax-exempt status if they are used for affordable housing or other qualified purposes. Finally, it is possible that 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."

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 2018A Senior Bonds in a timely manner and its ability to pay principal and interest on the 2018B Subordinate Bonds. 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 of Taxpayers**

Taxpayer Concentration Measured by Assessed Valuation. The District has a 2017 assessed valuation of \$618,910. As of 2017, there were three owners of taxable property in the District, consisting of: (i) Public Service Co. of Colorado nka Xcel Energy, which owned property with an assessed value of \$527,000, or 85.15% of the District's 2017 assessed value; (ii) Canyons South LLC (as previously defined, the "Prior Developer"), which owned property with an assessed value of than \$79,100, or 12.78% of the District's 2017 assessed value; and (iii) Black Hills Colorado Gas Utility Company, which owns property with an assessed value of \$12,800, or 2.07% of the District's 2017 assessed value. Together, these three taxpayers owned 100% of the 2017 assessed value of the District, representing a high concentration of taxpayers in only a few entities. On or about May 14, 2018, a portion of the property previously owned by the Prior Developer was purchased by the Developer, and the remaining portion of the property was excluded from the District on May 23, 2018. See "THE DISTRICT – Inclusion, Exclusion, Consolidation and Dissolution – Exclusion of Property."

Additional information concerning the largest taxpayers in the District and is provided in "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes."

Taxpayer Concentration Measured by Acreage. The District currently contains approximately 1,627 acres. The largest owner of property by acreage in the District is the Developer, which owns approximately 1,131 acres, or approximately 70% of the anticipated acreage of the property. As of May 14, 2018, the Developer owns 100% of the property to be developed in the District, representing a high concentration of taxpayers in one entity. See "THE DEVELOPMENT." Additionally, the County owns property in the District for an elementary

school site, a middle school site, a 450-acre regional park and certain public roads, and District No. 1 owns property in the District for certain streets, drainage and other rights of way, park and open space.

Future Ownership. The Homebuilders currently under contract to purchase lots are expected to construct and offer for sale approximately 641 single family detached homes, or 66% of the planned 968 single family detached homes, and the Developer anticipates that additional homebuilders will construct and offer for sale the remaining planned 327 single family detached homes. There can be no assurance as to the rate at which the Homebuilders will take down the lots, if at all, such additional property will be sold or at which such additional single family homes will actually be constructed, or if they will be constructed at all. See “Risks Related to the Projections,” below.

Concentration Risks. Property taxes on land are not personal obligations of these property owners or any other property owners. Should one or more of the 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.*

### **Enforceability of Capital Fees**

The Senior Pledged Revenue includes the Capital Fees and the Subordinate Pledged Revenue includes the Subordinate Capital Fee Revenue. The Capital Fees include the Facility Fees imposed by the Facility Fees Resolution expected to be adopted by the District at the same time that the Bond Resolution is to be approved. Notwithstanding any of the foregoing, Capital Fees do not include the Excluded Fees, which are defined to mean any fee imposed by the District solely for the purpose of funding operation and maintenance expenses. See “SECURITY FOR THE 2018A SENIOR BONDS – Capital Fees.” The Facility Fees Resolution states that the Facilities Fees constitute a lien against the property in the District, and such lien shall be perpetual in nature and shall run with the land. The Facility Fees Resolution was recorded in the real property records of the County on May 30, 2018 at Reception No. 2018032258.

The District’s general counsel is expected to provide a legal opinion at closing stating, among other things, that the Facility Fees constitute a perpetual lien on the property; and while a court of competent jurisdiction could rule otherwise, based upon existing case law and the Special District Act, such perpetual lien would have priority over other encumbrances except for taxes, assessments and other governmental rate, fees, tolls and charges. It is possible that the validity of the Facility Fees or any other future Capital Fee could be challenged and there is no assurance that a court would uphold the validity of the Facility Fees or any other future Capital Fee or would find that the lien of such fees has priority over other liens. In addition, the actions necessary to legally enforce the collection of unpaid Capital Fees may be prohibitively costly and such expenses could exceed the amount subject to collection. The District does not have funds set aside for payment of such enforcement activity.

## **Development Not Assured**

General. *The property in the District is currently vacant (with the exception of some existing structures that will be demolished in connection with the Development) and there is no assurance that the property will be developed as currently contemplated or at all.* No development has yet occurred, and there is no guarantee that it will occur prior to the issuance of the Bonds or by any certain date. The residential development of the property in the District is in a very early stage, which does not yet include any physical development, and is largely dependent on the ability of the Developer to accomplish its development objectives. A number of factors may affect the ability of the Developer, the Homebuilders and other developers in the District to develop or build upon such property, including the overall economy of the region, the Town, the County and the Denver metropolitan area in particular. The building industry is cyclical in nature and is subject to substantial government regulation. The residential development of the planned 968 lots is subject to future Planning Commission and Board of County Commissioner approval, which cannot be guaranteed. The rate of additional development in the District could be impacted by many factors such as construction costs, interest rates, the availability of private financing for homes and retail development, competition from other developments and other political, legal and economic conditions. Prior to the commencement of construction, the remainder of primary land use entitlements, plat and re-plat approvals for the Development must be obtained, zoning changes may be required, the County must issue building permits for individual buildings, and prior to occupancy, the County must inspect the buildings and issue certificates of occupancy for individual buildings. The Developer is not aware of any reason why plats, re-plats, zoning changes, building permits and certificates of occupancy will not be issued, but these County approvals cannot be guaranteed.

No investigation has been made of the Developer's or the Homebuilders' financial condition or resources. Neither the District nor the Underwriter can make any representation regarding the Developer's or Homebuilders' projected development plans. See "THE DEVELOPMENT."

*No investigation has been conducted as to the financial or managerial resources of the Developer, the Homebuilders or potential future owners, or their ability to complete any currently planned or future development projects. Other than the Market Study, no independent assessment has been conducted with respect to the feasibility of the Development. See "Risks Related to the Projections," below, and "THE DEVELOPMENT."*

Tax Law Changes. The rate of development may also be affected by the Tax Cuts and Jobs Act (the "Tax Act") which became law on December 22, 2017. The Tax Act 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 prior law of \$1,000,000 or less). It is not possible to predict whether the Tax Act will have an impact on the development of property in the District, which is projected to contain single family residential development.

Risk of Growth Limitations or Moratoria. On November 15, 2017, two individuals filed a petition with the Colorado Secretary of State for a potential 2018 statewide ballot measure known as Initiative No. 66 that would add a new section to the Colorado Revised Statutes to limit housing growth in Colorado. According to the Secretary of State's Office, in order to be placed on the ballot, Initiative No. 66 will need to be reviewed and approved by the

Title Board at a public hearing, and if approved, the petitioners will then need to collect the requisite number of valid voter signatures and submit the signatures to the Colorado Secretary of State within the required timeframe (generally six months). If the petitioners gain enough signatures to put the initiative on the November 2018 general election ballot and such initiative is approved by the State's voters, the proposal would, among other things, allow all local governments in Colorado to vote beginning January 1, 2019 to limit housing growth; prohibit the issuance of new permits for privately owned housing units by local governments located in whole or in part within certain Front Range counties, including the County, from the declaration of voter approval of Initiative No. 66 until January 1, 2019; and limit the growth of privately owned residential housing units in such counties to 1% annually starting in 2019, subject to amendment or repeal by initiative and referendum commencing in 2021. Even in the absence of the passage of the initiative, no assurance is provided that the State, or the County 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.

Additional County Approvals Required. Development planning for portions of the Development is in initial phases. Development planned in the District will require additional Planning Commission and Board of County Commissioner approval at public hearings, including the Canyons South Replat and potential zoning changes. *This is a political process and there is no guarantee that these approvals will be received.* Specifically, if approved and recorded, the Canyons South Replat will change the plat to match the Developer's intended development plan for the property for the initial phase of 271 lots, and additional engineering and final platting of future phases will be required prior to commencement of future phases of construction. See "THE DEVELOPMENT – Zoning, Platting and Land Entitlements."

Property Sales Required. The Developer currently owns all of the residential property anticipated to be developed into 968 residential lots. A portion of the property planned for 641 lots is under contract for sale to the respective Homebuilders, but each of these contracts includes various conditions and contingencies, some of which have not yet occurred, and there is no guarantee that the Homebuilders will purchase all or any of this property. See "THE DEVELOPMENT – Land Ownership and Sales Contract Status." The Developer is not a homebuilder.

No Development Required. Other than the lot purchase and sale agreements, the Developer and the Homebuilders are under no contractual or other obligation to develop their property or to sell additional property in the District to other homebuilders or ultimate users. The Developer and the Homebuilders could sell their property in the District to another developer, homebuilder or investor or could withdraw completely from the Development. The Developer could sell the property to the one or more of the Homebuilders or to different homebuilders, developers or other parties if one or more of the current lot purchase and sale contracts does not close. The Developer 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.

Competition with other Developments. The Development competes with other developments in the area, including some which are in near proximity to the District. See "THE

DEVELOPMENT – Competition” and the Market Study attached hereto as Appendix A. 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.

Environmental Conditions. A Phase I Environmental Site Assessment was prepared for Hines for approximately 1,100 acres of property in the Development (consisting of the majority of the developable property in the Development). In the Phase I, no recognized environmental conditions were identified with respect to the property. There can be no assurance that during or subsequent to the continued development of the Development, hazardous materials, other adverse environmental conditions, endangered species, threatened habitats or adverse soil conditions will not be discovered on the property which could hinder or prohibit further development. Should such a discovery occur, it is possible that the development and marketing of the Development could be materially adversely affected. See “THE DEVELOPMENT – Environmental Matters.”

Risks Relating to Oil and Gas Operations. Signs for a natural gas pipeline have been observed on the property, though an environmental study concludes that the pipeline is not considered a recognized environmental condition for the site. See “THE DEVELOPMENT – Environmental Matters.” 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 to mitigate these risks, there can be no guarantee that these safeguards will be effective in all cases with respect to the oil and gas activity in and around the Development. Any incident resulting in injury or property damage within the Development as a result of oil and gas activity could significantly affect the property values within the District as well as the ability of the Developer to successfully find buyers for homes within the Development. According to the Developer, there are no projected plans for oil and gas development on the property.

### **Construction of Necessary Public Improvements Not Assured**

According to the Developer, the estimated cost of public improvements necessary to serve the entire Development is approximately \$74.8 million, a portion of which is anticipated to be financed by the District with the proceeds of the Bonds. The construction of the public improvement is currently planned to take place in three phases, all of which are anticipated to include a portion of public improvement costs. The main collector roads in the Development, Tannahill Drive and Macanta Drive, are planned to be completed within the first two phases of construction, with approximately 75% of the Macanta Drive construction expected to be completed within the first phase of construction. Crowfoot Parkway improvements are anticipated to start construction in the first phase, but will not complete until the final phase of construction. Arterial sanitary sewer lines, drainage, and parks/open space are planned to be constructed relatively evenly among the three phases, with main trunk sanitary sewer construction occurring in the first phase. The District anticipates financing a portion of the public improvements and District No. 1 anticipates constructing and accepting public improvements in stages at the completion of each phase of construction. District No. 1 will accept ownership and maintenance responsibility of any “district” related items that are not conveyed and accepted by another governmental entity. Prior to the public improvements being eligible for acquisition, District No. 1’s engineer must review the improvements and recommend

acceptance to the Board of District No. 1, and the Board of District No. 1 must then accept the costs as appropriate for acquisition. The total net proceeds of the Bonds available for acquisition of public infrastructure are expected to be \$25,928,188.43, or approximately 35% of the total costs. See “USES OF PROCEEDS.” According to the District, additional costs for the acquisition of public improvements will be paid for with Developer financing, subject to availability.

The Market Study and Financial Report assume that all public improvements necessary for the Development to be completed within the District will be completed in order to provide the necessary infrastructure to support the development projections contained therein. If the remaining Public Improvements are not constructed as anticipated, the completion of the Development will likely be materially negatively impacted. In addition, there is no guarantee that the total costs of the public improvements will be approximately \$74.8 million. Construction costs could increase due to inflation, future labor shortages, future increases in the costs of materials, unforeseen construction, environmental or engineering issues or for other reasons.

### **Financial Condition of the Homebuilders and Developer**

There has been no independent investigation of and no representation is made in this Limited Offering Memorandum regarding the financial soundness of the Homebuilders, the Developer, or of the managerial capability of any such entities to develop and/or market the property within the District as planned (assuming each of the Homebuilders close on their respective lot purchase and sale contracts and purchase the residential lots, which is not guaranteed to occur), nor is any such entity required to provide any ongoing financial information concerning its financial condition. Moreover, the financial circumstances of the Homebuilders, the Developer or future developers or homebuilders can change from time to time. Completion of the development within the District is dependent upon the ability of the Homebuilders, the Developer and others to implement the development plan contemplated herein, as described above under “Development Not Assured.” Prospective investors are urged to make such investigation as deemed necessary concerning the financial soundness of the Homebuilders and the Developer and their ability to implement the plan of Development as described herein.

### **Risks Related to the Projections**

The District has retained (i) John Burns Real Estate Consulting, LLC, La Jolla, California (“JBREC”) to prepare a Market Analysis for the Canyons South Development dated May 30, 2018 (the “Market Study”), and (ii) accounting firm CliftonLarsonAllen, Certified Public Accountants, Greenwood Village, Colorado (“Clifton”) to prepare a “Forecasted Surplus Cash Balances and Cash Receipts and Disbursement” report dated as of June 13, 2018 (the “Financial Forecast”).

Market Study. The Market Study is attached hereto as Appendix A, and should be read in its entirety. The primary purpose of the Market Study is to provide the District with an evaluation of the market opportunity for the Development in conjunction with the issuance of the Bonds, and to provide JBREC’s conclusions about the reasonable per project absorption rates for the planned homes and prices, the competitive market conditions in the market and the

submarket, and the key housing market, economic and demographic trends in the market and submarket. The Market Study is dated May 30, 2018, and has not been reviewed or updated by JBREC since that date. It is possible that conditions have changed in the District since the date of the report which would cause JBREC to change the Market Study. *The Market Study is based on key assumptions made by JBREC and, like any forecast, is inherently subject to variations in the assumed data. These assumptions include the assumption that the Developer and the Homebuilders will: (1) offer floor plan sizes and types as proposed; (2) be executed in a quality “market appropriate” manner with specification levels and unit finishes in-line with market expectations; (3) include amenities recommended by JBREC; (4) fund the operation and maintenance of these amenities by District revenues without supplementary HOA fees; (5) commence advertising and marketing efforts prior to construction to generate qualified shopper traffic; (6) consider establishing a pre-sales program; (7) have experienced sales agents familiar with the local market; and (8) come to market in March 2020, and that the amenity center opens in summer/fall 2020. These assumptions include the assumption that additional platting changes will be approved by the County Commissioners of the County. JBREC also assumes that the quality of the Homebuilders’ products will be commensurate with the quality of products in top comparable master planned communities. JBREC forecasts that home prices in the Denver market should appreciate 8.2% between January 2018 (the date of the competitive market survey contained therein) and March 2020, the expected date sales will begin in the Development, that such appreciation in the Development will be 2% per annum between April 2020 and December 2021, and 1% to 2% per annum after 2021. There is no assurance that these events will occur. The actual development in the District will likely vary from the projected development, and such variations may be material. See “FORWARD-LOOKING STATEMENTS.”*

Financial Forecast. The Financial Forecast is attached hereto as Appendix B, and should be read in its entirety. In the Financial Forecast, Clifton has used the results of the Market Study and certain other assumptions to estimate the Senior Pledged Revenue and the Subordinate Pledged Revenue available each year that the Bonds are expected to be outstanding, and has compared such projections with the debt service on the 2018A Senior Bonds and provided an estimate of mandatory redemption payments and interest payments on the 2018B Subordinate Bonds. *The increases in assessed value forecasted in the Financial Forecast are directly related to forecasted development of the property in the District, which is not assured. The Financial Forecast is based on key assumptions made by JBREC and Clifton and, like any forecast, is inherently subject to variations in the assumed data. Actual results will vary from those projected, and such variations may be material. The Financial Forecast is expressed in terms of 2018 dollars, with adjustments for inflation. The market values per unit for residential properties are forecasted to increase 4.9% in 2019, 3.3% in 2020, 1.5% in 2021, 0.5% in 2022, and 2% compounded annually, starting in 2023, through build-out, as projected in the Market Study. After the residential properties are constructed, the market values of the constructed properties are added to the cumulative market value of developed properties. Such cumulative market values are forecasted to increase 2% biennially pursuant to the reassessment of property required by State statute. Additionally, the Financial Forecast contains an alternative hypothetical projection for slower build-out described in Note 13 of the Financial Forecast. In the alternative projection, Clifton assumes a build-out schedule that is slowed to the point at which available funds (including the 2018 Surplus Fund) and the imposition of the maximum mill levy of 55.277 mills are needed to pay debt service on the 2018A Senior Bonds. Based on the alternative projection, Clifton concludes that the build-out*



*schedule could be slowed to 55% of the reasonably expected schedule as displayed in the Financial Forecast and the 2018A Senior Bonds could still be repaid; however, none of the principal of, and only a portion of the interest on, the 2018B Subordinate Bonds could be repaid with the slower build-out. The alternative projection anticipates that the 2018A Surplus Fund will be drawn upon in years 2021 through 2025 to meet debt service requirements on the 2018A Senior Bonds. See “FORWARD-LOOKING STATEMENTS.”*

### **Risk of Internal Revenue Service Audit**

The Internal Revenue Service (the “Service”) has announced 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 Indentures do 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 participants or their counsel are 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**

The current members of the Board serve as employees or officers of the Developer, or have had other business or professional relationships with the Developer, or serve as employees of the Developer’s affiliates. The issuance of the Bonds and the application of the proceeds therefrom, as well as other activities of the District, therefore 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. 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 advanced disclosure of their conflicts, and that they will not disqualify themselves from voting.

### **Legal Constraints on District Operations**

The District is formed pursuant to statute and exercises only limited powers. Various State 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 their respective Indentures, 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 of or interest on the Bonds. Consequently, remedies available to the owners of the Bonds under their respective Indentures 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 Senior Pledged Revenue and/or the Subordinate 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 Senior Required Mill Levy consists of a limited mill levy of the District. The 2018A Senior Indenture only requires that the District levy the Senior Required Mill Levy (which is defined as, generally, 50 mills, subject to adjustment), the 2018B Subordinate Indenture only requires that the District levy the Subordinate Required Mill Levy (which is defined as, generally, 50 mills subject to adjustment less the Senior Obligation Mill Levy). Accordingly, it may not be possible under

State law for the District to file for bankruptcy, and no bankruptcy trustee will be available to represent the creditors of the District, including the Owners of the Bonds.

Bankruptcy protection may be available to the District, however, if the Senior Required Mill Levy and/or the Subordinate Required Mill Levy ever equaled or exceeded 100 mills pursuant to their adjustment mechanisms, if the District's operational mill levy ever exceeds the difference between 100 mills and the Senior Required Mill Levy and the Subordinate Required Mill Levy, if the District ever issues unlimited mill levy general obligation bonds in the future (which would require an amendment to the Service Plan, which currently imposes a maximum mill levy cap for the payment of general obligation debt and for operations and maintenance of 80 mills, subject to adjustment), 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, the Homebuilders 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 finally 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.

### **Secondary Market for the Bonds; No Rating; Investor Restrictions and Suitability**

Each Bond purchaser must be a "financial institution or institutional investor" within the meaning of § 32-1-103(6.5), C.R.S., and the Bonds are offered in minimum denominations of \$500,000. Further, the District has not submitted an application to any securities rating agency with respect to the Bonds. Therefore, the market for the Bonds, if any, is expected to be limited, and prospective purchasers of the Bonds should therefore be prepared, if necessary, to hold their Bonds to maturity or prior redemption, if any.

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

## USES OF PROCEEDS

### Improvement Project

The net proceeds of the Bonds will be used to pay for the costs of acquiring and constructing certain public improvements, consisting primarily of street, parks and recreation, water, sanitary sewer, storm sewer and drainage, and traffic and safety control improvements. See “THE DISTRICT – District Agreements” for a description of the contractual arrangements pursuant to which these payments will be made.

### 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

	2018A Senior Bonds	2018B Subordinate Bonds	Total
<u>Sources:</u>			
Bond proceeds.....	<u>\$31,945,000</u>	<u>\$3,260,000</u>	<u>\$35,205,000</u>
TOTAL .....	<u>\$31,945,000</u>	<u>\$3,260,000</u>	<u>\$35,205,000</u>
 <u>Uses:</u>			
Project Fund Deposits:			
Deposit to Senior Project Fund .....	22,765,988	--	22,765,988
Deposit to Subordinate Project Fund.....	--	3,162,200	3,162,200
Deposit to 2018A Surplus Fund.....	2,854,000	--	2,854,000
Deposit to Senior Bond Fund (capitalized interest) .....	5,449,112	--	5,449,112
Costs of issuance, underwriting discount (see “UNDERWRITING”) and contingency .....	875,900	97,800	973,700
TOTAL .....	<u>\$31,945,000</u>	<u>\$3,260,000</u>	<u>\$35,205,000</u>

Source: The Underwriter.

## **THE 2018A SENIOR BONDS**

*Although a single Limited Offering Memorandum is being used in connection with the offer and sale of the 2018A Senior Bonds and 2018B Subordinate Bonds, the 2018A Senior Bonds are secured solely by the 2018A Senior Indenture and the 2018B Subordinate Bonds are secured solely by the 2018B Subordinate Indenture. Further, each series of Bonds is secured by separately defined pledged revenues. The 2018A Senior Bonds are secured solely by the Senior Pledged Revenue, and the 2018B Subordinate Bonds are secured solely by the Subordinate Pledged Revenue. Accordingly, the use of a single Limited Offering Memorandum does not imply that 2018A Owners and the 2018B Owners are secured by the same revenue sources, funds or covenants. 2018A Owners and 2018B Owners are afforded different rights under the 2018A Senior Indenture and the 2018B Subordinate Indenture, respectively. Potential purchasers of each series of Bonds are cautioned to carefully review the provisions below and throughout this Limited Offering Memorandum describing the Indentures as applicable to the specific series of Bonds to be purchased.*

### **General Description**

The 2018A Senior Bonds are limited tax general obligations of the District payable from the Senior Pledged Revenue as provided in the 2018A Senior Indenture. The maturity date and interest rate for the 2018A Senior Bonds are set forth on the cover page hereof. For a complete statement of the details and conditions of the 2018A Senior Bond issue, reference is made to the 2018A Senior Indenture, copies of which are available from the Underwriter prior to delivery of the 2018A Senior Bonds. Portions of the 2018A Senior Indenture are described in “THE 2018A SENIOR BONDS,” “SECURITY FOR THE 2018A SENIOR BONDS” and Appendix E – Summary of Certain Provisions from the 2018A Senior Indenture. Capitalized terms not otherwise defined below are defined in Appendix E.

### **Authorized Denominations**

The 2018A Senior Bonds are being issued in “Authorized Denominations,” defined in the 2018A Senior Indenture to mean initially the amount of \$500,000 or any integral multiple of \$1,000 in excess thereof, provided that (a) no individual 2018A Senior Bond may be in an amount which exceeds the principal amount coming due on any maturity date; (b) in the event a 2018A Senior Bond is partially redeemed and the unredeemed portion is less than \$500,000, such unredeemed portion of such 2018A Senior Bond may be issued in the largest possible denomination of less than \$500,000, in integral multiples of not less than \$1,000 each or any integral multiple thereof; and (c) the Authorized Denominations shall be reduced to \$1,000 or any integral multiple thereof in the event that the 2018A Trustee receives an opinion of Counsel that the District has filed a notice of a claim of exemption, along with all other required documents necessary to exempt the 2018A Senior Bonds under any of the exemptions from registration contemplated by Section 11-59-110, C.R.S. and any rule or order promulgated thereunder, or any successor statute (and any rule or order promulgated under such successor statute), or has taken other actions which permit the 2018A Senior Bonds to be issued in denominations of \$1,000 or integral multiples thereof under the Colorado Municipal Bond Supervision Act or any successor statute.

## **Payment of Principal and Interest; Record Date**

The 2018A Senior Indenture provides that the principal of and premium, if any, on the 2018A Senior Bonds are payable in lawful money of the United States of America to the 2018A Owner of each 2018A Senior Bond upon maturity or prior redemption and presentation at the principal office of the 2018A Trustee. The interest on any 2018A Senior Bond is payable to the person in whose name such 2018A Senior Bond is registered, at his address as it appears on the registration books maintained by or on behalf of the District by the 2018A Trustee, at the close of business on the Record Date, irrespective of any transfer or exchange of such 2018A Senior Bond subsequent to such Record Date and prior to such 2018A 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 2018A Owner thereof at the close of business on the Record Date and shall be payable to the person who is the 2018A Owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the 2018A Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the 2018A Owners not less than 10 days prior to the Special Record Date by first-class mail to each such 2018A Owner as shown on the registration books kept by the 2018A Trustee on a date selected by the 2018A Trustee. Such notice shall state the date of the Special Record Date and the date fixed for the payment of such defaulted interest.

Interest payments shall be paid by check or draft of the 2018A Trustee mailed on or before the 2018A Interest Payment Date to the 2018A Owners. The 2018A Trustee may make payments of interest on any 2018A Senior Bond by such alternative means as may be mutually agreed to between the 2018A Owner of such 2018A Senior Bond and the 2018A Trustee; provided that the District shall not be required to make funds available to the 2018A Trustee prior to the dates on which such interest would otherwise be payable under the 2018A Senior Indenture, nor to incur any expenses in connection with such alternative means of payment.

To the extent principal of any 2018A Senior Bond is not paid when due, such principal shall remain Outstanding until paid. To the extent interest on any 2018A Senior Bond is not paid when due, such interest shall compound semiannually on each 2018A Interest Payment Date, at the rate then borne by the 2018A Senior Bond; provided however, that notwithstanding anything in the 2018A Senior Indenture to the contrary, the District shall not be obligated to pay more than the amount permitted by law and the Elections in repayment of the 2018A Senior Bonds, including all payments of principal, premium if any, and interest, and all 2018A Senior Bonds will be deemed defeased and no longer Outstanding upon the payment by the District of such amount.

The 2018A Senior Indenture provides that the 2018A Trustee shall perform the functions of paying agent and authenticating registrar with respect to the 2018A Senior Bonds. In addition, the principal of, premium if any, and interest on the 2018A Senior 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 2018A Senior Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity, and in whole or partial maturities (and if in part in such order of maturities as the District shall determine and by lot within maturities), on December 1, 2023, and on any date thereafter, upon payment of par and accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2023, to November 30, 2024	3.00%
December 1, 2024, to November 30, 2025	2.00
December 1, 2025, to November 30, 2026	1.00
December 1, 2026, and thereafter	0.00

Mandatory Sinking Fund Redemption. The 2018A Senior Bonds maturing on December 1, 2038 also are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2026, and on each December 1 thereafter prior to the maturity date of such 2018A Senior Bonds, upon payment of par and accrued interest, without redemption premium, in the annual amounts set forth below:

<u>Year of Redemption (December 1)</u>	<u>Redemption Amount</u>
2026	\$25,000
2027	190,000
2028	380,000
2029	515,000
2030	660,000
2031	710,000
2032	800,000
2033	845,000
2034	945,000
2035	995,000
2036	1,105,000
2037	1,165,000
2038*	1,280,000

\* final maturity, not a sinking fund redemption

The 2018A Senior Bonds maturing on December 1, 2048 also are subject to mandatory sinking fund redemption, in part, by lot, on December 1, 2039, and on each December 1 thereafter prior to the maturity date of such 2018A Senior Bonds, upon payment of par and accrued interest, without redemption premium, in the annual amounts set forth below:

Year of Redemption (December 1)	Redemption Amount
2039	\$1,355,000
2040	1,485,000
2041	1,570,000
2042	1,715,000
2043	1,815,000
2044	1,970,000
2045	2,085,000
2046	2,260,000
2047	2,390,000
2048*	5,685,000

\* final maturity, not a sinking fund redemption

On or before 45 days prior to each sinking fund installment date as set forth above, the 2018A Trustee shall select for redemption, by lot in such manner as the 2018A Trustee may determine, from the Outstanding 2018A Senior Bonds, a principal amount of such 2018A Senior Bonds equal to the applicable sinking fund installment. The amount of the applicable sinking fund installment for any particular date shall be reduced by the principal amount of any 2018A Senior Bonds which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled and not theretofore applied as a credit against a sinking fund installment. Such reductions shall be applied in such year or years as may be determined by the District. In the event that there are not sufficient moneys in the Senior Bond Fund to pay the full amount due in accordance with the foregoing on any sinking fund installment date, the 2018A Trustee shall redeem as many 2018A Senior Bonds as possible on such date in integral multiples of \$1,000, and any redemption amount for which funds are not available to redeem 2018A Senior Bonds shall be added to the redemption amount for the immediately succeeding sinking fund installment date.

Redemption Procedure and Notice. If less than all of the 2018A Senior Bonds within a maturity are to be redeemed on any prior redemption date, the 2018A Senior Bonds to be redeemed shall be selected by lot prior to the date fixed for redemption, in such manner as the 2018A Trustee shall determine. The 2018A Senior Bonds shall be redeemed only in integral multiples of \$1,000. In the event a 2018A Senior Bond is of a denomination larger than \$1,000, a portion of such 2018A Senior Bond may be redeemed, but only in the principal amount of \$1,000 or any integral multiple thereof. Such 2018A Senior Bond shall be treated for the purpose of redemption as that number of 2018A Senior Bonds which results from dividing the principal amount of such 2018A Senior Bond by \$1,000. In the event a portion of any 2018A Senior Bond is redeemed, the 2018A Trustee shall, without charge to the 2018A Owner of such 2018A Senior Bond, authenticate and deliver a replacement 2018A Senior Bond or Bonds for the unredeemed portion thereof.

In the event any of the 2018A Senior Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the 2018A Senior Bonds or portions thereof to be redeemed will be given by the 2018A Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid) or by electronic means to DTC or its successors, not less than 30 days prior to the redemption date to the 2018A Owner of each 2018A Senior 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 2018A Trustee. Failure to give such notice by mailing to any 2018A Owner or by electronic means to DTC or its successors, or any defect therein, shall not affect the validity of any proceeding for the redemption of other 2018A Senior Bonds as to which no such failure or defect exists. The redemption of the 2018A Senior 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 2018A 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 2018A Senior 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 2018A Senior Indenture creates and establishes the following funds and accounts, which shall be established with the 2018A Trustee and maintained by the 2018A Trustee in accordance with the provisions of the 2018A Senior Indenture: (a) the Senior Project Fund; (b) the Senior Bond Fund; (c) the 2018A Surplus Fund; and (d) the Senior Costs of Issuance Fund.

### Senior Project Fund.

(a) *In General.* The Senior Project Fund shall be maintained by the 2018A Trustee in accordance with the provisions described below.

(b) *Draws from the Senior Project Fund.* So long as no Event of Default shall have occurred and be continuing, amounts in the Senior Project Fund shall be released by the 2018A Trustee to the District in accordance with requisitions submitted to the 2018A Trustee in substantially the form set forth in the 2018A Senior Indenture signed by the District Representative and certifying that all amounts drawn will be applied to the payment of the Project Costs. The 2018A Trustee may rely conclusively on any such certificate and shall not be required to make any independent investigation in connection therewith. The execution of any requisition by the District Representative shall constitute, unto the 2018A Trustee, an irrevocable determination that all conditions precedent to the payments requested have been completed.

(c) *Transfers from Senior Project Fund to Senior Bond Fund.* In the event the amounts credited to the Senior Bond Fund (including amounts transferred therein from the 2018A Surplus Fund) are insufficient to pay the principal of, premium if any, or interest on the 2018A Senior Bonds when due, the 2018A Trustee shall transfer from the Senior Project Fund to the Senior Bond Fund an amount which, when combined with moneys in the Senior Bond Fund, will be sufficient to make such payments when due; and in the event the amounts in the Senior Bond Fund (including amounts transferred therein from the 2018A Surplus Fund) and the Senior Project Fund are insufficient to pay all principal, premium if any, and interest on any due date, the 2018A Trustee shall nonetheless transfer all of the moneys in the Senior Project Fund to the Senior Bond Fund for the purpose of making partial payments as provided in the 2018A Senior Indenture. Amounts in the Senior Project Fund shall not be used to redeem 2018A Senior Bonds being called pursuant to any optional redemption provisions of the 2018A Senior Indenture, but may be used to pay 2018A Senior Bonds coming due as a result of any mandatory redemption.

(d) *Termination of Senior Project Fund.* Upon the receipt by the 2018A Trustee of a resolution of the District determining that all Project Costs have been paid, any balance remaining in the Senior Project Fund shall be credited to the Senior Bond Fund. The Senior Project Fund shall terminate at such time as no further moneys remain therein.

2018A Surplus Fund. The 2018A Surplus Fund shall be held, disbursed, and administered by the 2018A Trustee and moneys therein shall be used solely in accordance with the 2018A Senior Indenture. The 2018A Surplus Fund shall secure the 2018A Senior Bonds (and only the 2018A Senior Bonds) in accordance with the provisions described below.

There shall be initially deposited to the 2018A Surplus Fund \$2,854,000 from 2018A Senior Bond proceeds. Thereafter, the 2018A Surplus Fund shall be funded solely from deposits of Senior Pledged Revenue as provided in the 2018A Senior Indenture, if any, and except to the extent Senior Pledged Revenue is available thereunder, and except for the initial deposit to the 2018A Surplus Fund, the District has no obligation to fund the 2018A Surplus Fund in any amount.

In the event the amounts credited to the Senior Bond Fund (not including amounts to be transferred thereto from the Senior Project Fund) are insufficient to pay the principal of, premium if any, or interest on the 2018A Senior Bonds when due, the 2018A Trustee shall transfer from the 2018A Surplus Fund to the Senior Bond Fund an amount which, when combined with moneys in the Senior Bond Fund (prior to any transfers from the Senior Project Fund) will be sufficient to make such payments when due; and in the event the amounts in the Senior Bond Fund (prior to any transfers from the Senior Project Fund) and the 2018A Surplus Fund are insufficient to pay all principal, premium if any, and interest on the 2018A Senior Bonds on any due date, the 2018A Trustee shall nonetheless transfer all of the moneys in the 2018A Surplus Fund to the Senior Bond Fund for the purpose of making partial payments as described below under the subsection entitled “Senior Bond Fund.” Amounts in the 2018A Surplus Fund shall not be used to redeem 2018A Senior Bonds being called pursuant to any optional redemption provisions of the 2018A Senior Indenture, but shall be used to pay 2018A Senior Bonds coming due as a result of any mandatory redemption. Amounts in the 2018A Surplus Fund shall only be used for the purpose of paying the principal of, premium if any, and interest on the 2018A Senior Bonds in accordance with the provisions set forth in the Senior Indenture.

Investments credited to the 2018A Surplus Fund may be invested or deposited in Permitted Investments only and in accordance with the laws of the State and shall be valued on the basis of their current market value, as reasonably determined by the 2018A Trustee, which value shall be determined at least annually. All investment earnings on moneys on deposit in the 2018A Surplus Fund shall remain in the 2018A Surplus Fund.

It is intended that amounts in the 2018A Surplus Fund are to be transferred to the Senior Bond Fund prior to any transfer from the Senior Project Fund.

Amounts on deposit in the 2018A Surplus Fund (if any) on the final maturity date of the 2018A Senior Bonds shall be applied to the payment of the 2018A Senior Bonds. The

availability of such amount shall be taken into account in calculating the Senior Required Mill Levy required to be imposed in December 2047.

Senior Bond Fund. There shall be credited to the Senior Bond Fund each 2018A Bond Year an amount of Senior Pledged Revenue which, when combined with other legally available moneys in the Senior Bond Fund (not including moneys deposited thereto from other funds pursuant to the terms of the 2018A Senior Indenture), will be sufficient to pay the principal of, premium if any, and interest on the 2018A Senior Bonds which has or will become due in the 2018A Bond Year in which the credit is made, including as a result of mandatory sinking fund redemption in accordance with the 2018A Senior Indenture.

Moneys in the Senior Bond Fund (including any moneys transferred thereto from other funds pursuant to the terms of the 2018A Senior Indenture) shall be used by the 2018A Trustee solely to pay the principal of, premium if any, and interest on the 2018A Senior Bonds, in the following order of priority.

FIRST: to the payment of interest due in connection with the 2018A Senior Bonds (including without limitation current interest, accrued and payable but unpaid interest, and interest due as a result of compounding, if any); and

SECOND: to the extent any moneys are remaining in the Senior Bond Fund after the payment of such interest, to the payment of the principal of and premium, if any, on the 2018A Senior Bonds, whether due at maturity or upon prior redemption.

In the event that available moneys in the Senior Bond Fund (including any moneys transferred thereto from other funds pursuant to the terms of the 2018A Senior Indenture) are insufficient for the payment of the principal of, premium if any, and interest due on the 2018A Senior Bonds on any due date, the 2018A Trustee shall apply such amounts on such due date as follows:

FIRST, the 2018A Trustee shall pay such amounts as are available, proportionally in accordance with the amount of interest due on each 2018A Senior Bond; and

SECOND, the 2018A Trustee shall apply any remaining amounts to the payment of the principal of and premium, if any, on as many 2018A Senior Bonds as can be paid with such remaining amounts, such payments to be in increments of \$1,000 or any integral multiple thereof, plus any premium. 2018A Senior Bonds or portions thereof to be redeemed pursuant to such partial payment shall be selected by lot from the 2018A Senior Bonds the principal of which is due and owing on the due date.

Moneys credited to the Senior Bond Fund may be invested or deposited in accordance with the 2018A Senior Indenture.

Senior Costs of Issuance Fund. The Senior Costs of Issuance Fund shall be maintained by the 2018A Trustee. All moneys on deposit in the Senior Costs of Issuance Fund shall be applied by the 2018A Trustee at the direction of the District to the payment of costs in

connection with the issuance of the 2018A Senior Bonds and the 2018B Subordinate Bonds, including, without limitation, printing costs, CUSIP fees, regulatory fees, the fees and expenses of bond counsel, general counsel, underwriter's counsel and other counsel, the fees and expenses of the District's accountant, manager, special consultants, and other professionals, and the costs of the 2018A Trustee, the 2018B Trustee, and other costs and expenses of the District relating to the issuance of the 2018A Senior Bonds and the 2018B Subordinate Bonds. The 2018A Trustee may rely conclusively on any such direction and shall not be required to make any independent investigation in connection therewith. Any amounts remaining in the Senior Costs of Issuance Fund on the date that is 90 days after the date of issuance of the 2018A Senior Bonds shall be transferred by the 2018A Trustee into the Senior Bond Fund.

### **Book-Entry Only System**

The 2018A Senior Bonds will be available only in book-entry form in the principal amount of \$500,000 or any integral multiple of \$1,000 in excess thereof. DTC will act as the initial securities depository for the 2018A Senior Bonds. The ownership of one fully registered 2018A Senior Bond for each maturity, as set forth on the cover page of this Limited Offering Memorandum, 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 C – Book-Entry Only System.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE 2018A SENIOR BONDS, REFERENCES IN THIS LIMITED OFFERING MEMORANDUM TO THE REGISTERED OWNERS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

Neither the District nor the 2018A 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 2018A Senior Bonds as further described in Appendix C to this Limited Offering Memorandum.

## SECURITY FOR THE 2018A SENIOR BONDS

*The 2018A Senior Indenture secures solely the 2018A Senior Bonds, and the covenants made by the District in the 2018A Senior Indenture are solely for the benefit of the 2018A Owners. The 2018B Subordinate Bonds are not secured by, and have no right to enforce any provision of, the 2018A Senior Indenture. For capitalized terms not defined in this section, see Appendix E – Summary of Certain Provisions from the 2018A Senior Indenture.*

### **Limited Tax General Obligations**

The 2018A Senior Bonds constitute limited tax general obligations of the District payable from the Senior Pledged Revenue, as provided in the 2018A Senior Indenture. All of the 2018A Senior Bonds, together with the interest thereon and any premium due in connection therewith, are payable solely from and to the extent of the Senior Pledged Revenue, including all moneys and earnings thereon held in the funds and accounts created in the 2018A Senior Indenture, and the Senior Pledged Revenue is pledged to the payment of the 2018A Senior Bonds. *The 2018A Senior Bonds are not obligations of District No. 1, the County or the State.*

The 2018A Senior Bonds constitute an irrevocable lien upon the Senior Pledged Revenue, but not necessarily an exclusive such lien. The 2018A Senior Bonds are secured by a lien on the Senior Pledged Revenue on parity with the lien thereon of any Senior Parity Bonds issued in the future. See “RISK FACTORS – Limited Security for the 2018A Senior Bonds,” and “– Risks Related to Property Tax Revenues.”

The 2018A Senior 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 of the County the Senior Required Mill Levy. The Senior Required Mill Levy creates a statutory tax lien which may be enforced to the extent that taxes are delinquent in a given year.

### **Senior Pledged Revenue**

The 2018A Senior Indenture defines “Pledged Revenue” (referred to herein as the “Senior Pledged Revenue”) to mean the following, net of any costs of collection (to the extent not previously deducted by definition): (a) all Senior Property Tax Revenues; (b) all Senior Specific Ownership Tax Revenues; (c) all Capital Fees; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund. Each of these components of the Senior Pledged Revenue (excluding the Senior Pledged Revenue described in clause (d) of the definition thereof) is described below.

### **Senior Property Tax Revenues**

“Senior Property Tax Revenues” are defined to mean all moneys derived from imposition by the District of the Senior Required Mill Levy. Senior Property Tax Revenues are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County. (For the avoidance of doubt, Senior Property Tax Revenues do not include specific ownership tax revenues.)

In the 2018A Senior Indenture, the District covenants that for the purpose of paying the principal of, premium if any, and interest on the 2018A Senior Bonds and funding the 2018A Surplus Fund to the Maximum Surplus Amount (defined as \$6,389,000), the Board shall annually determine and certify to the Board of County Commissioners for the County, in each of the years 2018 through 2047, inclusive (for tax collection in years 2019 through 2048, inclusive), and in any year thereafter in which the 2018A Senior Bonds remain Outstanding, in addition to all other taxes, the Senior Required Mill Levy. Nothing in the 2018A Senior Indenture shall be construed to require the District to levy an ad valorem property tax for payment of the 2018A Senior Bonds and funding the 2018A Surplus Fund to the Maximum Surplus Amount, in excess of the Senior Required Mill Levy. When collected, the taxes levied for the foregoing purposes shall be deposited with the 2018A Trustee in accordance with the 2018A Senior Indenture.

“Senior Required Mill Levy” is defined in the 2018A Senior Indenture to mean:

(a) subject to paragraph (b) below, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount which, if imposed by the District for collection in the succeeding calendar year, would generate Senior Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the 2018A Senior Bonds as the same become due and payable (less any amount thereof for which amounts are then on deposit in the Senior Bond Fund and solely to the extent provided in the 2018A Senior Indenture regarding the 2018A Surplus Fund), but not in excess of 50 mills; provided, however, that:

(i) for so long as the amount on deposit in the 2018A Surplus Fund is less than the Maximum Surplus Amount, the Senior Required Mill Levy shall be equal to 50 mills (subject to adjustment as described in clause (ii) hereof), or such lesser amount which, if imposed by the District for collection in the succeeding calendar year, would generate Senior Property Tax Revenues (A) sufficient to pay the principal of, premium if any, and interest on the 2018A Senior Bonds as the same become due and payable, and to fully fund the 2018A Surplus Fund to the Maximum Surplus Amount, or (B) which, when combined with moneys then on deposit in the Senior Bond Fund and the 2018A Surplus Fund, will pay the 2018A Senior Bonds in full in the year such levy is collected; and

(ii) in the event that the method of calculating assessed valuation is changed after December 16, 2008, the minimum mill levy of 50 mills and the maximum mill levy of 50 mills described herein will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation; and

(b) notwithstanding anything in the 2018A Senior Indenture to the contrary, in no event may the Senior 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 Senior 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 Senior Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

The District's forecasted adjustment of the Senior Required Mill Levy pursuant to paragraph (a)(ii) above is described in "DISTRICT FINANCIAL INFORMATION – Sources of District Revenues."

### **Senior Specific Ownership Tax Revenues**

Definitions in the 2018A Senior Indenture. "Senior Specific Ownership Tax Revenues" are defined to mean the specific ownership taxes remitted to the District pursuant to Section 42-3-107, C.R.S., or any successor statute, as a result of imposition by the District of the Senior Required Mill Levy in accordance with the provisions of the 2018A Senior Indenture.

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 Senior Required Mill Levy is pledged to the 2018A Senior Bonds and defined as the Senior Specific Ownership Taxes. The amount of Senior Specific Ownership Taxes which is received by the District depends in part upon the amount of the Senior Required Mill Levy. The S.O. Tax received by the District from the Subordinate Required Mill Levy is pledged to the 2018B Subordinate Bonds and defined as the Subordinate Specific Ownership Tax Revenues. The amount of Subordinate Specific Ownership Tax Revenues which are received by the District depends in part upon the amount of the Subordinate Required Mill Levy. Additionally, S.O. Tax received by the District from the operation and maintenance mill levy will be used to pay operations and maintenance. 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 Senior Specific Ownership Tax Revenues.*

## **Capital Fees**

“Capital Fees” are defined to mean all fees, rates, tolls, penalties, and charges of a capital nature (excluding periodic, recurring service charges) now or hereafter imposed by the District or any District-owned “enterprise” under Article X, Section 20 of the State Constitution, for services, programs, or facilities furnished by the District, including the Facility Fees; and including the revenue derived from any action to enforce the collection of Capital Fees, and the revenue derived from the sale or other disposition of property acquired by the District from any action to enforce the collection of Capital Fees. Notwithstanding any of the foregoing, Capital Fees do not include the Excluded Fees, which are defined to mean any fee imposed by the District solely for the purpose of funding operation and maintenance expenses. “Facility Fees” are defined to mean those fees imposed and collected by the District pursuant to the “Facility Fees Resolution” (defined as the Resolution Concerning the Imposition of District Facility Fees recorded in the real property records of the County on May 30, 2018 at Reception No. 2018032258). See “THE DISTRICT – District Agreements – Facility Fees Resolution.”

The 2018A Senior Indenture provides that, subject to the 2018A Owners of a majority in aggregate principal amount of the 2018A Senior Bonds assuming control of the enforcement of remedies upon default, the District will enforce the collection of all Capital Fees in such time and manner as the District reasonably determines will be most efficacious in collecting the same, including without limitation the bringing of an action to foreclose any statutory or contractual lien which may exist in connection therewith. The District will not reduce the amount of the Facility Fees, or amend or supplement the Facility Fees Resolution in any way which would materially adversely affect the amount or timing of Facility Fees to be collected, without the prior written consent of the Consent Parties with respect to not less than a majority in aggregate principal amount of the 2018A Senior Bonds then Outstanding; provided that nothing in the 2018A Senior Indenture shall prevent the District from increasing the amount of the Facility Fees.

## **Flow of Funds**

Pursuant to the 2018A Senior Indenture, the District is to transfer all amounts comprising Senior Pledged Revenue to the 2018A Trustee as soon as may be practicable after the receipt thereof. The 2018A Trustee shall credit all Senior Pledged Revenue as received in the following order of priority (excluding the Senior Pledged Revenue described in clause (d) of the definition thereof, which is to be deposited directly to the Senior Bond Fund). The District shall also transfer to the 2018A Trustee as soon as practicable, and the 2018A Trustee shall credit in the following order of priority, all revenues (including specific ownership taxes) received as a result of the District’s imposition of a debt service mill levy in 2017. For purposes of the following: (a) when credits to more than one fund, account, or purpose are required at any single priority level, such credits shall rank *pari passu* with each other and, in the event that Senior Pledged Revenue is not sufficient to fully fund all amounts required at any single priority level, credits shall be made *pro rata*, in accordance with the relative amounts required to be deposited to such funds or accounts or, in the case of SECOND below, the relative outstanding principal



amounts of the obligations secured by the applicable funds; and (b) when credits are required to go to funds or accounts which are not held by the 2018A Trustee under the 2018A Senior Indenture, the 2018A 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 credit of the Senior Bond Fund, the amounts described in “THE 2018A SENIOR BONDS – Funds and Accounts – Senior 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 Senior Parity Bonds, the amounts required by the resolution or other enactment authorizing issuance of the Senior Parity Bonds for the then current 2018A Bond Year;

SECOND: To the credit of the 2018A Surplus Fund and to the credit of any other similar fund or account established to secure payment of the principal of, premium if any, and interest on any Senior Parity Bond, the amount necessary for amounts on deposit in the 2018A Surplus Fund to equal the Maximum Surplus Amount (defined as \$6,389,000), and for amounts on deposit in any similar account securing Senior Parity Bonds to equal the amount required by the resolution or other enactment authorizing issuance of such Senior Parity Bonds; and

THIRD: To the District, for credit to any other fund or account as may be designated by the District in writing to the 2018A Trustee, to be used for any lawful purpose, any Senior Pledged Revenue received for the remainder of the 2018A Bond Year after the payments and accumulations set forth above.

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

The District covenants in the 2018A Senior Indenture that all property tax revenue collected by the District from a debt service mill levy, or so much thereof as is needed, shall first, be designated as Senior Property Tax Revenues in any 2018A Bond Year to pay annual debt service on the 2018A Senior Bonds and any Senior Parity Bonds and to fund such funds and accounts as are required in accordance with the terms of the 2018A Senior Indenture and the resolution, indenture or other enactment authorizing such Senior Parity Bonds (including to fill the 2018A Surplus Fund to the Maximum Surplus Amount, and to fill the surplus fund for any Senior Parity Bonds to the Senior Parity Bonds Maximum Surplus Amount), and only after the funding of such payments and accumulations required in such 2018A Bond Year can property tax revenue be applied to pay Subordinate Bonds. The debt service property tax levy imposed for the payment of Subordinate Bonds shall be deemed reduced to the number of mills (if any) available for payment of such Subordinate Bonds in any 2018A Bond Year after first providing

for the full payment and accumulation of all amounts due on the 2018A Senior Bonds and any Senior Parity Bonds in such 2018A Bond Year. Notwithstanding the foregoing, in the event that the Fire IGA Mill Levy (as defined in Appendix E) is imposed as a debt service mill levy, the portion of property tax revenues collected as a result thereof shall be determined as property tax revenues are collected, based upon the ratio of the number of mills comprising the Fire IGA Mill Levy to the number of mills comprising the remainder of the debt service mill levy imposed by the District, such portion of property tax revenues shall not be deposited with the 2018A Trustee and may be remitted by the District to the Town in accordance with the Fire IGA (see “THE DISTRICT – District Agreements – Fire IGA”) and the Service Plan regardless of whether amounts required with respect to the 2018A Senior Bonds or any Senior Parity Bonds have been fully funded, and in no event shall the number of mills constituting the Fire IGA Mill Levy be subject to reduction as a result of amounts required to be funded with respect to the 2018A Senior Bonds or any Senior Parity Bonds.

### **Additional Obligations under the 2018A Senior Indenture**

General. Under the 2018A Senior Indenture, the District shall not incur any additional debt or other financial obligation having a lien upon the Senior Pledged Revenue superior to the lien thereof of the 2018A Senior Bonds. Any Additional Obligations secured by a lien on ad valorem property taxes of the District shall be issued as either Senior Parity Bonds or Subordinate Bonds; provided, however, that notwithstanding any provision of the 2018A Senior Indenture, the Fire IGA is permitted, and the ad valorem property taxes required to be imposed thereunder are permitted to be collected and applied in accordance with the provisions of the Fire IGA and the Service Plan, shall not constitute Senior Pledged Revenue under the 2018A Senior Indenture, and shall not be subject to any limitations or requirements thereof, except as specifically stated therein. The issuance of the 2018B Subordinate Bonds in accordance with the 2018B Subordinate Indenture is permitted. Furthermore, the District shall not issue or incur any Additional Obligations except as described below, unless such issuance is consented to by the Consent Parties with respect to a majority in aggregate principal amount of the 2018A Senior Bonds then Outstanding.

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

- (i) no Event of Default shall have occurred and be continuing and no amounts of principal or interest on the 2018A Senior Bonds or any other Senior Parity Bonds are due but unpaid, unless: (A) such Event of Default or failure to pay principal or interest on the 2018A Senior Bonds will be cured upon issuance of the Senior Parity Bonds, or (B) the conditions of clause (iv)(B) below are satisfied;
- (ii) the Senior Parity Bonds shall be secured by a surplus fund to be funded by revenues pledged to the payment of such Senior Parity Bonds in the manner described in “Flow of Funds” above up to the applicable Senior Parity Bonds Maximum Surplus Amount (and not more than such amount), and to be otherwise maintained in the same manner as the 2018A Surplus Fund;

(iii) in the event that the Senior Parity Bonds are secured by a lien on ad valorem property taxes of the District, then (A) the maximum ad valorem mill levy (if any) pledged to the payment of the Senior Parity Bonds, together with the Senior Required Mill Levy required to be imposed under the 2018A Senior Indenture, shall be not higher than the maximum mill levy set forth in the definition of Senior Required Mill Levy, and (B) the resolution, indenture or other document pursuant to which the Senior Parity Bonds are issued shall provide that any ad valorem property taxes imposed for the payment of such Senior Parity Bonds shall be applied in the same manner and priority as described in “Flow of Funds” above with respect to the Senior Pledged Revenue; and

(iv) one of the following two conditions shall be satisfied:

(A) upon issuance of the Senior Parity Bonds, the Senior Debt to Assessed Ratio (defined as the ratio on any date of calculation derived by dividing the then-outstanding principal amount of the Senior Debt outstanding by the most recent Final Assessed Valuation of the District, which ratio calculation shall be set forth in a written certificate of the District Representative provided to the 2018A Trustee) will be fifty percent (50%) or less; OR

(B) the Senior Parity Bonds are issued solely for the purpose of refunding all or any portion of the 2018A Senior Bonds, any other Senior Parity Bonds and/or Subordinate Bonds (provided that proceeds of the refunding Senior Parity Bonds may also be applied to pay all expenses in connection with such refunding, to fund reserve funds and capitalized interest, and to pay the costs of letters of credit, credit facilities, interest rate exchange agreements, bond insurance, or other financial products pertaining to such refunding), and the total of the District’s scheduled debt service on such refunding Senior Parity Bonds, the 2018A Senior Bonds and any other Senior Parity Bonds (to the extent to remain outstanding upon such refunding) does not exceed in any year the total debt service on the 2018A Senior Bonds and Senior Parity Bonds prior to the issuance of such refunding Senior Parity Bonds (excluding from such calculation any amount on deposit in a reserve fund anticipated to be available for payment of debt service at final maturity, as reasonably determined by the Board in good faith, such determination to be binding and final). For purposes of the foregoing, the following shall be deemed to increase the District’s Senior Parity Bonds debt service in any year and shall not be permitted by this clause (B): (1) the issuance of refunding Senior Parity Bonds that have any scheduled payment dates in any year that are after the maturity of the 2018A Senior Bonds or Senior Parity Bonds being refunded, and (2) the issuance of refunding Senior Parity Bonds that refund only Subordinate Bonds.

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

(i) the maximum mill levy which the District promises to impose for payment of the Subordinate Bonds is 50 mills (adjusted as described in the definition of the Senior Required Mill Levy), less the Senior Required Mill Levy required to be imposed under the 2018A Senior Indenture and the mill levy required to be imposed for the payment of any Senior Parity Bonds;

(ii) the failure to make a payment when due on the Subordinate Bonds shall not constitute an event of default thereunder; and

(iii) the Subordinate Bonds shall be payable as to both principal and interest only on an annual basis, on or after December 15 of each calendar year.

Certificate. A written certificate by the President or Treasurer of the District that the conditions set forth in the 2018A Senior Indenture are met shall conclusively determine the right of the District to authorize, issue, sell, and deliver Additional Obligations in accordance with the 2018A Senior Indenture.

Nothing in the 2018A Senior Indenture shall affect or restrict the right of the District to issue or incur obligations that are not Additional Obligations under the 2018A Senior Indenture.

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

## **Events of Default and Remedies**

Events of Default under the 2018A Senior 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 2018A Senior 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 2018A Senior Indenture except as follows:

(a) The District fails or refuses to impose the Senior Required Mill Levy or to apply the Senior Pledged Revenue as required by the 2018A Senior Indenture;

(b) The District defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the District in the 2018A Senior Indenture or the Bond Resolution, and fails to remedy the same after notice thereof pursuant to the 2018A Senior 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 2018A Senior Bonds.

It is acknowledged in the 2018A Senior Indenture that due to the limited nature of the Senior Pledged Revenue, the failure to pay the principal of or interest on the 2018A Senior Bonds when due shall not, of itself, constitute an Event of Default thereunder.

Remedies upon Occurrence of Events of Default under the 2018A Senior Indenture. Upon the occurrence and continuance of an Event of Default, the 2018A Trustee shall have the following rights and remedies which may be pursued:

*Receivership.* Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the 2018A Trustee and of the 2018A Owners, the 2018A 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 2018A 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 2018A Senior Indenture to, the 2018A Trustee.

*Suit for Judgment.* The 2018A Trustee may proceed to protect and enforce its rights and the rights of the 2018A Owners under the Act, the 2018A Senior Bonds, the Bond Resolution, the 2018A Senior Indenture, and any provision of law by such suit, action, or special proceedings as the 2018A Trustee, being advised by Counsel, shall deem appropriate.

*Mandamus or Other Suit.* The 2018A Trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the 2018A Owners.

No recovery of any judgment by the 2018A Trustee shall in any manner or to any extent affect the lien of the 2018A Senior Indenture or any rights, powers, or remedies of the 2018A Trustee thereunder, or any lien, rights, powers, and remedies of the 2018A Owners, but such lien, rights, powers, and remedies of the 2018A Trustee and of the 2018A Owners shall continue unimpaired as before.

If any Event of Default described under subsection (a) in “Events of Default under the 2018A Senior Indenture” above shall have occurred and if requested by the 2018A Owners of 25% in aggregate principal amount of the 2018A Senior Bonds then Outstanding, the 2018A Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the 2018A Senior Indenture as the 2018A Trustee, being advised by Counsel, shall deem most expedient in the interests of the 2018A Owners, subject to the 2018A Senior Indenture; provided

that the 2018A Trustee at its option shall be indemnified as provided in the 2018A Senior Indenture.

Notwithstanding anything in the 2018A Senior Indenture to the contrary, acceleration of the 2018A Senior Bonds shall not be an available remedy for an Event of Default.

## **THE 2018B SUBORDINATE BONDS**

*Although a single Limited Offering Memorandum is being used in connection with the offer and sale of the 2018A Senior Bonds and 2018B Subordinate Bonds, the 2018A Senior Bonds are secured solely by the 2018A Senior Indenture and the 2018B Subordinate Bonds are secured solely by the 2018B Subordinate Indenture. Further, each series of Bonds is secured by separately defined pledged revenues. The 2018A Senior Bonds are secured solely by the Senior Pledged Revenue, and the 2018B Subordinate Bonds are secured solely by the Subordinate Pledged Revenue. Accordingly, the use of a single Limited Offering Memorandum does not imply that 2018A Owners and 2018B Owners are secured by the same revenue sources, funds or covenants. 2018A Owners and 2018B Owners are afforded different rights under the 2018A Senior Indenture and the 2018B Subordinate Indenture, respectively. Potential purchasers of each series of Bonds are cautioned to carefully review the provisions below and throughout this Limited Offering Memorandum describing the Indentures as applicable to the specific series of Bonds to be purchased.*

### **General**

The 2018B Subordinate Bonds are subordinate limited tax general obligations issued by the District. The maturity date and interest rate for the 2018B Subordinate Bonds are set forth on the cover page hereof. For a complete statement of the details and conditions of the 2018B Subordinate Bond issue, reference is made to the 2018B Subordinate Indenture, copies of which are available from the Underwriter prior to delivery of the 2018B Subordinate Bonds. Portions of the 2018B Subordinate Indenture are described in “THE 2018B SUBORDINATE BONDS,” “SECURITY FOR THE 2018B SUBORDINATE BONDS” and Appendix F – Summary of Certain Provisions from the 2018B Subordinate Indenture. Capitalized terms not otherwise defined below are defined in Appendix F.

### **No Regularly Scheduled Principal Payments on the 2018B Subordinate Bonds**

In addition to being subordinate obligations, the 2018B Subordinate Bonds are structured as “cash flow” bonds, meaning that (a) principal on the 2018B Subordinate Bonds is payable on the Mandatory Redemption Date(s) (each December 15) from, and only to the extent of, Subordinate Pledged Revenue available therefor, if any, in accordance with the terms of the 2018B Subordinate Indenture, pursuant to a special mandatory redemption more particularly described in “THE 2018B SUBORDINATE BONDS - Prior Redemption - Mandatory Redemption,” “- No Mandatory Sinking Fund Redemption” and “- Flow of Funds – Subordinate Bond Fund” and (b) interest on the 2018B Subordinate Bonds is payable on each December 15, but only from and to the extent of, Subordinate Pledged Revenue available therefor. Unpaid interest will accrue and compound annually at the rate of interest on the 2018B Subordinate Bonds until sufficient Subordinate Pledged Revenue is available for payment. The failure to pay interest each December 15 is not an Event of Default under the 2018B Subordinate Indenture.

The failure to pay principal on any Mandatory Redemption Date or upon the maturity date also is not an Event of Default under the 2018B Subordinate Indenture. See “SECURITY FOR THE 2018B SUBORDINATE BONDS – Events of Default and Remedies.” If, however, Subordinate Pledged Revenue is available on a Mandatory Redemption Date, then all such revenue must be applied first to pay interest due on the 2018B Subordinate Bonds and then to pay all or a portion of the principal amount of the 2018B Subordinate Bonds, and such 2018B Subordinate Bonds will be subject to mandatory redemption on that date in advance of their maturity date.

### **Authorized Denominations**

The 2018B Subordinate Bonds are being issued in “Authorized Denominations,” defined in the 2018B Subordinate Indenture to mean initially the amount of \$500,000 or any integral multiple of \$1,000 in excess thereof, provided that (a) no individual 2018B Subordinate Bond may be in an amount which exceeds the principal amount coming due on any maturity date; (b) in the event a 2018B Subordinate Bond is partially redeemed and the unredeemed portion is less than \$500,000, such unredeemed portion of such 2018B Subordinate Bond may be issued in the largest possible denomination of less than \$500,000, in integral multiples of not less than \$1,000 each or any integral multiple thereof; and (c) the Authorized Denominations shall be reduced to \$1,000 or any integral multiple thereof in the event that the 2018B Trustee receives an opinion of Counsel that the District has filed a notice of a claim of exemption, along with all other required documents necessary to exempt the 2018B Subordinate Bonds under any of the exemptions from registration contemplated by Section 11-59-110, C.R.S. and any rule or order promulgated thereunder, or any successor statute (and any rule or order promulgated under such successor statute), or has taken other actions which permit the 2018B Subordinate Bonds to be issued in denominations of \$1,000 or integral multiples thereof under the Colorado Municipal Bond Supervision Act or any successor statute.

### **Payment of Principal and Interest; Record Date**

The 2018B Subordinate Indenture provides that the principal of and premium, if any, on the 2018B Subordinate Bonds are payable in lawful money of the United States of America to the 2018B Owner of each 2018B Subordinate Bond upon maturity or prior redemption and presentation at the principal office of the 2018B Trustee. The interest on any 2018B Subordinate Bond is payable to the person in whose name such 2018B Subordinate Bond is registered, at his address as it appears on the registration books maintained by or on behalf of the District by the 2018B Trustee, at the close of business on the Record Date, irrespective of any transfer or exchange of such 2018B Subordinate Bond subsequent to such Record Date and prior to such 2018B 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 2018B Owner thereof at the close of business on the Record Date and shall be payable to the person who is the 2018B Owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the 2018B Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the 2018B Owners of the 2018B Subordinate Bonds not less than 10 days prior to the Special Record Date by first-class mail to each such 2018B Owner as shown on the registration books kept by the 2018B Trustee on a date selected by the 2018B Trustee. Such notice shall state the date of the Special Record Date and the date fixed for the payment of such defaulted interest.

Interest payments shall be paid by check or draft of the 2018B Trustee mailed on or before the 2018B Interest Payment Date to the 2018B Owners. The 2018B Trustee may make payments of interest on any 2018B Subordinate Bond by such alternative means as may be mutually agreed to between the 2018B Owner of such 2018B Subordinate Bond and the 2018B Trustee; provided that the District shall not be required to make funds available to the 2018B Trustee prior to the dates on which such interest would otherwise be payable under the 2018B Subordinate Indenture, nor to incur any expenses in connection with such alternative means of payment.

To the extent principal of any 2018B Subordinate Bond is not paid when due, such principal shall remain Outstanding until paid, subject to the paragraph described below. To the extent interest on any 2018B Subordinate Bond is not paid when due, such interest shall compound annually on each 2018B Interest Payment Date, at the rate then borne by the 2018B Subordinate Bond; provided however, that notwithstanding anything in the 2018B Subordinate Indenture to the contrary, the District shall not be obligated to pay more than the amount permitted by law and the Elections in repayment of the 2018B Subordinate Bonds, including all payments of principal, premium if any, and interest, and all 2018B Subordinate Bonds will be deemed defeased and no longer Outstanding upon the payment by the District of such amount.

NOTWITHSTANDING ANY OTHER PROVISION IN THE 2018B SUBORDINATE INDENTURE, THE DISTRICT SHALL NOT BE REQUIRED TO IMPOSE THE SUBORDINATE REQUIRED MILL LEVY FOR PAYMENT OF THE 2018B SUBORDINATE BONDS AFTER DECEMBER 2057 (FOR COLLECTION IN CALENDAR YEAR 2058).

The 2018B Subordinate Indenture provides that the 2018B Trustee shall perform the functions of paying agent and authenticating registrar with respect to the 2018B Subordinate Bonds. In addition, the principal of, premium if any, and interest on the 2018B Subordinate Bonds shall be paid in accordance with the terms of the Letter of Representations with DTC. See “Book-Entry Only System” below.

### **Discharge on December 15, 2058**

Notwithstanding any other provision in the 2018B Subordinate Indenture, in the event that any amount of principal of or interest on the 2018B Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue available therefor on December 15, 2058, the 2018B Subordinate Bonds and the lien of the 2018B Subordinate Indenture securing payment thereof shall be deemed discharged, the estate and rights thereby granted shall cease, terminate, and be void, and thereupon the 2018B Trustee shall cancel and discharge the lien of the 2018B Subordinate Indenture, and execute and deliver to the District such instruments in writing as shall be required to evidence the same. Upon such discharge, the 2018B Owners will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the 2018B Subordinate Bonds remaining unpaid.



## **Prior Redemption**

Optional Redemption. The 2018B Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity, and in whole or partial maturities (and if in part in such order of maturities as the District shall determine and by lot within maturities), on December 15, 2023, and on any date thereafter, upon payment of par and accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

<u><b>Date of Redemption</b></u>	<u><b>Redemption Premium</b></u>
December 15, 2023, to December 14, 2024	3.00%
December 15, 2024, to December 14, 2025	2.00
December 15, 2025 to December 14, 2026	1.00
December 15, 2026, and thereafter	0.00

No Mandatory Sinking Fund Redemption. The 2018B Subordinate Bonds are not subject to mandatory sinking fund redemption.

Mandatory Redemption. The 2018B Subordinate Bonds are also subject to mandatory redemption in part by lot on December 15 of each year (each a “Mandatory Redemption Date”), commencing December 15, 2018, to the extent of moneys on deposit, if any, in the Subordinate Mandatory Redemption Account of the Subordinate Bond Fund 45 days prior to the applicable Mandatory Redemption Date, and subject to any minimum requirements with respect to the principal amount of 2018B Subordinate Bonds to be redeemed as described in the following subsection entitled “Redemption Procedure and Notice”, at a redemption price (the “Mandatory Redemption Price”) equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date. The District acknowledges and agrees in the 2018B Subordinate Indenture that, notwithstanding anything therein to the contrary, borrowed moneys shall not be used for the purpose of redeeming principal of the 2018B Subordinate Bonds as described in this paragraph.

Redemption Procedure and Notice. If less than all of the 2018B Subordinate Bonds within a maturity are to be redeemed on any prior redemption date, the 2018B Subordinate Bonds to be redeemed shall be selected by lot prior to the date fixed for redemption, in such manner as the 2018B Trustee shall determine. The 2018B Subordinate Bonds shall be redeemed only in integral multiples of \$1,000. In the event a 2018B Subordinate Bond is of a denomination larger than \$1,000, a portion of such 2018B Subordinate Bond may be redeemed, but only in the principal amount of \$1,000 or any integral multiple thereof. Such 2018B Subordinate Bond shall be treated for the purpose of redemption as that number of 2018B Subordinate Bonds which results from dividing the principal amount of such 2018B Subordinate Bond by \$1,000. In the event a portion of any 2018B Subordinate Bond is redeemed, the 2018B Trustee shall, without charge to the 2018B Owner of such 2018B Subordinate Bond, authenticate and deliver a replacement 2018B Subordinate Bond or Bonds for the unredeemed portion thereof.

In the event any of the 2018B Subordinate Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the 2018B Subordinate Bonds or portions thereof to be redeemed will be given by the 2018B Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid) or by electronic means to DTC or its successors, not less than 30 days prior to the redemption date to the 2018B Owner of each 2018B Subordinate Bond to be redeemed in whole or in part at the address shown on the registration books maintained by or on behalf of the District by the 2018B Trustee. Failure to give such notice by mailing to any 2018B Owner or by electronic means to DTC or its successors, or any defect therein, shall not affect the validity of any proceeding for the redemption of other 2018B Subordinate Bonds as to which no such failure or defect exists. The redemption of the 2018B Subordinate Bonds may be contingent or subject to such conditions as may be specified in the notice, and if funds for the redemption are not irrevocably deposited with the 2018B 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 2018B Subordinate Bonds so called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

### **Funds and Accounts**

The 2018B Subordinate Indenture creates and establishes the following funds and accounts, which are established with the 2018B Trustee and maintained by the 2018B Trustee in accordance with the provisions of the 2018B Subordinate Indenture: (a) the Subordinate Project Fund; and (b) the Subordinate Bond Fund and, therein, the Subordinate Interest Account and the Subordinate Mandatory Redemption Account. See also “SECURITY FOR THE 2018B SUBORDINATE BONDS – Flow of Funds.”

#### Subordinate Project Fund.

(a) *In General.* The Subordinate Project Fund shall be maintained by the 2018B Trustee in accordance with the terms described below.

(b) *Draws from the Subordinate Project Fund.* So long as no Event of Default shall have occurred and be continuing, amounts in the Subordinate Project Fund shall be released by the 2018B Trustee to the District in accordance with requisitions submitted to the 2018B Trustee in substantially the form set forth in the 2018B Subordinate Indenture, signed by the District Representative and certifying that all amounts drawn will be applied to the payment of the Project Costs. The 2018B Trustee may rely conclusively on any such certificate and shall not be required to make any independent investigation in connection therewith. The execution of any requisition by the District Representative shall constitute, unto the 2018B Trustee, an irrevocable determination that all conditions precedent to the payments requested have been completed.

(c) *Termination of Subordinate Project Fund.* Upon the receipt by the 2018B Trustee of a resolution of the District determining that all Project Costs have been paid, any balance remaining in the Subordinate Project Fund shall be credited to the Subordinate Bond Fund. The Subordinate Project Fund shall terminate at such time as no further moneys remain therein.

Subordinate Bond Fund. Moneys in the Subordinate Bond Fund shall be used by the 2018B Trustee solely to pay the principal of, premium if any, and interest on the 2018B Subordinate Bonds. Subordinate Pledged Revenue required to be credited to the Subordinate Bond Fund in accordance with the 2018B Subordinate Indenture shall be credited each 2018B Bond Year as received as follows:

(i) FIRST, to the credit of the Subordinate Interest Account, the amount required for amounts on deposit therein to equal the interest payable on the 2018B Subordinate Bonds in such 2018B Bond Year; and

(ii) SECOND, to the credit of the Subordinate Mandatory Redemption Account, all remaining Subordinate Pledged Revenue credited to the Subordinate Bond Fund for such 2018B Bond Year.

On each 2018B Interest Payment Date, the 2018B Trustee is to apply amounts on deposit in the Subordinate Interest Account to the payment of interest on the 2018B Subordinate Bonds (including current interest, accrued but unpaid interest and unpaid compound interest, and including the accrued interest portion of any Mandatory Redemption Price) then due.

On the 45th day prior to each Mandatory Redemption Date, the 2018B Trustee shall determine the amounts on deposit in the Subordinate Mandatory Redemption Account available for application to redemption of the 2018B Subordinate Bonds in accordance with the provisions described above in subsection “Prior Redemption – Mandatory Redemption,” taking into account any requirements described therein with respect to the amount to be redeemed. The 2018B Trustee shall provide notice of the mandatory redemption to occur on each Mandatory Redemption Date as a result of amounts credited to the Subordinate Mandatory Redemption Account, as described above in subsection “Prior Redemption – Mandatory Redemption.”

On each Mandatory Redemption Date, the 2018B Trustee is to apply amounts on deposit in the Subordinate Mandatory Redemption Account to the payment of the principal portion of any Mandatory Redemption Price.

Moneys credited to the Subordinate Bond Fund may be invested or deposited in accordance with the 2018B Subordinate Indenture.

The District acknowledges and agrees in the 2018B Subordinate Indenture that, notwithstanding anything therein to the contrary, borrowed moneys shall not be used for the purpose of redeeming principal of the 2018B Subordinate Bonds pursuant to the 2018B Subordinate Indenture.

## **Book-Entry Only System**

The 2018B Subordinate Bonds will be available only in book-entry form in the principal amount of \$500,000 or any integral multiple of \$1,000 in excess thereof. DTC will act as the initial securities depository for the 2018B Subordinate Bonds. The ownership of one fully registered 2018B Subordinate Bond for each maturity, as set forth on the cover page of this Limited Offering Memorandum, 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 C – Book-Entry Only System.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE 2018B SUBORDINATE BONDS, REFERENCES IN THIS LIMITED OFFERING MEMORANDUM TO THE REGISTERED OWNERS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

Neither the District nor the 2018B 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 2018B Subordinate Bonds as further described in Appendix C to this Limited Offering Memorandum.

## SECURITY FOR THE 2018B SUBORDINATE BONDS

*The 2018B Subordinate Indenture secures solely the 2018B Subordinate Bonds, and the covenants made by the District in the 2018B Subordinate Indenture are solely for the benefit of the 2018B Owners. The 2018A Senior Bonds are not secured by, and have no right to enforce any provision of, the 2018B Subordinate Indenture. For capitalized terms not defined in this section, see Appendix F – Summary of Certain Provisions from the 2018B Subordinate Indenture.*

### **Subordinate Limited Tax General Obligations**

*The Subordinate Pledged Revenue for the 2018B Subordinate Bonds is subordinate to the revenue pledged to the 2018A Senior Bonds and any Senior Parity Bonds issued in the future.*

The 2018B Subordinate Bonds constitute limited tax general obligations of the District payable from the Subordinate Pledged Revenue as provided in the 2018B Subordinate Indenture. Principal of the 2018B Subordinate Bonds, together with the interest thereon and any premium due in connection therewith, shall be payable from and to the extent of the Subordinate Pledged Revenue, including all moneys and earnings thereon held in the funds and accounts created in the 2018B Subordinate Indenture, and the Subordinate Pledged Revenue is pledged to the payment of the 2018B Subordinate Bonds. *The 2018B Subordinate Bonds are not obligations of District No. 1, the County or the State.*

The 2018B Subordinate Bonds constitute an irrevocable lien upon the Subordinate Pledged Revenue, but not necessarily an exclusive such lien. The 2018B Subordinate Bonds are secured by a lien on the Subordinate Pledged Revenue on parity with the lien thereon of any Subordinate Parity Bonds issued in the future. See “RISK FACTORS – Limited Security for the 2018B Subordinate Bonds” and “– Risks Related to Property Tax Revenues.”

The 2018B Subordinate 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 of the County the Subordinate Required Mill Levy. The Subordinate Required Mill Levy creates a statutory tax lien which may be enforced to the extent that taxes are delinquent in a given year.

### **Subordinate Pledged Revenue**

The 2018B Subordinate Indenture defines “Subordinate Pledged Revenue” as the following, net of any costs of collection (to the extent not previously deducted by definition): (a) all Subordinate Property Tax Revenues; (b) all Subordinate Specific Ownership Tax Revenues; (c) all Subordinate Capital Fee Revenue; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund. Each of these components of the Subordinate Pledged Revenue (excluding the Subordinate Pledged Revenue described in clauses (d) of the definition thereof) is described below.

## Subordinate Property Tax Revenues

“Subordinate Property Tax Revenues” are defined as all moneys derived from imposition by the District of the Subordinate Required Mill Levy. Subordinate Property Tax Revenues are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County. (For the avoidance of doubt, Subordinate Property Tax Revenues do not include specific ownership tax revenues.)

In the 2018B Subordinate Indenture, the District covenants that for the purpose of paying the principal of, premium if any, and interest on the 2018B Subordinate Bonds, the Board shall annually determine and certify to the Board of County Commissioners for the County, in each of the years 2018 through 2047, inclusive (for tax collection in years 2019 through 2048, inclusive), and in any year thereafter in which the 2018B Subordinate Bonds remain Outstanding, in addition to all other taxes, the Subordinate Required Mill Levy, subject to the paragraph below. Nothing in the 2018B Subordinate Indenture shall be construed to require the District to levy an ad valorem property tax for payment of the 2018B Subordinate Bonds in excess of the Subordinate Required Mill Levy. When collected, the taxes levied for the foregoing purposes shall be deposited with the 2018B Trustee in accordance with the 2018B Subordinate Indenture.

NOTWITHSTANDING ANY OTHER PROVISION IN THE 2018B SUBORDINATE INDENTURE, THE DISTRICT SHALL NOT BE REQUIRED TO IMPOSE THE SUBORDINATE REQUIRED MILL LEVY FOR PAYMENT OF THE 2018B SUBORDINATE BONDS AFTER DECEMBER 2057 (FOR COLLECTION IN CALENDAR YEAR 2058).

“Subordinate Required Mill Levy” means an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount equal to (i) 50 mills less the “Senior Obligation Mill Levy” (which is defined as the sum of the Senior Required Mill Levy required to be imposed by the District in accordance with the 2018A Senior Indenture, and any other ad valorem property tax levy required to be imposed by the District for the payment of Senior Obligations), or (ii) such lesser amount which, if imposed by the District for collection in the succeeding calendar year, would generate Subordinate Property Tax Revenues which, when combined with moneys then on deposit in the Subordinate Bond Fund, will pay the 2018B Subordinate Bonds in full in the year such levy is collected; provided however, that:

- (a) in the event that the method of calculating assessed valuation is changed after December 16, 2008, the mill levy of 50 mills (less the Senior Obligation Mill Levy) provided in the 2018B Subordinate Indenture will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation; and

(b) notwithstanding anything in the 2018B Subordinate Indenture to the contrary, in no event may the Subordinate Required Mill Levy be established at a mill levy which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Subordinate Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Subordinate Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

The District's forecasted adjustment of the Subordinate Required Mill Levy pursuant to paragraph (a) above is described in "DISTRICT FINANCIAL INFORMATION – Sources of District Revenues."

### **Subordinate Specific Ownership Tax Revenues**

"Subordinate Specific Ownership Tax Revenues" are defined as the specific ownership taxes remitted to the District pursuant to Section 42-3-107, C.R.S., or any successor statute, as a result of its imposition of the Subordinate Required Mill Levy in accordance with the 2018B Subordinate Indenture. Additional information regarding the specific ownership tax is provided in "SECURITY FOR THE 2018A SENIOR BONDS – Senior Specific Ownership Tax Revenues." Specific ownership taxes received by the District as a result of the Senior Required Mill Levy secure only the 2018A Senior Bonds and do not secure the 2018B Subordinate Bonds.

### **Subordinate Capital Fee Revenue**

"Subordinate Capital Fee Revenue" is defined as any revenue from Capital Fees remaining after deduction of any amount thereof used, paid, pledged, or otherwise applied to the payment of any Senior Obligations. Additional information regarding Capital Fees is provided in "SECURITY FOR THE 2018A SENIOR BONDS – Capital Fees."

The 2018B Subordinate Indenture provides that, subject to the Owners of a majority in aggregate principal amount of the 2018B Subordinate Bonds assuming control of the enforcement of remedies upon default, the District will enforce the collection of all Capital Fees in such time and manner as the District reasonably determines will be most efficacious in collecting the same, including without limitation the bringing of an action to foreclose any statutory or contractual lien which may exist in connection therewith. The District will not reduce the amount of the Facility Fees, or amend or supplement the Facility Fees Resolution in any way which would materially adversely affect the amount or timing of Facility Fees to be collected, without the prior written consent of the Consent Parties with respect to not less than a majority in aggregate principal amount of the 2018B Subordinate Bonds then Outstanding; provided that nothing in the 2018B Subordinate Indenture shall prevent the District from increasing the amount of the Facility Fees.

### **Flow of Funds**

The 2018B Subordinate Indenture provides that the District is to cause all Subordinate Pledged Revenue to be deposited with the 2018B Trustee promptly upon receipt,

subject to the last paragraph described in this section. The 2018B Trustee shall credit all Subordinate Pledged Revenue as received in the following order of priority (excluding the Subordinate Pledged Revenue described in clause (d) of the definition thereof, which is to be deposited directly to the Subordinate Bond Fund). For purposes of the following, when credits to more than one fund, account, or purpose are required at any single priority level, such credits shall rank pari passu with each other.

**FIRST:** To the credit of the Subordinate Bond Fund and any other fund or account created for the payment of the principal of, premium if any, and interest on Subordinate Parity Bonds, including any sinking fund, reserve fund, surplus fund or similar fund or account established therefor, pro rata in accordance with the then outstanding principal amounts of the 2018B Subordinate Bonds and any Subordinate Parity Bonds, all Subordinate Pledged Revenue received until the funding of all amounts to become due and payable on the 2018B Subordinate Bonds and the Subordinate Parity Bonds through maturity; and

**SECOND:** To the District, for credit to any other fund or account as may be designated by the District in writing to the 2018B Trustee, to be used for any lawful purpose, any Subordinate Pledged Revenue received for the remainder of the 2018B Bond Year after the payments and accumulations described above.

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

The District covenants in the 2018B Subordinate Indenture that all property tax revenue collected by the District from a debt service mill levy, or so much thereof as is needed, shall first, be designated as property taxes resulting from imposition of the Senior Obligation Mill Levy in any 2018B Bond Year to pay annual debt service on Senior Obligations and to fund such funds and accounts as are required in accordance with the terms of the 2018A Senior Indenture and any other resolution, indenture or other enactment authorizing such Senior Obligations, and after the funding of such payments and accumulations required in such 2018B Bond Year, all property tax revenue collected by the District from a debt service mill levy for the remainder of such 2018B Bond Year shall, second, be designated as property taxes resulting from imposition of the Subordinate Required Mill Levy unless and until the District has funded the full amount outstanding with respect to the 2018B Subordinate Bonds. The debt service property tax levy imposed for the payment of any Junior Lien Obligations shall be deemed reduced to the number of mills available for payment of such Junior Lien Obligations in any 2018B Bond Year after first providing for the funding of payments and accumulations required



with respect to all Senior Obligations in such 2018B Bond Year (including the amounts required to accomplish the full repayment or defeasance of any such Senior Obligations, to the extent required by the applicable resolutions, indentures, or other enactments authorizing Senior Obligations), and the full amount outstanding with respect to the 2018B Subordinate Bonds and any Subordinate Parity Bonds (to the extent required by the applicable resolutions, indentures, or other enactments authorizing such Subordinate Parity Bonds). Notwithstanding the foregoing, in the event that the Fire IGA Mill Levy (as defined in Appendix F) is imposed as a debt service mill levy, the portion of property tax revenues collected as a result thereof shall be determined as property tax revenues are collected, based upon the ratio of the number of mills comprising the Fire IGA Mill Levy to the number of mills comprising the remainder of the debt service mill levy imposed by the District, such portion of property tax revenues shall not be deposited with the 2018B Trustee and may be remitted by the District to the Town in accordance with the Fire IGA (see “THE DISTRICT – District Agreements – Fire IGA”) and the Service Plan regardless of whether amounts required with respect to the Senior Obligations, the 2018B Subordinate Bonds or any Subordinate Parity Bonds have been fully funded, and in no event shall the number of mills constituting the Fire IGA Mill Levy be subject to reduction as a result of amounts required to be funded with respect to the Senior Obligations, the 2018B Subordinate Bonds, or any Subordinate Parity Bonds.

#### **Additional Obligations under the 2018B Subordinate Indenture**

General. Any Additional Obligations secured by a lien on ad valorem property taxes of the District shall be issued as Parity Bonds, Senior Obligations or Junior Lien Obligations; provided, however, that notwithstanding any provision of the 2018B Subordinate Indenture, the Fire IGA is permitted, and the ad valorem property taxes required to be imposed thereunder are permitted to be collected and applied in accordance with the provisions of the Fire IGA and the Service Plan, shall not constitute Subordinate Pledged Revenue under the 2018B Subordinate, and shall not be subject to any limitations or requirements thereof, except as specifically stated therein. The issuance of the 2018A Senior Bonds in accordance with the 2018A Senior Indenture is permitted, notwithstanding any provision described in this section. The 2018B Subordinate Indenture provides that the District shall not issue or incur any Additional Obligations except as described below.

Additional Subordinate Parity Bonds. The District may issue Additional Obligations constituting Subordinate Parity Bonds, Senior Obligations or Junior Lien Obligations if such issuance is consented to by the Consent Parties with respect to 100% in aggregate principal amount of the 2018B Subordinate Bonds then Outstanding.

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

(a) the Senior Obligations are issued solely for the purpose of refunding all or any portion of the 2018A Senior Bonds, any other Senior Obligations and/or the 2018B Subordinate Bonds, or any other Subordinate Parity Bonds, and such refunding Senior Obligations do not increase the District’s scheduled debt service on Senior Obligations in any year from that which appertained with respect to Senior Obligations prior to the issuance of such refunding Senior Obligations (excluding from such calculation any amount on deposit in a

reserve fund anticipated to be available for payment of debt service at final maturity, as reasonably determined by the Board in good faith, such determination to be binding and final). For purposes of the foregoing, the following shall be deemed to increase the District's Senior Obligations debt service in any year and shall not be permitted by this clause: (A) the issuance of refunding Senior Obligations that have any scheduled payment dates in any year that are after the maturity of the Senior Obligations being refunded, and (B) the issuance of refunding Senior Obligations that refund only 2018B Subordinate Bonds or Subordinate Parity Bonds;

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

(c) the ad valorem property tax levy pledged to the payment of the Senior Obligations shall be not higher than, and subject to the same adjustments and deductions as, the maximum ad valorem property tax levy set forth in the definition of Senior Required Mill Levy in the 2018A Senior Indenture; and

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

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

(a) the maximum mill levy which the District may promise to impose for payment of the Junior Lien Obligations shall not exceed the Subordinate Required Mill Levy;

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

(c) the Junior Lien Obligations shall be payable as to both principal and interest only on an annual basis, on or after December 15 of each calendar year, and only after the payment or defeasance of the full amount of the 2018B Subordinate Bonds.

Certificate. A written certificate by the President or Treasurer of the District that the conditions set forth in the 2018B Subordinate Indenture are met shall conclusively determine the right of the District to authorize, issue, sell, and deliver Additional Obligations in accordance with the 2018B Subordinate Indenture.

Nothing in the 2018B Subordinate Indenture shall affect or restrict the right of the District to issue or incur obligations that are not Additional Obligations under the 2018B Subordinate Indenture.

Notwithstanding any other provision contained in the 2018B Subordinate Indenture, under no circumstances shall the District issue Additional Obligations in excess of that authorized by eligible electors of the District, if applicable, and the District's Service Plan,

as the same may be amended from time to time. In addition, excluding the 2018A Senior Bonds, the District shall not issue any Additional Obligations requiring any electoral authorization for indebtedness approved at the Elections until such time as the full amount of indebtedness represented by the 2018B Subordinate Bonds has been allocated to such electoral authorization for indebtedness approved at the Elections.

### **Events of Default and Remedies**

Events of Default under the 2018B Subordinate 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 2018B Subordinate 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 thereunder except as described below:

- (a) The District fails or refuses to impose the Subordinate Required Mill Levy or to apply the Subordinate Pledged Revenue as required by the 2018B Subordinate Indenture;
- (b) The District defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the District in the 2018B Subordinate Indenture or the Bond Resolution, and fails to remedy the same after notice thereof pursuant to the 2018B Subordinate Indenture; or
- (c) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the 2018B Subordinate Bonds.

It is acknowledged in the 2018B Subordinate Indenture that due to the limited nature of the Subordinate Pledged Revenue, the failure to pay the principal of or interest on the 2018B Subordinate Bonds when due shall not, of itself, constitute an Event of Default under the 2018B Subordinate Indenture.

IN ADDITION, IT IS ACKNOWLEDGED IN THE 2018B SUBORDINATE INDENTURE THAT THE DISTRICT SHALL NOT BE REQUIRED TO IMPOSE THE SUBORDINATE REQUIRED MILL LEVY FOR PAYMENT OF THE 2018B SUBORDINATE BONDS AFTER DECEMBER 2057 (FOR COLLECTION IN CALENDAR YEAR 2058).

Remedies upon Occurrence of Events of Default under the 2018B Subordinate Indenture. Upon the occurrence and continuance of an Event of Default, the 2018B Trustee shall have the following rights and remedies which may be pursued:

*Receivership.* Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the 2018B Trustee and of the 2018B Owners, the 2018B Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the 2018B 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 2018B 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 2018B Subordinate Indenture to, the 2018B Trustee.

*Suit for Judgment.* The 2018B Trustee may proceed to protect and enforce its rights and the rights of the 2018B Owners under the Act, the 2018B Subordinate Bonds, the Bond Resolution, the 2018B Subordinate Indenture, and any provision of law by such suit, action, or special proceedings as the 2018B Trustee, being advised by Counsel, shall deem appropriate.

*Mandamus or Other Suit.* The 2018B Trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the 2018B Owners.

No recovery of any judgment by the 2018B Trustee shall in any manner or to any extent affect the lien of the 2018B Subordinate Indenture or any rights, powers, or remedies of the 2018B Trustee thereunder, or any lien, rights, powers, and remedies of the 2018B Owners, but such lien, rights, powers, and remedies of the 2018B Trustee and of the Owners shall continue unimpaired as before.

If any Event of Default described under subsection (a) in “Events of Default under the 2018B Subordinate Indenture” above shall have occurred and if requested by the 2018B Owners of 25% in aggregate principal amount of the 2018B Subordinate Bonds then Outstanding, the 2018B Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the 2018B Subordinate Indenture as the 2018B Trustee, being advised by Counsel, shall deem most expedient in the interests of the 2018B Owners, subject to the 2018B Subordinate Indenture; provided that the 2018B Trustee at its option shall be indemnified as provided in the 2018B Subordinate Indenture.

Notwithstanding anything in the 2018B Subordinate Indenture to the contrary, acceleration of the 2018B Subordinate Bonds shall not be an available remedy for an Event of Default.

**2018A SENIOR BONDS DEBT SERVICE REQUIREMENTS AND  
2018B SUBORDINATE BONDS ESTIMATED PAYMENTS**

Set forth in the following table are the debt service requirements for the 2018A Senior Bonds and the estimated payments of the 2018B Subordinate Bonds.

2018A Senior Bonds Debt Service Requirements and  
2018B Subordinate Bonds Estimated Payments

Year	2018A Senior Bonds <sup>(2)</sup>			2018B Subordinate Bonds <sup>(3)</sup>			ESTIMATED TOTAL
	Principal	Interest <sup>(4)</sup>	Total	Estimated Principal	Estimated Interest	Estimated Total	
2018	\$ --	\$821,168	\$821,168	\$ --	\$ --	\$ --	\$821,168
2019	--	1,824,819	1,824,819	--	--	--	1,824,819
2020	--	1,824,819	1,824,819	--	--	--	1,824,819
2021	--	1,824,819	1,824,819	--	--	--	1,824,819
2022	--	1,824,819	1,824,819	--	--	--	1,824,819
2023	--	1,824,819	1,824,819	--	--	--	1,824,819
2024	--	1,824,819	1,824,819	--	--	--	1,824,819
2025	--	1,824,819	1,824,819	--	--	--	1,824,819
2026	25,000	1,824,819	1,849,819	--	--	--	1,849,819
2027	190,000	1,823,412	2,013,412	--	--	--	2,013,412
2028	380,000	1,812,725	2,192,725	--	--	--	2,192,725
2029	515,000	1,791,350	2,306,350	--	--	--	2,306,350
2030	660,000	1,762,381	2,422,381	--	330,020	330,020	2,752,401
2031	710,000	1,725,256	2,435,256	--	736,029	736,029	3,171,285
2032	800,000	1,685,319	2,485,318	--	749,393	749,393	3,234,711
2033	845,000	1,640,319	2,485,318	--	749,393	749,393	3,234,711
2034	945,000	1,592,787	2,537,787	--	761,618	761,618	3,299,405
2035	995,000	1,539,631	2,534,631	--	764,774	764,774	3,299,405
2036	1,105,000	1,483,663	2,588,663	--	776,731	776,731	3,365,394
2037	1,165,000	1,421,506	2,586,506	--	778,887	778,887	3,365,393
2038	1,280,000	1,355,975	2,635,975	--	796,727	796,727	3,432,702
2039	1,355,000	1,283,975	2,638,975	--	793,727	793,727	3,432,702
2040	1,485,000	1,206,063	2,691,063	--	810,293	810,293	3,501,356
2041	1,570,000	1,120,675	2,690,675	--	810,681	810,681	3,501,356
2042	1,715,000	1,030,400	2,745,400	--	825,983	825,983	3,571,383
2043	1,815,000	931,787	2,746,787	--	824,595	824,595	3,571,382
2044	1,970,000	827,425	2,797,425	--	845,385	845,385	3,642,810
2045	2,085,000	714,150	2,799,150	--	843,660	843,660	3,642,810
2046	2,260,000	594,263	2,854,263	--	861,404	861,404	3,715,667
2047	2,390,000	464,313	2,854,313	--	861,354	861,354	3,715,667
2048	5,685,000	326,888	6,011,888	3,260,000	885,526	4,145,526	10,157,414
<b>TOTAL<sup>(1)</sup></b>	<b>\$31,945,000</b>	<b>43,553,981</b>	<b>75,498,981</b>	<b>\$3,260,000</b>	<b>\$14,806,180</b>	<b>\$18,066,180</b>	<b>\$93,565,161</b>

(Notes appear on the following page.)

- (1) Due to rounding, amounts may not total.
- (2) Includes the payment of interest on December 1, 2018, and on June 1 and December 1 of each year thereafter 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 occur. See “THE 2018A SENIOR BONDS – Prior Redemption.”
- (3) Includes the forecasted payment of principal and interest on December 15 of each year indicated, but assumes that no optional redemptions will be made prior to maturity. See “THE 2018B SUBORDINATE BONDS – Prior Redemption.” *The 2018B Subordinate Bonds have no fixed principal or interest payment schedule. The payments with respect to the 2018B Subordinate Bonds shown above reflect the forecasted principal and interest payments shown on page 12 of the Financial Forecast attached as Appendix B. These payments, however, are only forecasted amounts and no assurance is given that principal and interest on the 2018B Subordinate Bonds will be paid as set forth in this table. See “RISK FACTORS – Risks Related to the Projections”, “THE 2018B SUBORDINATE BONDS – No Regularly Scheduled Principal Payments on the 2018B Subordinate Bonds”, and Appendix B.*
- (4) The interest payment due on December 1, 2018, June 1, 2019, December 1, 2019, June 1, 2020, June 1, 2020, June 1, 2021 and a portion of the interest due on December 1, 2021 is expected to be paid with capitalized interest. See “USES OF PROCEEDS.”

Source: The Underwriter, except for the forecasted 2018B Subordinate Bonds principal and interest payments, which are derived from the Financial Forecast attached as Appendix B.

## **PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT**

### **Ad Valorem Property Taxes**

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 of Directors of the District has the power to certify to the Douglas County Board of County Commissioners (the “Commissioners”) a levy for collection of ad valorem taxes against all taxable property within the District.

Property taxes are uniformly levied against the assessed valuation of all 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. According to the State’s Rules and Regulations for Exempt Properties, for properties that are claimed to be owned and used for religious purposes, the State Property Tax Administrator will consider the property to be sufficiently used for religious purposes when either: (a) the owner can demonstrate sufficient actual, physical use of the subject property for religious purposes, or; (b) the owner can demonstrate that the property has been physically used at least once during each twelve month period, or any lesser time period if the applicant has not owned the property for the entire twelve month period, and can document sufficient continuing indicators of intent for the remainder of that year or portion thereof. 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 County’s 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 based upon its condition on 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 2017 / collection year 2018 are based on an analysis of sales and other information for the period January 1, 2015 to June 30, 2016. The following table sets forth the State Property Appraisal System for property tax levy years 2012 through 2017:

Collection Year	Levy Year	Value Calculated As Of	Based on the Market Period
2013	2012	July 1, 2010	Jan. 1, 2009 to June 30, 2010
2014	2013	July 1, 2012	Jan. 1, 2011 to June 30, 2012
2015	2014	July 1, 2012	Jan. 1, 2011 to June 30, 2012
2016	2015	July 1, 2014	Jan. 1, 2013 to June 30, 2014
2017	2016	July 1, 2014	Jan. 1, 2013 to June 30, 2014
2018	2017	July 1, 2016	Jan. 1, 2015 to June 30, 2016

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. To avoid extraordinary increases in residential real property taxes when the base year level of value is changed, the State constitution (in a provision referred to as the “Gallagher Amendment”) requires the Colorado General Assembly to adjust the assessment rate of residential property for each year in which a change in the base year level of value occurs. This adjustment (referred to as the “Gallagher Adjustment”) is constitutionally mandated to maintain the same percentage of the aggregate statewide valuation for assessment attributable to residential property which existed in the previous year (although, notwithstanding the foregoing, TABOR prohibits any valuation for assessment ratio increase for a property class without prior voter approval).

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); and 7.20% of statutory actual value (levy years 2017-18). The residential assessment rate cannot increase without the approval of Colorado voters. In December 2017, the Colorado Legislative Council projected that the residential assessment rate will decrease to 6.11% for levy years 2019-20. This is only a projection and is not guaranteed to occur. Additional information regarding the impact of Gallagher Amendment upon the District's mill levy is set forth in "DISTRICT FINANCIAL INFORMATION – Sources of Revenues."

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 25 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 Elections (defined herein), 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 2017 are being collected in 2018. 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.

## Ad Valorem Property Tax Data

A five-year history of the District’s certified 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 Valuation			Mill Levies		
	Amount	Percent Change	Exempt Property	General Fund	Contractual Obligations <sup>(2)</sup>	Total
2013/2014	\$431,671	--	\$3,313,420	70.000	6.750	76.750
2014/2015	613,200	42.1%	3,313,420	70.000	6.750	76.750
2015/2016	595,420	(2.9)	3,100,010	70.000	6.750	76.750
2016/2017	590,920	(0.8)	3,100,010	70.000	6.750	76.750
2017/2018	618,910 <sup>(1)</sup>	4.7	3,070,750	77.388	7.462	84.850

(1) Reflects the certified assessed valuation as of December 2017. Approximately 392 acres owned by the Prior Developer was excluded from the District on May 23, 2018, and an additional approximately 24 acres was excluded from the District on June 13, 2018. See “THE DISTRICT – Inclusion, Exclusion, Consolidation and Dissolution – Exclusion of Property.”

(2) This levy is imposed pursuant to the Fire IGA. See “THE DISTRICT – District Agreements – Fire IGA.”

Source: State of Colorado, Department of Local Affairs, Division of Property Taxation, *Annual Reports*, 2013-2016, and 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 in the District

Levy/ Collection Year	Taxes Levied <sup>(1)</sup>	Current Tax Collections <sup>(2)</sup>	Collection Rate
2012/2013	\$22,045	\$22,045	100.00%
2013/2014	33,131	33,131	100.00
2014/2015	47,063	47,063	100.00
2015/2016	45,698	45,698	100.00
2016/2017	45,353	45,353	100.00
2017/2018 <sup>(3)</sup>	52,515	7,256	--

(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) Collections distributed through April 30, 2018.

Sources: State of Colorado, Department of Local Affairs, Division of Property Taxation, *Annual Reports*, 2012-2016; and Douglas County Treasurer’s Office.

Based upon the most recent information available from the County Assessor’s Office, the following table sets forth all the 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.

All Owners of Taxable Property within the District

Taxpayer Name	2017 Assessed Valuation <sup>(1)</sup>	Percentage of Total Assessed Valuation <sup>(1)</sup>
Public Service Co. of Colorado nka Xcel Energy	\$527,000	85.15%
Canyons South LLC <sup>(2)</sup>	79,110	12.78
Black Hills Colorado Gas Utility Company	<u>12,800</u>	<u>2.07</u>
<b>TOTAL</b>	<b><u>\$618,910</u></b>	<b><u>100.00%</u></b>

(1) Based on a 2017 assessed valuation of \$618,910.

(2) The Developer acquired approximately 1,131 acres of this property from Canyons South LLC (the “Prior Developer”) on or about May 14, 2018. See “THE DEVELOPMENT -- Land Ownership and Sales Contract Status - Land Acquisition and Ownership.” The remaining approximately 392 acres owned by the Prior Developer was excluded from the District on May 23, 2018, and an additional approximately 24 acres was excluded from the District on June 13, 2018. See “THE DISTRICT – Inclusion, Exclusion, Consolidation and Dissolution – Exclusion of Property.

Source: Douglas County Assessor’s Office.

The following table sets forth the assessed valuation of specific classes of real and personal property within the District based upon the District’s 2017 certified assessed valuation. As shown below, state assessed accounts for the largest percentage of the District’s assessed valuation, and therefore it is anticipated that owners of state assessed property will pay the largest percentage of ad valorem property taxes levied by the District.

2017 Assessed Valuation of Classes of Property in the District

Class	Total Assessed Valuation <sup>(1)</sup>	Percent of Total Assessed Valuation
State Assessed	\$539,800	87.22%
Residential	40,570	6.55
Agricultural	<u>38,540</u>	<u>6.23</u>
<b>TOTAL</b>	<b><u>\$618,910</u></b>	<b><u>100.00%</u></b>

Source: Douglas County Assessor’s Office.

**Mill Levies 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 in which their property is located. As a result, property owners within the District’s boundaries may be subject to different mill levies depending upon the location of their property. The following table sets forth a sample mill levy that may be imposed on certain properties within the District and is not intended to portray the mills levied against all properties within the District.

Sample Mill Levy Affecting Property Owners Within the District - 2017

<u>Taxing Entity<sup>(1)</sup></u>	<u>Mill Levy<sup>(2)</sup></u>
Douglas County School District Re-1	38.996
Douglas County	19.774
Castle Rock Fire Protection District	11.490
Douglas County Law Enforcement Authority	4.500
Douglas County Libraries	4.021
Cherry Creek Basin Water Quality Authority	0.453
Cedar Hill Cemetery Association	<u>0.148</u>
Total Overlapping Sample Mill Levy	79.382
The District	<u>84.850</u>
Total Sample Mill Levy	<u>164.232</u>

(1) Douglas County Soil Conservation District and Regional Transportation District also overlap with the District, but do not assess a mill levy.

(2) One mill equals 1/10 of one percent. Mill levies certified in 2017 result in the collection of property taxes in 2018.

Source: Douglas County Assessor's Office.

**Estimated Overlapping General Obligation Debt**

In addition to the general obligation indebtedness of the District, other taxing entities overlap or partially overlap the boundaries of the District. The following table sets forth those taxing entities which currently pay their general obligation debt directly from a mill levy assessed against property within the District boundaries. The table reflects the outstanding general obligation debt of the other taxing entities as of the date of this Limited Offering Memorandum.

Estimated Overlapping General Obligation Indebtedness

Entity <sup>(1)</sup>	2017 Assessed Valuation <sup>(2)</sup>	Outstanding General Obligation Debt	Outstanding General Obligation Debt Attributable to the District <sup>(3)</sup>	
			Percent	Debt
Douglas County School District Re-1	\$6,380,009,972	\$272,435,000	0.01%	<u>\$27,243</u>
TOTAL				<u>\$27,243</u>

- (1) The following entities also overlap with the District but they have no reported general obligation debt outstanding: Castle Rock Fire Protection District, Cedar Hill Cemetery Association, Cherry Creek Basin Water Quality Authority, Douglas County, Douglas County Law Enforcement Authority, Douglas County Libraries, Douglas County Soil Conservation District, and Regional Transportation District.
- (2) The 2017 assessed valuations certified by the County Assessor will be for collection of ad valorem property taxes in 2018.
- (3) The percentage of each entity's outstanding debt chargeable to District property owners is calculated by comparing the assessed valuation of the portion overlapping the District to the total assessed valuation of the overlapping entity. To the extent the District's assessed valuation changes disproportionately with the assessed valuation of the overlapping entities, the percentage of debt for which District property owners are responsible will also change.

Sources: Douglas County Assessor's Office; and 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 (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 “Authorized but Unissued Debt” under this caption.

The issuance of the Bonds was approved by the electors of the District at elections held on November 5, 2002 (the “2002 Election”), November 7, 2006 (the “2006 Election”) and November 4, 2014 (the “2014 Election” and together with the 2002 Election and the 2006 Election, 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 upon the District’s 2017 certified assessed valuation of \$618,910, the District’s debt limitation is \$309,455. 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 (the Bonds are within this exception). 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 Limited Tax Debt. Following the issuance of the Bonds, the Bonds will constitute the only outstanding indebtedness of the District. The debt service schedule for the 2018A Senior Bonds and the estimated debt service payments on the 2018B Subordinate Bonds is set forth in “2018A SENIOR BONDS DEBT SERVICE REQUIREMENTS AND 2018B SUBORDINATE BONDS ESTIMATED PAYMENTS.”

### **Authorized but Unissued Debt**

The District’s ability to issue additional debt is limited by the electoral authorization obtained from the District’s electors, the Service Plan, the 2018A Senior Indenture and the 2018B Subordinate Indenture. These limitations are described below.



Elections. At the Elections, the District’s eligible electors authorized the District to issue up to \$1,219,000,000 in general obligation debt for new money public infrastructure purposes and an additional \$212,000,000 for refunding purposes. After the issuance of the Bonds in the amount of \$35,205,000, \$1,183,795,000 of the new money authorization and all of the refunding authorization will remain unissued for the District. The Board of Directors of the District currently has no plans to seek voter approval for general obligation indebtedness in excess of this amount.

Service Plan. Notwithstanding the Elections, the Service Plan provides that the Districts shall not issue Debt in excess of \$70,000,000 without the consent of the County. After the issuance of the Bonds, \$34,795,000 of this authorization will remain unissued. In addition, if the cost for improvements in the Districts, and thus the need to issue additional indebtedness, exceeds the amount stated in the financial plan contained in the Service Plan by greater than 25%, this shall be considered a material modification under the Service Plan and shall be submitted to the County for review and approval.

Limitations of the 2018A Senior Indenture. The 2018A Senior Indenture limits the District’s ability to issue additional debt as described in “SECURITY FOR THE 2018A SENIOR BONDS – Additional Obligations under the 2018A Senior Indenture.”

Limitations of the 2018B Subordinate Indenture. The 2018B Subordinate Indenture limits the District’s ability to issue additional debt as described in “SECURITY FOR THE 2018B SUBORDINATE BONDS – Additional Obligations under the 2018B Subordinate 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 limited tax general obligation debt of the District (after giving effect to the issuance of the Bonds) 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 the 2017 certified assessed valuation and statutory actual value of the District:

Selected Debt Ratios of the District as of the Date of this  
Limited Offering Memorandum (Unaudited)

	Total Debt <sup>(1)</sup>	Senior Debt <sup>(2)</sup>
Amount of Debt	\$35,205,000	\$31,945,000
Overlapping Debt <sup>(3)</sup>	27,243	27,243
Total Direct Debt and Overlapping Debt	\$35,232,243	\$31,972,243
2017 Assessed Valuation	\$618,910	\$618,910
Ratio of Direct Debt to 2017 District Certified Assessed Valuation	5,688.2%	5,161.5%
Ratio of Direct Debt Plus Overlapping Debt to 2017 District Certified Assessed Valuation	5,692.6%	5,165.9%
2017 District Statutory “Actual” Value <sup>(4)</sup>	\$2,557,695	\$2,557,695
Ratio of Direct Debt to 2017 District Statutory “Actual” Value	1,367.4%	1,248.9%
Ratio of Direct Debt Plus Overlapping Debt to 2017 District Statutory “Actual” Value	1,377.5%	1,250.0%

- (1) The ratios in this column pertaining to the District’s debt are based upon the total outstanding amount of District limited tax general obligation debt after the issuance of the Bonds. The figure of \$35,205,000 is based upon:
  - (a) the outstanding principal amount of the 2018A Senior Bonds in the aggregate amount of \$31,945,000 and
  - (b) the outstanding principal amount of the 2018B Subordinate Bonds in the aggregate amount of \$3,260,000.
- (2) The figure consists of the outstanding principal amount of the 2018A Senior Bonds.
- (3) 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.
- (4) This figure has been calculated using a statutory formula under which assessed valuation is calculated at 7.20% of the statutory “actual” value of residential property in the District, and 29% of the statutory “actual” value of other 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

The District is a special district formed pursuant to the Special District Act”. The District was formed simultaneously with the formation of Crowfoot Valley Ranch Metropolitan District No. 1 (“District No. 1,” and together with the District, the “Districts”) to serve the needs of a master-planned residential community, currently referred to as “Canyons South,” located entirely in the County. District No. 1 was formed to construct, own and operate the majority of the public services and facilities for the Development, and the District was formed to fund and assist in the coordination of metropolitan district services and facilities. The District encompasses the entirety of the Development, and District No. 1 contains approximately one acre included within the boundaries of the District.

The District was formed on December 3, 2002, pursuant to an order and decree entered by the District Court in and for Douglas County, and recorded in the real property records of the County on December 18, 2002. Organization of the District was preceded by the approval by the County of a service plan consisting of a financial plan, including proposed funding therefor, and a preliminary engineering survey detailing the proposed improvements within the District; the adoption by the Board of County Commissioners of a resolution approving the formation of the District; and approval of the District’s formation by the qualified electors of the proposed District at an election held for that purpose. The original Consolidated Service Plan for the Districts was approved on August 14, 2002 and the Amended and Restated Service Plan was approved on December 16, 2008 (as so amended and restated, the “Service Plan”).

The District currently contains approximately 1,627 acres in the County, located to the southeast of the City of Castle Pines and to the northeast of and adjacent to the Town of Castle Rock (the “Town”). The District is approximately 27 miles south of downtown Denver and 18 miles south of the Denver Tech Center, and approximately 42 miles north of downtown Colorado Springs. The District’s boundaries are generally located east of the confluence of Founder’s Parkway and Crowfoot Valley Road. See **AERIAL PHOTOGRAPH OF THE DISTRICT** on page vii.

### Inclusion, Exclusion, Consolidation and Dissolution

Inclusion of Property. The Special District Act provides that the boundaries of a special district may be altered by the inclusion of additional real property under certain circumstances. After its inclusion, the included property is subject to all of the taxes and charges imposed by the special district and shall be liable for its proportionate share of existing bonded indebtedness of the special district. Pursuant to the Service Plan, the Board has discretion to permit inclusions and exclusions without amending the Service Plan; provided, however, that in the event that the Districts changes their boundaries to include territory located in a county or municipality with no other territory within the Districts, the Districts shall notify the Board of Douglas County Commissioners of such inclusion. The Board of Douglas County Commissioners may review such inclusion and, if it determines that the inclusion constitutes a material modification, may require the governing body of the Districts to file a modification of the Service Plan. Additionally, the Service Plan provides that if additional property is included

into the District or the subdistrict, the expected Board policy will be for growth to pay its own way, either through fees, contributions, or taxes. Prior to inclusion, costs of service will be determined from reliable information provided by the applicant and confirmed by the District Engineer. Standards for facilities will be at least the applicable standards of the County. No inclusions are currently pending or expected.

Exclusion of Property. The Special District Act provides that the boundaries of a special district also may be altered by the exclusion of real property from the District under certain circumstances. After its exclusion, the excluded property is no longer subject to the special district's operating mill levy, and is not subject to any debt service mill levy for new debt issued by the special district. The excluded property, however, remains subject to the special district's debt service mill levy for that proportion of the special district's outstanding indebtedness and the interest thereon existing immediately prior to the effective date of the exclusion order. Pursuant to the Service Plan, the Board has discretion to permit inclusions and exclusions without amending the Service Plan, but any exclusions proposed prior to the board of directors of the Districts being controlled by the homeowners shall be subject to prior approval by the County.

In connection with the Developer's purchase of the property, on May 16, 2018 the District submitted to the District Court of Douglas County a petition for exclusion of land consisting of approximately 392 acres of property from the southern portion of the District that will continue to be owned by the Prior Developer. This exclusion was approved by the Board on April 13, 2018, and the Order for Motion for Order of Exclusion was granted by the District Court of Douglas County and recorded in the records of the Douglas County clerk and recorder on May 23, 2018, reducing the District's boundaries to approximately 1,651 acres from the approximately 2,043 acres originally in the District. Additionally, on May 31, 2018, the District received a petition for exclusion of land consisting of an additional 23.910 acres of property from the southern portion of the District that is anticipated to be platted or replatted and then reconveyed from the Developer to the Prior Developer in accordance with that certain Purchase and Sale and Joint Escrow Instructions effective as of October 18, 2017, as amended, between the Developer and the Prior Developer. This exclusion was approved by the Board on June 4, 2018, the District submitted to the District Court of Douglas County a Motion for Exclusion on June 4, 2018 and the Order of Exclusion was granted by the District Court of Douglas County and recorded in the records of the Douglas County clerk and recorder on June 13, 2018. After such exclusion the District's boundaries consist of approximately 1,627 acres. No additional exclusions are currently pending or expected.

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. Pursuant to the Service Plan, after all bonds or other debt instruments have been issued by the Districts and adequate provision has been made for payment of all debt of the Districts, the electorate of the Districts will have the opportunity to consider either the consolidation of each of the Districts into a single entity, or the dissolution of District No. 1

and/or the District in accordance with State law. Furthermore, the Service Plan provides that in order to foster efficiencies and reduce the number of special districts within the County, at such time as all of the indebtedness proposed to be issued by the District has been issued, or on December 31, 2025, whichever first occurs, the Districts shall begin discussions of the consolidation of the Districts or the dissolution of District No. 1 and the subsequent inclusion of the area within District No. 1 into the District for the purposes of reducing the proliferation of districts and effecting other economies. The Districts shall have discretion, however, in light of the circumstances existing at such time, not to complete either the consolidation or dissolution and inclusion if such action is not in the best interests of the Districts.

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. Dissolution must also be approved by the special district's voters. If the special district has debt outstanding, the district may continue to exist for only the limited purpose of levying its debt service mill levy and discharging the indebtedness. Pursuant to the Service Plan, after all bonds or other debt instruments have been issued by the Districts and adequate provision has been made for payment of all debt of the Districts, the electorate of the Districts will have the opportunity to consider either the consolidation of each of the Districts into a single entity, or the dissolution of District No. 1 and/or the District in accordance with State law. In the event of dissolution, all operation and maintenance of District improvements shall be transferred to an entity that has the capacity (managerial, technical, and financial) to continue such responsibilities; and the County, prior to the transfer and dissolution of the Districts, shall approve such entity.

## **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 for the special district's authorized purposes. In addition, the Board has the power to furnish security

services for any area within the District and to furnish covenant enforcement and design review services. The District may provide covenant enforcement and design review services. The District’s powers under the Special District Act may be affected by specific provisions in the Service Plan.

## Governing Board

The District is governed by a board of directors (the “Board”) which, pursuant to State law, may consist of up to five members. In order to be eligible for nomination to the Board, prospective 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. 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. Chad Murphy was appointed to fill a vacancy on April 13, 2018 and reappointed to the Board on May 9, 2018. Subsequently, in connection with the Developer’s purchase of the property in the Development from the Prior Developer on or about May 14, 2018, the remaining members of the Board, who were each affiliated with the Prior Developer, resigned. On May 14, 2015, the District published notice of vacancies in the *Denver Post* pursuant to statutory requirements. The District filled the remaining vacancies by appointment on May 25, 2018.

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 receive no compensation from the District for attending meetings. Directors may not receive compensation from the District as employees of the District, except as authorized 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 2002 Election, the District’s electors approved an election question which exempts the District 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 (May)</u>
Chad Murphy, President <sup>(1)</sup>	Director, Land Development <sup>(3)</sup>	0.2	2020
David L. Klebba, Treasurer <sup>(2)</sup>	Vice President of Construction <sup>(3)</sup>	0 <sup>(2)</sup>	2020
John W. Despard, Assistant Secretary <sup>(2)</sup>	Developer <sup>(3)</sup>	0 <sup>(2)</sup>	2020
Matthew B. Greenberg, Assistant Secretary <sup>(2)</sup>	Vice President of Construction <sup>(3)</sup>	0 <sup>(2)</sup>	2020

(1) Appointed to fill a vacancy on April 13, 2018 and reappointed to the Board on May 9, 2018.

(2) Appointed to fill a vacancy on May 25, 2018.

(3) These members of the Board serve as officers or employees of the Developer, have or have had other business or professional relationships with the Developer, or serve as employees of the Developer’s affiliates.

## **Conflicts of Interest**

The current members of the Board serve as employees or officers of the Developer, or have had other business or professional relationships with the Developer, or serve as employees of the Developer's affiliates. 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. Additionally, no contract for work or material, including a contract for services, regardless of the amount, may be entered into between a special district and a board member, or between a special district and the owner of 25% or more of the territory within the special district, unless a notice is published for bids and such board member or owner submits the lowest responsible and responsive bid. Board members with a conflict of interest who will vote on the Bond Resolution are expected to file, or have filed on their behalf, general conflict disclosure statements with the Secretary of State and the Board of Directors at least 72 hours prior to the adoption of the Bond Resolution.

## **Administration**

The Board is responsible for the overall management and administration of the affairs of the District. The District has no employees, and currently all administrative functions are performed by District No. 1 pursuant to the Master IGA, and other third parties pursuant to contracts with the District. The District also retains CliftonLarsonAllen LLP as its accountants, and Collins Cockrel & Cole P.C., Denver, Colorado as its general counsel.

## **District Agreements**

The Special District Act authorizes the Districts to enter into agreements and contracts affecting the affairs of the Districts. According to the Districts' general counsel, the Districts are not a party to any agreements which materially affect their financial status or operations, except for the following:

Master IGA. The Districts entered into a District Facilities Agreement on February 9, 2003, as amended and restated on January 1, 2008, as further amended by a First Amendment thereto dated as of May 29, 2018 (as amended, the "Master IGA"), for the purpose of establishing their respective roles, responsibilities and obligations with respect to the administrative services, provision, ownership, operation and maintenance of the facilities (to the extent not dedicated to another governmental entity) and funding of the same. The Master IGA acknowledges that the Districts were formed for the purpose of providing certain public improvements and services for the benefit of the Districts, and that the Districts have agreed that District No. 1 will own, operate, maintain, and construct all public improvements benefitting both Districts, and that the District will pay the costs of construction, operation, and maintenance of such public improvements (to the extent that it will benefit from the construction of public improvements and is financially able).

Pursuant to the Master IGA, District No. 1 will, on behalf of itself and the District, contract for and supervise the construction and acquisition of public improvements in such manner as District No. 1 shall reasonably determine to be in the best interests of both Districts. District No. 1 shall also schedule, phase, and configure the public improvements to

accurately and adequately provide for the needs of the Districts' residents and landowners. District No. 1 must submit to the District all plans or specifications for the construction of public improvements, and the District may object to such plans or specifications. The District may only provide an objection on the basis of certain criteria set forth in the Master IGA, such as, generally, if the plans or specifications are not in compliance with generally accepted architectural or engineering standards, the design standards of the County, or the plats on file with the County. District No. 1 must also make all construction contracts available to the District, and the District has the right to retain an engineer to conduct an on-site review of the construction of any public improvements contemplated by the Master IGA.

The Master IGA provided at the time of its execution that the total capital costs necessary for the construction of public improvements will be \$52 million; however, according to the Developer, the estimated cost of public improvements necessary to serve the entire Development is currently approximately \$74.8 million. Generally, the Master IGA provides that all public improvements shall be dedicated to the Town.

At the time the Master IGA was executed, the District was obligated to make payments to District No. 1 for the costs of public improvements. A Schedule itemizing each required payment is attached as Exhibit A to the Master IGA. All such payments are to be held in an escrow account, defined in the Master IGA as the "Capital Fund Account," until the balance in the Capital Fund Account is equal to the total costs of public improvements. District No. 1 possesses the sole authority to withdraw monies from the Capital Fund Account and shall disclose to the District an accounting of funds withdrawn and payments made. In any year in which annual capital costs are incurred, the Districts agree that the payments required under the Master IGA may be more or less than that required under the schedule set forth in Exhibit A. As of May 15, 2018, the District has not made any payments to the Capital Fund Account.

Pursuant to the First Amendment to Amended and Restated District Facilities Agreement, dated as of May 29, 2018, any financial obligation and pledge of security for payment made by the District under the Master IGA is subordinate to any existing or future indebtedness of the District, including the Bonds.

Water IGAs. The Town, District No. 1 and the District are parties to that certain Castle Rock/Canyons South Water Service Intergovernmental Agreement dated June 14, 2005, as amended (as amended, the "Water IGA"). Pursuant to the Water IGA, the Town agrees to provide potable water service to the Districts for the planned development of 968 residential units, community, recreation building, golf courses (but excluding potable water for golf course irrigation), parks, schools, landscape features and related uses, in the same manner and to a similar service standard as properties within the municipal limits of the Town, subject to a ten percent extraterritorial surcharge on all fees and charges. The Districts agree to construct certain transmission and distribution mains, service lines, meters and associated appurtenances internal to the property, and convey such facilities to the Town, and the Town agrees to construct certain facilities, including a transmission main to the property (the "Town Facilities") and to operate, maintain and repair the water facilities. The Districts also agree to adopt and enforce the Town's comprehensive water service and management regulations, as revised from time to time.

Subsequently, the Town, District No. 1 and the District entered into that certain Canyons South Water Main Extension Cost Reimbursement Intergovernmental Agreement dated



May 16, 2006 (the “Water Main Extension IGA”). Pursuant to the Water Main Extension IGA, Districts and the Town determined that it is in their best interests for the Districts, rather than the Town, to proceed with construction of certain Town Facilities, as described in the Water IGA and the Water Main Extension IGA, to deliver potable water to the property within the Districts. The Districts expect to incur costs not to exceed \$110,000 for the Town Facilities, and the Town will reimburse the District for such costs in an amount not to exceed \$110,000.

According to the Developer, the water main has not yet been constructed to the property. The Developer anticipates beginning the transmission line work once it has received approval of the final Canyons South Replat and completing construction of the facilities prior to Substantial Completion for the Homebuilders. See “THE DEVELOPMENT – Land Ownership and Sales Contract Status.”

Fire IGA. The Town, District No. 1 and the District are parties to that certain Intergovernmental Agreement dated February 2, 2007, as acknowledged by the Castle Rock Fire Protection District (the “Fire IGA”). Pursuant to the Fire IGA, the Town agrees to provide certain fire protection and emergency response facilities and services to the Districts and their residents to the same extent and degree as is provided to others similarly situated in the Town. In order to finance such fire protection and emergency services, the Districts agree to levy, certify and collect a fire protection mill levy of 6.75 mills on all taxable property of the Districts, subject to adjustment for changes in assessed valuation (the “Fire IGA Mill Levy”), and to pledge all tax revenues from the Fire IGA Mill Levy to the Town. See “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Tax Data.” Additionally, the Districts agree to pay the Town \$161,730 for the construction of a fire station in the Development prior to the first recording of a final plat on any of the land within the Development. If at such time a final plat for the property within the Canyons North development, adjacent to the Development, has not been recorded, the Districts also agree to advance to the Town the amount of \$108,270, which is to be repaid to the Districts upon recordation of any land in Canyons North. The Fire IGA constitutes debt of the Districts as a “multiple fiscal year financial obligations” within the meaning of Article X, Section 20, of the Colorado Constitution, allocable to the 2006 Election.

Facility Fees Resolution. On May 29, 2018, the District adopted the Crowfoot Valley Ranch Metropolitan District No. 2 Facility Fees Resolution (the “Facility Fees Resolution”). The Facility Fees Resolution will impose a one-time fee of \$3,000 for each single-family or multi-family dwelling unit located within the District (the “Facility Fees”). The Facility Fees Resolution was recorded in the real property records of the County on May 30, 2018 at Reception No. 2018032258. The Facility Fees Resolution provides that the Facility Fees are based upon projected budgetary requirements of the District using various assumptions regarding the cost of the public improvements, bond issues and interest rates therefor, together with operation and maintenance expenses, and that actual costs may differ from the projections and the District may, in its sole discretion, determine to modify, increase or decrease the Facility Fees imposed under the Facility Fees Resolution based upon actual circumstances. Pursuant to the Facility Fees Resolution, the Facility Fees shall be due and payable upon the date of issuance of a building permit by the County for any dwelling unit, unless otherwise previously paid to the District and attributable to one or more dwelling unit, and shall be a perpetual lien against the property so charged. Facility Fee are expected to be pledged as payment for the Bonds.

See “SECURITY FOR THE 2018A SENIOR BONDS – Capital Fees” and “SECURITY FOR THE 2018B SUBORDINATE BONDS – Subordinate Capital Fee Revenues.”

Reimbursement Agreements. In addition to the agreements of the Districts described above, District No. 1 has entered into two reimbursement agreements with the Prior Developer, the rights under which have since been transferred to the Developer, which are described below:

*Facilities Funding Agreement.* District No. 1 entered into a Facilities Funding and Acquisition Agreement with the Prior Developer on February 2, 2007 (the “Facilities Funding Agreement”). In the Facilities Funding Agreement, the Prior Developer and District No.1 acknowledge that certain public infrastructure improvements to serve the development must be acquired, and that it is in the best interest of District No. 1 to establish a means by which the Prior Developer will construct the requisite public improvements or by which the Prior Developer will initially fund the construction and installation of the public improvements by District No. 1.

Pursuant to the Facilities Funding Agreement, the Prior Developer agrees to design, construct, and complete the public improvements in full conformance with all design standards and specifications as established and in use by the County and other appropriate jurisdictions. Public improvements constructed by the Developer shall be eligible for acquisition by District No. 1 upon compliance with certain conditions, and District No. 1 has the right to make reasonable efforts to verify the costs of any such improvements. Furthermore, District No. 1 agrees to make payments to the Developer for all costs related to the public improvements, including but not limited to, all costs of design, organization, testing, engineering, construction, and related consultant fees, plus simple interest thereon to be accrued at the rate of 8% from the date of the relevant expenditure through the date of repayment.

The Facilities Funding Agreement provides that, at the Developer’s election, and upon advance written notification to District No. 1, District No. 1 may construct all or a portion of the public improvements and acquire related real property interests. If the Developer requests that District No. 1 construct the improvements, it shall do so subject to receipt of funding from Developer and compliance with notice, budget and all requirements for bidding of public improvements.

On May 11, 2018, the Prior Developer assigned its rights and obligation under the Facilities Funding Agreement to HT Canyons South Development LP pursuant to that certain Assignment and Assumption of Agreement (Facilities Funding Agreement).

According to the District’s accountants, as of April 30, 2018, District No. 1 owed the Developer \$608,153.22 (unaudited) under the Facilities Funding Agreement, including \$339,539.95 in outstanding principal and \$268,613.27 in accrued interest at a rate of 8% per annum. The District anticipates that such amounts may be paid with net proceeds of the Bonds pursuant to the Facilities Funding Agreement. See “USES OF PROCEEDS.”

*Operation Funding Agreement.* District No. 1 entered into an Operation Funding Agreement with the Prior Developer on February 2, 2007 (the “Operation Funding Agreement”). The Operation Funding Agreement acknowledges that District No. 1 will not have sufficient

revenues to pay its ongoing operations expenses pursuant to the terms of the Operation Funding Agreement, and that District No. 1's anticipated shortfall will be \$67,500. Pursuant to the Operations Funding Agreement, the Developer agrees to provide funds up to the amount of the anticipated shortfall.

District No. 1 in turn agrees to repay the amounts advanced by the Prior Developer at an interest rate that will accrue at 8% per annum from the date of each advance made. The Operations Funding Agreement stipulates that District No. 1 shall make payment to the Prior Developer to the extent it has funds available after the payment of its annual debt service obligations and annual operations and maintenance expenses. Furthermore, District No. 1 commits to exercising reasonable efforts in imposing an operations mill levy as set forth in the Service Plan.

On May 11, 2018, the Prior Developer assigned its rights and obligation under the Operations Funding Agreement to HT Canyons South Development LP pursuant to that certain Assignment and Assumption of Agreement (Operations Funding Agreement).

According to the District's accountants, as of April 30, 2018, District No. 1 owed the Developer \$413,869.83 (unaudited) under the Operations Funding Agreement, including \$231,292.35 in outstanding principal and \$182,177.48 in accrued interest at a rate of 8% per annum.

### **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 January 1, 2019, and provides \$2,000,000 of coverage (per occurrence, subject to certain limitations) for public entity liability insurance, which includes general liability, public officials liability and employment practices liability, among other coverage.

## THE DEVELOPMENT

*The information contained in this section has been supplied by the Developer (defined below), and contains important information concerning the Developer, the Development (defined below) and the Homebuilders (defined below). 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 the Homebuilders, or their ability to complete the Development as planned. See “RISK FACTORS” for a discussion of some of the primary development risks associated with the development of property in the District. All acreage figures herein are believed by the Developer to be materially accurate, but actual acreage figures may vary from the amounts provided herein.*

### General Description

The planned “Canyons South” development is expected to contain approximately 1,627 acres (of which approximately 1,131 acres are currently owned by the Developer) and is a master-planned community greenfield development in the County planned to consist entirely of single family residential uses, as well as a recreational amenity center, two school sites, a 450-acre regional park and open space (the “Development”). At full buildout, the Development is expected to consist of approximately 968 single family detached homes. The following description is intended to serve only as a broad summary of the Development. All site plans and Development descriptions contained herein represent the current plans for the Development, but are subject to change and do not represent the final depiction of the Development upon its completion.

A portion of the Development was platted into single family lots, open space, and other uses in 2008; however, since 2008, no construction has taken place. The Developer plans to re-plat these 901 acres and to plat other property in the District with the goal of platting approximately 968 single family lots, open space, parks, and other uses. See “Zoning, Platting and Land Entitlements” below.

The Development is located in the County to the southeast of the City of Castle Pines (the “City”) and to the northeast of and adjacent to the Town of Castle Rock (the “Town”), approximately 27 miles south of downtown Denver and 18 miles south of the Denver Tech Center, and approximately 42 miles north of downtown Colorado Springs. The District’s boundaries are generally located east of the confluence of Founder’s Parkway and Crowfoot Valley Road. The Development is approximately 2.5 miles from the I-25 and Founders Parkway intersection. The District encompasses the entirety of the Development, and District No. 1 contains approximately one acre included within the boundaries of the District. See **AERIAL PHOTOGRAPH OF THE DISTRICT** on page vii.

### Land Ownership and Sales Contract Status

Land Acquisition and Ownership. Historically, the property in the Development has been primarily vacant natural land and agricultural. The Developer acquired approximately 1,131 acres of undeveloped property in the Development from Canyons South LLC (the “Prior Developer”) on or about May 14, 2018 for the acquisition price of approximately \$35,075,000

with a \$2,000/lot fee due to the seller at the time of each lot sale to a third-party homebuilder. Specifically, HT Canyons South Development LP acquired approximately 297 acres of land to be developed in the first phase of the Development, and HT Canyons South Land LP acquired the remaining approximately 834 acres to be developed. HT Canyons South Land LP anticipates platting or replatting and then reconveying 23.910 acres of property in the southern portion of the District to the Prior Developer in accordance with that certain Purchase and Sale and Joint Escrow Instructions effective as of October 18, 2017, as amended, between the Developer and the Prior Developer, and as further described in that certain Joint Development Agreement dated as of May 11, 2018 (the “JDA”) between HT Canyons South Development LP and the Prior Developer, recorded in the real property records of the County on May 15, 2018 at Reception No. 2018029167. According to the Developer, the approximately 24 acres of land expected to be reconveyed to the Prior Developer consists of undevelopable open space and is immaterial to the Development. See also “THE DISTRICT – Inclusion, Exclusion, Consolidation and Dissolution – Exclusion of Property.” The JDA generally outlines certain rights and obligations of the Prior Developer and the Developer with respect to the entitlement work contemplated by both parties and the future development of both the land purchased by the Developer in the Development and the adjacent property owned or to be owned by the Prior Developer, including but not limited to certain agreements related to potential Canyons South PD amendments and certain easements. See “Zoning, Platting and Land Entitlements” and “Water and Sanitary Sewer Easements” below. The Developer currently owns all of the land to be developed for single family residential uses in the Development.

Additionally, the County owns property in the District for an elementary school site, a middle school site, a 450-acre regional park and certain public roads, and District No. 1 owns property in the District for certain streets, drainage and other rights of way, park and open space.

Lot Purchase and Sale Agreements. In general, the business plan of the Developer is to execute homebuilder contracts for finished lots, and sell such lots on a “rolling takedown” basis after land development has been completed. Of the 968 planned single family residential units, the Developer is currently under contract to sell 641 lots, or 66% of the total planned lots, on a lot-by-lot basis on a rolling takedown structure, as further described below.

*William Lyon Homes PSA.* On December 26, 2017, Hines Acquisitions, LLC, an affiliate of the Developer, and William Lyon Homes, Inc. (as previously defined herein, “William Lyon Homes”) entered into a Lot Purchase and Sale Agreement, as has been amended from time to time (as amended, the “William Lyon Homes PSA”), pursuant to which the Developer expects to sell to William Lyon 430 single family residential lots, consisting of 150 lots that are approximately 50’ x 110’ (the “50’ Lots”), 180 lots that are approximately 60’ x 115’ (the “60’ Lots”) and 100 lots that are approximately 70’ x 125’ (the “70’ Lots”), for the base purchase price of \$114,500 per finished 50’ Lot, \$131,000 per finished 60’ Lot and \$145,500 per finished 70’ Lot, subject to certain adjustments set forth therein. William Lyon shall purchase no less than 10 of the 50’ Lots, 10 of the 60’ Lots and 8 of the 70’ Lots at the initial closing and no less than 10 of the 50’ Lots, 10 of the 60’ Lots and 8 of the 70’ Lots during each 90-day period thereafter, all as further described in the William Lyon Homes PSA. William Lyon Homes has made earnest money deposits of \$8,295,750 (approximately 15% of the total initial base price, as further described in the William Lyon Homes PSA). Due to the expiration of the Inspection Period (as defined therein), such deposit is released to the Developer and

generally non-refundable subject to the terms and conditions set forth in the William Lyon Homes PSA, which generally are limited to Developer defaults and moratoria on development.

William Lyon Homes has not yet closed on any homes. According to the Developer, it is anticipated the Substantial Completion Conditions (as described below) for the first delivery of lots to William Lyon Homes will be completed on or before December 31, 2019, and that the Substantial Completion Conditions for all lots to be conveyed to William Lyon Homes shall occur on or before March 31, 2024.

Pursuant to the terms of the William Lyon Homes PSA, the completion of the Substantial Completion Conditions will be guaranteed upon the release of William Lyon Homes' deposit by a Completion Guaranty from Hines Real Estate Holdings Limited Partnership, an affiliate of the Developer (the "Guarantor"). The Completion Guaranty generally provides that the Guarantor unconditionally and irrevocably guarantees to William Lyon Homes the completion of the Substantial Completion Conditions by the Developer under the William Lyon Homes PSA, subject to the terms and conditions set forth therein.

Pursuant to that certain Third Amendment to Lot Purchase and Sale Agreement dated May 8, 2018, by and among Hines Acquisitions, LLC, as the original seller, William Lyon Homes, HT Canyons South Land LP, as seller's affiliate, and HT Canyons South Development LP, as seller, Hines Acquisitions, LLC will be deemed to have automatically assigned all of its right, title and interest in the William Lyon Homes PSA to HT Canyons South Development LP, and HT Canyons South Development LP will be deemed to have assumed all such obligations, effective automatically as of April 13, 2018, in accordance with that certain Master PSA Assignment (as defined therein).

*Lennar PSA.* On January 26, 2018, Hines Acquisitions, LLC, an affiliate of the Developer, and Lennar Colorado LLC (as previously defined herein, "Lennar") entered into a Lot Purchase and Sale Agreement, as has been amended from time to time (as amended, the "Lennar PSA"), pursuant to which the Developer expects to sell to Lennar 103 single family residential lots, with a minimum lot size of 60' x 120', for the base purchase price of \$126,000 per finished lot, subject to certain adjustments set forth therein. Lennar shall purchase no less than 9 lots at the initial closing and no less than 9 lots during each 90-day period thereafter, all as further described in the Lennar PSA. As of the date of this Limited Offering Memorandum, Lennar has made earnest money deposits \$2,096,700 (approximately 15% of the base price of all lots plus the premium pool described in the Lennar PSA). Due to the expiration of the Inspection Period (as defined therein), such deposit is released to the Developer and generally non-refundable subject to the terms and conditions set forth in the Lennar PSA, which generally are limited to Developer defaults and moratoria on development.

Lennar has not yet closed on any homes. According to the Developer, it is anticipated the Substantial Completion Conditions (as described below) for the first delivery of lots to Lennar will be completed on or before December 31, 2019, and that the Substantial Completion Conditions for all lots to be conveyed to Lennar shall occur on or before May 31, 2021.

Pursuant to the terms of the Lennar PSA, the completion of the Substantial Completion Conditions will be guaranteed upon the release of Lennar's deposit by a Completion

Guaranty from Hines Investment Management Holdings Limited Partnership, an affiliate of the Developer (the “Guarantor”). The Completion Guaranty generally provides that the Guarantor unconditionally and irrevocably guarantees to Lennar the completion of the Substantial Completion Conditions by the Developer under the Lennar PSA, subject to the terms and conditions set forth therein.

Pursuant to that certain Assignment & Assumption of Lot Purchase and Sale Agreement (Lennar) dated April 25, 2018, by and among Hines Acquisitions, LLC, as assignor, HT Canyons South Development LLC, as prior assignee, HT Canyons South Land LLC, as prior affiliate, HT Canyons South Development LP, as assignee, and HT Canyons South Land LP, as affiliate, Hines Acquisitions, LLC assigned all of its right, title and interest in the Lennar PSA to HT Canyons South Development LP, and HT Canyons South Development LP assumed all such obligations, as further described therein.

*David Weekley Homes PSA.* On February 2, 2018, Hines Acquisitions, LLC, an affiliate of the Developer, and Weekley Homes LLC, an affiliate of David Weekley Homes (as previously defined herein, “David Weekley Homes”) entered into a Lot Purchase and Sale Agreement, as has been amended from time to time (as amended, the “David Weekley Homes PSA”), pursuant to which the Developer expects to sell to David Weekley Homes 54 single family residential lots approximately 70’ x 125’, 30 of which will be in the first development phase, for the base price of \$119,000 per finished lot, subject to certain adjustments set forth therein. David Weekley Homes shall purchase no less than 6 lots at the initial closing and no less than 6 lots during each 90-day period thereafter, all as further described in the David Weekley Homes PSA. As of the date of this Limited Offering Memorandum, David Weekley Homes has made earnest money deposits of \$1,005,750. Due to the expiration of the Inspection Period (as defined therein), such deposit is released to the Developer and generally non-refundable subject to the terms and conditions set forth in the David Weekley Homes PSA, which generally are limited to Developer defaults and moratoria on development.

David Weekley Homes has not yet closed on any homes. According to the Developer, it is anticipated the Substantial Completion Conditions (as described below) for the first delivery of lots to David Weekley Homes will be completed on or before December 31, 2019, and that the Substantial Completion Conditions for all lots to be conveyed to David Weekley Homes shall occur on or before May 31, 2021.

Pursuant to that certain Assignment & Assumption of Lot Purchase and Sale Agreement (Weekley Homes) dated April 25, 2018, by and among Hines Acquisitions, LLC, as assignor, HT Canyons South Development LLC, as prior assignee, HT Canyons South Land LLC, as prior affiliate, HT Canyons South Development LP, as assignee, and HT Canyons South Land LP, as affiliate, Hines Acquisitions, LLC assigned all of its right, title and interest in the David Weekley Homes PSA to HT Canyons South Development LP, and HT Canyons South Development LP assumed all such obligations, as further described therein.

*Toll Brothers PSA.* On May 7, 2018, HT Canyons South Development LP and Toll Southwest LLC, an affiliate of Toll Brothers, Inc. (as previously defined herein, “Toll Brothers”) entered into a Lot Purchase and Sale Agreement (the “Toll Brothers PSA”), pursuant to which the Developer expects to sell to Toll Brothers 54 single family residential lots with a minimum lot size of 80’ x 125’ in two phases of 27 lots for the base price of \$100,000 subject to

certain adjustments set forth therein, including an additional amount of Deferred Consideration (as defined therein) to be paid by Toll Brothers to the Developer upon the conveyance by Toll Brothers of each Lot improved with a single family home to a purchaser equal to the greater of (i) \$50,000 per Lot or (ii) (A) the product of 18.5% multiplied by the Retail Sales Price (as defined therein) less (B) the Base Price (as defined therein). Toll Brothers shall purchase no less than 5 lots at the initial closing and no less than 4 or 5 lots (depending on the period) during each 90-day period thereafter, all as further described in the Toll Brothers PSA.

Pursuant to the terms of the Toll Brothers PSA, the Developer agrees that Toll Brothers shall have until such date that is sixty (60) days after the Effective Date (5:00 p.m. Mountain) (i.e., July 6, 2018) (the "Inspection Period"), to make all audits, inspections or tests desired by Toll Brothers with respect to the Subdivision (as defined therein). Toll Brothers shall have the right to enter upon, examine and inspect the Property (as defined therein) and conduct those tests that it deems reasonably necessary to verify the soils conditions of such Property so long as Toll Brothers and its agents do not interfere with the Developer's due diligence or completion of the development of the Subdivision or damage or disturb any work done by the Developer. The Developer will also make available to Toll Brothers a copy of the Property Reports (as defined therein) for Toll Brothers' review to evaluate the environmental risks associated with the Property. If, within the Inspection Period, Toll Brothers determines for any reason or no reason that it does not wish to purchase the Property, then Toll Brothers shall be entitled to terminate the Toll Brothers PSA by giving written notice of termination to the Developer on or before the expiration of the Inspection Period.

As of the date of this Limited Offering Memorandum, Toll Brothers has made an initial earnest money deposit of \$405,000. If the Toll Brothers PSA is terminated on or before the expiration of the Inspection Period, the initial earnest money deposit shall be returned to Toll Brothers. Subject to certain terms described in the Toll Brothers PSA, upon the expiration of the Inspection Period without termination by Toll Brothers, and certain other requirements of the Developer, the initial earnest money deposit shall be released to the Developer and is expected to be generally non-refundable subject to the terms and conditions set forth in the Toll Brothers PSA, which generally are limited to Developer defaults and moratoria on development. Toll Brothers is expected to make an additional deposit of \$405,000 within two business days of Toll Brothers having been provided a copy of the final plat, which is expected to occur in late 2018, for an aggregate deposit of \$810,000.

Toll Brothers has not yet closed on any homes. According to the Developer, it is anticipated the Substantial Completion Conditions (as described below) for the delivery of the first phase of lots to Toll Brothers will be completed on or before the date that is 16 months after the date of the final Canyons South Replat approval, and that the Substantial Completion Conditions for all lots to be conveyed to Toll Brothers shall occur on or before the date that is three months from the originally scheduled final closing of the first phase of lots.

Pursuant to the terms of the Toll Brothers PSA, the completion of the Substantial Completion Conditions will be guaranteed upon the release of Toll Brothers' deposit by a Completion Guaranty from Hines Investment Management Holdings Limited Partnership, an affiliate of the Developer (the "Guarantor"). The Completion Guaranty generally provides that the Guarantor unconditionally and irrevocably guarantees to Toll Brothers the completion of the



Substantial Completion Conditions by the Developer under the Toll Brothers PSA, subject to the terms and conditions set forth therein.

*Each of the Lot Purchase and Sale Agreements described above (each a “PSA”) includes various conditions and contingencies, as generally described below, some of which have not yet occurred, including receiving County plat approval, and there is no guarantee that any of the Homebuilders will purchase any of the planned lots.*

*Substantial Completion Conditions.* Each of the Homebuilders have agreed to purchase the lots pursuant to the respective PSA upon satisfaction of certain “Substantial Completion Conditions.” The Substantial Completion Conditions vary by PSA and generally consist of obtaining all governmental approvals and platting amendments necessary to deliver all lots, including approval and recording of the Canyons South Replat, as well as the completion of certain street, curb, sidewalk, water, sanitary sewer and storm sewer lines, grading (excluding over-excavation), compaction, fencing and landscaping, and other public improvements as well as the completion of certain private improvements necessary for gas service, telephone service, cable service and electrical service, and access to public rights of way. The Developer has agreed to cause the Substantial Completion Conditions for the first delivery of lots to be conveyed to occur on or before certain dates set forth in each PSA, subject to force majeure. Each PSA also contains post-closing deadlines for the completion of dry utilities and landscaping. Each PSA generally contemplates that the Developer will be responsible for the costs of the Substantial Completion Conditions, except that each Homebuilder is to be responsible for costs of over-excavation. Additional closing conditions, rights and obligations of the parties are described in more detail in each PSA.

In the event that such conditions are not satisfied and cured by the Developer in the timeframe set forth in each PSA, the respective Homebuilder has the right to terminate the PSA with respect to the lots for which such conditions have not been satisfied or waive the conditions and proceed to closing. No assurance is given that the conditions precedent to each Homebuilder acquiring the lots will be satisfied to achieve the absorption schedule presently anticipated, or at all.

*Notwithstanding any of the foregoing, no assurance is given that the Developer will satisfy the Substantial Completions Conditions for any of the planned lots or that lots under contract for purchase by any of the Homebuilders will proceed to closing, and the Homebuilders are not obligated to construct homes thereon in any particular timeframe, or at all.*

Current Lot Status. The status of lot sales of residential development within the District as of May 14, 2018, is as follows:

### Lot Status<sup>(1)</sup>

<u>Ownership Information</u>	<u>Product Type</u>	<u>Number of Units</u>	<u>Percentage of Total</u>
Under contract to William Lyon Homes	Single Family Detached	430	44%
Under contract to Lennar	Single Family Detached	103	11%
Under contract to David Weekley Homes	Single Family Detached	54	6%
Under contract to Toll Brothers	Single Family Detached	<u>54</u>	<u>5%</u>
Total lots under contract		<u>641</u>	<u>66%</u>
Remaining lots owned by Developer, expected to be contracted by homebuilders	Single Family Detached	<u>327</u>	<u>34%</u>
Total planned lots		<u>968</u>	<u>100%</u>

(1) As of May 14, 2018.

### **Status of Development in the District**

According to the Developer, land development and residential construction are expected to occur between late 2018 and 2024, and home sales are expected to begin in 2020 and continue through late 2027. At full buildout, the Development is expected to consist of 968 single-family homes.

The Homebuilders are expected to construct the single-family residences and market the properties to potential homebuyers. According to the Market Study, all planned 968 lots are expected to consist of single-family detached lots. The home products anticipated to be offered range from 50' x 115' standard lots (5,750 square feet) with a forecasted sale price of \$552,500 to 100' x 115' luxury lots (15,000 square feet) with a forecasted sale price of \$1,500,000. According to the Developer, the current master plan includes lots that are single-loaded and approximately 90% of the 968 lots are expected to border open space, including many lots elevated with potential for regional views. Additional home product information is provided in the Market Study attached as Appendix A.

There is no assurance, however, that these expectations will be realized. None of the property in the District is currently developed, and significant governmental land entitlements, land sales, private development financing and other actions must occur before any development can commence. As discussed under "Zoning, Platting and Land Entitlements" below, certain approvals and entitlements have yet to be obtained for the completion of the Development as currently planned. There is no assurance that these approvals or entitlements will be obtained.

*The actual rate and amount of development is subject to material change, depending upon the zoning and platting of the property, needs and financial capabilities of the Developer, the Homebuilders and other property owners, market conditions and other factors. See “RISK FACTORS –Development Not Assured.”*

## **Zoning, Platting and Land Entitlements**

Zoning. The property in the District is generally zoned pursuant to The Canyons Master Planned Development recorded in the records of the Douglas County clerk and recorder on September 1, 2000, as amended by The Canyons South Planned Development, First Amendment recorded on October 17, 2006; The Canyons South Planned Development - Second Amendment recorded on April 11, 2007; The Canyons South Planned Development - Third Amendment recorded on August 2, 2007; The Canyons South Planned Development, Fourth Amendment recorded on May 9, 2008; and Canyons South Planned Development (PD), 5th Amendment recorded on April 24, 2017 (collectively, the “Canyons South PD”), all consistent with the County’s Master Plan. The Canyons South PD generally controls zoning, planning area boundary locations, configuration and density for all 2,043 acres originally within the District. The Canyons South PD allows for 691.6 acres for PD residential (consisting of 968 residential units in 16 Planning Areas), 526.4 acres for natural open space, 450 acres for the regional park, 22.1 acres for local parks, 37.1 acres for schools, 276.2 acres for golf course use and 39.6 acres for road right of way. The Developer does not currently anticipate developing a golf course, and instead anticipates converting the acreage designated for golf course use in the Canyons South PD into open space uses.

According to the Developer, the property in the District is entitled with zoning sufficient for intended uses of the Homebuilders. However, a portion of the 968 residential units permitted by the Canyons South PD is contained in the approximately 392 acres of property excluded from the southern portion of the District on May 23, 2018 and the additional approximately 24 acres of property excluded from the District on June 13, 2018 (see “THE DISTRICT – Inclusion, Exclusion, Consolidation and Dissolution – Exclusion of Property”), and such land is currently owned or will be owned by the Prior Developer (the “Adjacent Property”). Pursuant to the JDA (as defined in “Land Ownership and Sales Contract Status – Land Acquisition and Ownership” above), both the Developer and the Prior Developer have the right to seek amendments to the Canyons South PD, which could include an amendment to bifurcate the Canyons South PD in order to create an independent planned development for the Development consisting of 968 residential units and an independent planned development for the Adjacent Property consisting of up to 450 residential units. The parties agree in the JDA, among other things, to cooperate under certain circumstances in the event that amendments to the Canyons South PD are initiated. *The Board of County Commissioners will consider any potential amendments at a public hearing, which is a political process. There is no guarantee that the Board of County Commissioners will approve any amendments, or that the Prior Developer will adhere to its contractual obligations or cooperate with any Canyons South PD amendments that may be initiated by the Developer, if any.*

Additionally, in connection with the Developer’s purchase of the land in the Development from the Prior Developer, the Prior Developer agreed in that certain Purchase and Sale and Joint Escrow Instructions effective as of October 18, 2017, as amended, and in the JDA that if the Developer submits a replat or either party submits a PD Amendment to the County, the

Prior Developer, at no cost to the Prior Developer, will cooperate with the Developer to permit the increase in density on the Development through the transfer of 80 dwelling units from the remaining property owned by the Prior Developer to the property in the Development pursuant to Section 8.3 of the PD and County Zoning Resolution 1509.01.1. Pursuant to Section 8.3 of the Canyons South PD, so long as the maximum number of 968 dwelling units for the entire Development Plan is not exceeded, the overall density and the total number of dwelling units permitted within any individual residential Planning Area may be increased by the transfer of dwelling units, up to a maximum of 1.2 times the total number of dwelling units specified on the Development Plan for that Planning Area. *There is no guarantee that the Prior Developer will adhere to its contractual obligations or cooperate with any anticipated zoning amendments.*

Subdivision and Platting. The property in the District has been initially subdivided and platted pursuant to the Canyons South Filing No. 1A, approved by the Board of Commissioners of the County on May 28, 2007 and recorded in the records of the Douglas County clerk and recorder on July 8, 2008 (the “Canyons South Plat”). The Canyons South Plat subdivides 901.381 acres into 87 tracts consisting of 425 residential lots, golf course and club house uses, two school sites, and associated streets, parks and open space, detention pond and other rights of way.

The size of the platted residential lots varies according to their intended use and according to the geography of the site. Detailed information regarding lot sizes is provided in the Market Study attached as Appendix A. See “Status of the Development in the District” above for additional information.

The Developer is in the process of filing an amendment to the Canyons South Plat, known as Canyon South Filing No. 1A, 1st Amendment (the “Canyons South Replat”). The Canyons South Replat contains platting adjustments and lot reconfigurations to a portion of the Canyons South Plat necessary to accommodate the planned residential development and adhere to the Canyons South PD. The proposed Canyons South Replat pertains to 391.263 acres, 299 residential lots and 16 tracts. If approved and recorded, the Canyons South Replat will change the plat to match the Developer’s intended development plan for the property for the initial phase of 271 lots. Additional engineering and final platting of future phases will be required prior to commencement of future phases of construction. According to the Developer, the Canyons South Replat has been submitted to the County for review and is anticipated to be completed and recorded by late 2018. Amendments to a final plat document like the Canyons South Replat require County staff approval and Board of County Commissioner approval.

*Although the Developer is unaware of any issues preventing the Canyons South Replat or additional platting amendments from being recorded in its current form, there is no guarantee that the Canyons South Replat or additional platting amendments will be approved, recorded and become effective. The Board of County Commissioners will consider any amendments at public hearings, which are a political process. There is no guarantee that the Board of County Commissioners will approve the Canyons South Replat or any other amendments. The Market Study attached hereto as Appendix A and the Financial Forecast attached hereto as Appendix B assume that the Homebuilders will acquire the lots pursuant to their respective lot purchase and sale agreements with the Developer, that the Canyons South Replat will be approved and recorded and that single family residences will be constructed thereon.*

Additional Public Approvals. In addition to zoning and platting, all construction in the District requires the issuance of building permits by the County. Building permits are issued only if certain conditions have been met by the party requesting the issuance of the permit. The Homebuilders are responsible for the acquisition of all home building permits.

### **Planned Public Improvements**

According to the Developer, the estimated cost of public improvements necessary to serve the entire Development is approximately \$74.8 million, a portion of which is anticipated to be financed by the District with the proceeds of the Bonds. The construction of the public improvement is currently planned to take place in three phases, all of which are anticipated to include a portion of public improvement costs. The main collector roads in the Development, currently referred to as Tannahill Drive and Macanta Drive, are planned to be completed within the first two phases of construction, with approximately 75% of the Macanta Drive and 35% of Tannahill Drive expected to be completed within the first phase of construction. Crowfoot Parkway improvements are anticipated to start construction in the first phase, but will not complete until the final phase of construction. Arterial sanitary sewer lines, drainage, and parks/open space are planned to be constructed relatively evenly among the three phases, with main trunk sanitary sewer construction occurring in the first phase. The District anticipates financing a portion of the public improvements and District No. 1 anticipates constructing and accepting public improvements in stages at the completion of each phase of construction. District No. 1 will accept ownership and maintenance responsibility of any “district” related items that are not conveyed and accepted by another governmental entity. Prior to the public improvements being eligible for acquisition, District No. 1’s engineer must review the improvements and recommend acceptance to the Board of District No. 1, and the Board of District No. 1 must then accept the costs as appropriate for acquisition. The total net proceeds of the Bonds available for acquisition of public infrastructure are expected to be \$25,928,188.43 or approximately 35% of the total costs. See “USES OF PROCEEDS.” According to the District, additional costs for the acquisition of public improvements will be paid for with Developer financing, subject to availability.

The Market Study and Financial Report assume that all public improvements necessary for the Development to be completed within the District will be completed in order to provide the necessary infrastructure to support the development projections contained therein. If the remaining Public Improvements are not constructed as anticipated, the completion of the Development will likely be materially negatively impacted. In addition, there is no guarantee that the total costs of the public improvements will be approximately \$74.8 million. Construction costs could increase due to inflation, future labor shortages, future increases in the costs of materials, unforeseen construction, environmental or engineering issues or for other reasons.

### **Planned Private Improvements**

The District is not responsible for financing the cost of any remaining private improvements. Instead, the Developer is expected to finance these costs. According to the Developer, it has acquired first lien debt for the purpose of land acquisition costs and has also acquired first lien debt for the purpose of financing development costs of the first phase of construction (consisting of 271 lots). The Developer expects to acquire additional first lien debt

for the purpose of financing development costs of future phases. There is no assurance the Developer will have sufficient funds to do so or that such financing will materialize. No investigation has been made of the Developer or any other property owners' financial condition or resources. See "RISK FACTORS – Financial Condition of the Homebuilders and the Developer." Neither the District nor the Underwriter can make any representation regarding the sufficiency of the Developer's financial resources to complete the improvements.

### **Restrictive Covenants; Potential Homeowners Association**

The Developer intends to record certain restrictive covenants (the "Covenants") on the property in the Development prior to lots being sold to Homebuilders. Such Covenants may be in the form of new Covenants recorded by the Developer or an amendment and restatement of the existing Covenants put in place by the Prior Developer. The Covenants are expected to generally designate that the property will only be used for single family residential purposes and generally obligate owners to maintain the property in accordance with the requirements set forth therein. The Developer expects that the District will consent to the Covenants and agree to provide certain services in connection therewith, which may include covenant enforcement and design review services. See "THE DISTRICT – District Powers."

According to the Developer, although a homeowner's association is contemplated in the existing Covenants established by the Prior Developer, there are no immediate plans for the establishment of a homeowner's association in connection with the Development; however, one may be formed in the future and could potentially take responsibility for covenant enforcement and/or certain maintenance obligations.

### **Environmental Matters**

Environmental Site Assessment. A Phase I Environmental Site Assessment (the "Phase I") dated as of October 31, 2017, was prepared by CTL | Thompson, Inc. ("CTL") for approximately 1,100 acres of property in the Development. In the Phase I, CTL identified no recognized environmental conditions with respect to the property. CTL observed several features on the site, including the presence of high power transmission lines, a natural gas pipeline, solid waste disposal areas, stockpiles of soil or debris, surface water and streams, electrical transformers and water wells; however, it is CTL's opinion that these features are not recognized environmental conditions for the property. The Phase I did not include chemical testing of soil, groundwater, air or building materials, or any subsurface investigation, which could reveal additional potential areas of environmental concern. There can be no assurance that during or subsequent to the continued development of the Development, hazardous materials, other adverse environmental conditions, endangered species, threatened habitats or adverse soil conditions will not be discovered on the property which could hinder or prohibit further development. Should such a discovery occur, it is possible that the development and marketing of the Development, and/or the market value of property in the Development could be materially adversely affected.

Flood Plain. Additionally, a portion of land within the District boundaries has been identified as being in a 100-year flood plain area. To the Developer's knowledge, this area does not materially affect any of the undeveloped property in the District.

Soil Report. Various geotechnical studies have been prepared by CTL Thompson, Inc. (“CTL”) over the years for all 2,043 acres of property originally in the District, including the most recent Supplemental Preliminary Geotechnical Investigation dated April 27, 2018 prepared by CTL for Calibre Engineering, Inc., the Developer’s engineer (collectively, the “Soil Reports”). The Soil Reports examined the geological conditions of various portions of the property in the District between 1985 and 2018. The Soil Reports state that the site is judged suitable for residential development and also identify a series of geological concerns and development risks in the District. These include difficult excavation conditions, unstable and/or potentially unstable slopes, expansive soil and bedrock, groundwater, erosion and old fill. CTL recommends a series of construction measures to mitigate the risk of adverse geological conditions, including the use of permanent cut and fill slopes (designed with a maximum grade of 3:1 (horizontal: vertical)), groundwater controls, the utilization of appropriate bracing during the construction of utilities, and the use of proper pavement. The Developer has stated that it intends to follow the recommendations of the Soil Reports during the construction of public improvements in the District.

### **Water and Sanitary Sewer Easements**

Water Easement. Water services in the Development are expected to be provided by the Town. According to the Developer, it will be necessary to construct a new water line to connect to the Town’s potable water system located along Founders Parkway, to the south and west of the Development, which will require a water line easement to be granted across the Adjacent Property owned by the Prior Developer. Pursuant to the JDA, upon the written request of the Developer, the Prior Developer agrees to grant the Developer non-exclusive easements necessary to construct, operate and maintain the new water line. See also “THE DISTRICT – District Agreements – Water IGAs.”

Sanitary Sewer Easement. Sanitary sewer services in the Development are expected to be provided by Pinery Water and Wastewater District (“Pinery”). According to the Developer, it will be necessary to construct certain infrastructure to connect to Pinery’s sanitary sewer system located to the north of the Development, which will require a sanitary sewer easement to be granted across property to the north owned by Celebrity Homes. The Developer and Celebrity Homes are currently in the process of negotiating the non-exclusive easements necessary to construct, operate and maintain the sanitary sewer infrastructure, and the Developer expects such easements to be finalized and recorded by July 2018.

### **The Developer**

The Developer. The Development is a project of HT Canyons South, LP, a Delaware limited partnership, acting through its subsidiaries HT Canyons South Development LP, a Delaware limited partnership, and HT Canyons South Land LP, a Delaware limited partnership (collectively, the “Developer”). HT Canyons South Development LP will develop the land in the Development and currently owns approximately 297 acres of land to be developed in the first phase of the Development, and HT Canyons South Land LP currently owns the remaining approximately 834 acres of land to be conveyed to HT Canyons South Development LP prior to the commencement of physical construction of each phase.

HT Canyons South, LP is a joint venture of and is owned by an affiliate of Hines Interests Limited Partnership (“Hines”), as general partner, and TREZ Capital (“TREZ”), as limited partner. Hines is a privately owned global real estate investment, development and management firm with a presence in 201 cities in 21 countries. TREZ is a real estate investor based in Canada. Hines and TREZ have jointly developed other residential land development projects for homebuilders in Colorado and Texas, including Flatiron Meadows in Erie, Colorado; Parkside West in Las Colinas within Irving, Texas; and Edgestone at Legacy in Frisco, Texas. The Developer is member-managed by Hines pursuant to an operating agreement entered into between Hines and TREZ. In addition, the Developer has engaged Hines as development manager for the Development pursuant to a Development Management Agreement.

The Developer acquired the property in the Development on or about May 14, 2018, from Canyons South LLC (the “Prior Developer”) for approximately \$35,075,000, plus a \$2,000/lot fee due to the Prior Developer at the time each lot is sold to a third-party homebuilder.

Hines. Founded in 1957, Hines is a privately owned global real estate investment, development and management firm with a presence in 201 cities in 21 countries. Hines has \$100 billion of assets under management—including \$54.5 billion for which Hines provides fiduciary investment management services and \$45.5 billion for which Hines provides third-party property-level services.

Hines has 113 developments currently underway around the world, and historically, has developed, redeveloped or acquired 1,262 properties, totaling over 414 million square feet. The firm’s current property and asset management portfolio includes 529 properties, representing over 213 million square feet. Hines has extensive experience in investments across the risk spectrum and all property types, and a commitment to sustainability.

Hines’ “Residential Land Platform” develops and sells finished residential lots to public and private homebuilders. Hines and its development team have extensive experience in residential development in Denver, Colorado and across the southwestern United States. More information regarding Hines can be found at Hines’ website ([www.hines.com](http://www.hines.com)). However, none of such material is deemed incorporated into, or otherwise a portion of, this Limited Offering Memorandum.

Key Project Personnel. The following persons constitute the key members of the development team involved with the Project:

*Robert W. Witte, Senior Managing Director, Hines.* Mr. Witte is a Senior Managing Director with Hines and is responsible for land and residential development, acquisitions and dispositions of projects within the southwest region. Mr. Witte joined Hines in 1993 and has been involved in the development of approximately four million square feet of commercial development and is overseeing approximately 2,300 acres of residential land development. Prior to joining Hines, Mr. Witte worked in the real estate division of KPMG Peat Marwick. Mr. Witte earned his Bachelor of Business Administration degree from the University of Texas and is a Certified Public Accountant in Texas.



*David Klebba, Vice President of Construction, Hines.* Mr. Klebba is a Vice President of Construction with Hines and is responsible for overseeing construction management of projects in the Denver market of the southwest region. He joined the Denver, Colorado office in December 2006. Over the course of his career, he has been involved in a variety of projects involving a diverse portfolio of building types totaling more than 1.5 million square feet. Prior to joining Hines, Mr. Klebba had several years of commercial building experience as project manager and construction manager for an international developer in Seattle, Washington and a large general contractor in Denver, Colorado. His current responsibilities include management of the entitlement and due-diligence process, design consultants, general contractor, contract negotiations, subcontractor buyout, schedule and budget management as well as overall quality control of the projects. Mr. Klebba earned his Bachelor of Science in Business from the University of Colorado.

*Matt Greenberg, Vice President of Construction, Hines.* Mr. Greenberg is a Vice President of Construction with Hines and is responsible for construction management of projects in Hines' Denver office. Prior to joining Hines in 2008, Mr. Greenberg spent several years as a project manager and construction manager for a large commercial contractor in Denver, Colorado and Southern California. Over his career, he has managed construction of more than 1.5 million square feet of new development, ranging from technical commercial office space, stadiums, and religious facilities to luxury condominiums and townhomes, master planned communities, and student housing. Mr. Greenberg received his Bachelor in Science in Construction Management from the University of Nebraska.

*Chad Murphy, Director, Land Development, Hines.* Mr. Murphy is a Director of Land Development for Hines. He joined Hines in 2012, and he is responsible for overseeing Hines' land and residential development projects in the Denver, Colorado market, including acquisition, execution, and disposition. Prior project responsibilities include land acquisition and underwriting for master-planned residential developments in Texas and market, feasibility, and cash-flow analyses of office buildings in Colorado. Mr. Murphy earned his Bachelor of Science in Landscape Architecture from the University of Illinois and his Master of Business Administration, Real Estate from the University of Colorado.

***Neither the Developer nor any of the entities or individuals participating in the Development has guaranteed the payment of debt service on the Bonds, or are otherwise responsible for the payment of the Bonds. No financial information regarding the Developer has been provided to the District for inclusion in this Limited Offering Memorandum.***

## **The Homebuilders**

The Developer is currently a party to four purchase and sale agreements with the following homebuilders:

William Lyon Homes, Inc. (as previously defined herein, "William Lyon Homes") is under contract to purchase 430 lots from the Developer. William Lyon Homes is a homebuilder based in Newport Beach, California. According to its website, William Lyon Homes is active in seven states, and is currently offering homes for sale in approximately 21 neighborhoods in Colorado, excluding Canyons South.

Lennar Colorado LLC (as previously defined herein, “Lennar”) is under contract to purchase 103 lots from the Developer. According to its website, Lennar is a subsidiary of Lennar Corporation, a national publicly-owned homebuilder founded in 1954 and headquartered in Miami, Florida, currently building homes in approximately 21 states. Lennar is currently offering homes for sale in approximately 64 communities in Colorado, excluding Canyons South.

Weekley Homes, LLC, an affiliate of David Weekley Homes (as previously defined herein, “David Weekley Homes”) is under contract to purchase 54 lots from the Developer. According to its website, David Weekley Homes began in 1976 in Houston, Texas, and has grown to become the largest privately-held home builder in America. David Weekley Homes is currently building homes in approximately 14 states and is currently offering homes for sale in approximately nine communities in Colorado, excluding Canyons South.

Toll Southwest LLC, an affiliate of Toll Brothers, Inc. (as previously defined herein, “Toll Brothers”) is under contract (subject to the Inspection Period) to purchase 54 lots from the Developer. According to its website, Toll Brothers is a national publicly-owned homebuilder founded in 1967 and based in Horsham, Pennsylvania, currently building homes in approximately 20 states and the District of Columbia. Toll Brothers is currently offering homes for sale in approximately 16 communities in Colorado, excluding Canyons South.

*As discussed under “Zoning, Platting and Land Entitlements” above, certain approvals and entitlements have yet to be obtained for the completion of the Development as currently planned. There is no assurance that these approvals or entitlements will be obtained.*

***Neither the Homebuilders nor any of the entities or individuals participating in the Development has guaranteed the payment of debt service on the Bonds, or are otherwise responsible for the payment of the Bonds. No financial information regarding the Homebuilders has been provided to the District for inclusion in this Limited Offering Memorandum.***

## **Public Services for the Development**

The Development is located in the Douglas County School District. Local schools serving the Development are Sage Canyon Elementary School (grades pre-K-6), Mesa Middle School (grades 7-8) and Douglas County High School (grades 9-12). Additionally, the master plan for the Development includes two school sites consisting of an elementary school site and a middle school site located on the north and west side of the Development. Water and sanitary sewer services are provided by the Town and Pinery Water and Wastewater District. Police protection is provided by the Douglas County Sheriff’s Office. Fire protection is provided by Castle Rock Fire and Rescue. See “THE DISTRICT – District Agreements – Fire IGA.” Electricity service is provided by Intermountain Rural Electric Association, Inc. (IREA) and natural gas service is provided by Black Hills Colorado Gas Utility Company.

## Competition

The Market Study contains a discussion of Denver Market and the South Denver/Douglas County submarket (as defined therein). See Appendix A for additional information regarding competition.

## DISTRICT FINANCIAL INFORMATION

### Sources of District Revenues

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 Senior Pledged Revenue pledged to the 2018A Senior Bonds and Subordinate Pledged Revenue pledged to the 2018B Subordinate Bonds.

Additional sources of revenue of the District are expected to include Facility Fees, investment income and specific ownership taxes (described in “SECURITY FOR THE 2018A SENIOR BONDS – Senior Specific Ownership Taxes”), as well as revenue from the Fire IGA Mill Levy (*revenues from the Fire IGA Mill Levy are not pledged to the payment of the Bonds – see “THE DISTRICT – District Agreements – Fire IGA”*). Forecasted revenues and expenditures of the District are set forth in the Financial Forecast attached hereto as Appendix B. See “RISK FACTORS – Risks Related to the Projections.”

*Adjustments of Mill Levies.* The Service Plan limits the District’s total mill levy to 80 mills (or, in certain circumstances, 90 mills), but permits this maximum amount to be adjusted to account for certain changes in law which occur after December 16, 2008. The Senior Required Mill Levy and the Subordinate Required Mill Levy are also limited (to an aggregate of 50 mills), but the Indentures require this maximum amount to be adjusted in the event that the method of calculating assessed valuation is or was changed after December 16, 2008. See “SECURITY FOR THE 2018A SENIOR BONDS” and “SECURITY FOR THE 2018B SUBORDINATE BONDS.” The primary change in law which could require such an adjustment is a change in the residential assessment rate by the Colorado Legislature as directed by the Gallagher Amendment to the State Constitution. This change in the residential assessment rate is referred to as the Gallagher Adjustment. See “ASSESSED VALUATION, PROPERTY TAXATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes – Residential Property” for additional information regarding the residential assessment rate, the Gallagher Amendment, and the Gallagher Adjustment.

On December 16, 2008, the residential assessment rate under the Gallagher Amendment was 7.96%, and this rate remained unchanged until June 5, 2017, when the State Legislature decreased the residential assessment rate under the Gallagher Amendment to 7.20% for levy years commencing on and after January 1, 2017. Absent a corresponding increase in the District’s mill levy, this decrease in the residential assessment rate would result in a decrease in the District’s tax revenue. In levy year 2017 (collection year 2018), the District imposed a mill levy of a total of 84.850 mills (including a General Fund mill levy of 77.388 mills and

Contractual Obligations mill levy of 7.462 mills). In levy year 2018 (collection year 2019), the District is forecasted to levy 55.277 mills, representing 50 mills (i.e., the aggregate amount of the Senior Required Mill Levy and the Subordinate Required Mill Levy), as adjusted to account for the effect of the Gallagher Adjustment. See the Financial Forecast attached hereto as Appendix B. It is possible that the State Legislature could implement additional Gallagher Adjustments in future years. In that event, the District will be obligated by the Indentures to impose an additional increase to their debt service mill levies above 50 mills in whatever amount is necessary to offset the impact of any future Gallagher Adjustment(s).

## **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**

Unless otherwise exempted pursuant to State law, the Board is required to have the financial statements of the District audited annually. Draft audited financial statements must be filed with the Board by June 30 of each year, and final audited financial statements must be filed with the State Auditor 30 days later. If the District fails to file its audit report with the State Auditor, the State Auditor may, after notice to the District, 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 the audit report.

The District was formed in December 2002. The District's financial operations in 2002-2017, however, were at a level low enough to qualify for an exemption to the State law auditing requirement. Accordingly, no audited financial statements exist. The District expects that its financial statements for the year ended December 31, 2018, will be audited.

### **District Funds**

The District currently uses one fund group to account for its activities. 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. After the issuance of the Bonds, the District also anticipates using a Debt Service Fund to account for the accumulation of resources for and the payment of long-term obligation principal, interest and related costs, and a Capital Projects Fund to provide for the estimated infrastructure costs to be built for the benefit of the District.

### **History of District Revenues and Expenditures**

Set forth below are five-year comparative statements of revenues, expenditures and changes in fund balance for the District's General Fund for years 2013-2017. See "FORWARD-LOOKING STATEMENTS." Preceding years' unaudited financial statements may be obtained from the sources noted in "INTRODUCTION - Additional Information."

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

	Years Ended December 31,				
	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual
<b>REVENUE</b>					
Property taxes	\$ 22,045	\$ 33,131	\$ 47,063	\$ 45,699	\$ 45,353
Specific ownership	1,849	2,972	4,524	4,204	4,967
Total revenue	<u>23,894</u>	<u>36,103</u>	<u>51,587</u>	<u>49,903</u>	<u>50,320</u>
<b>EXPENDITURES</b>					
Admin/County Treasurer’s fees	331	497	706	685	680
Payment to Town <sup>(1)</sup>	1,910	2,870	4,075	3,957	3,931
Transfer to District No. 1 <sup>(2)</sup>	21,653	32,736	46,806	45,261	45,709
Total expenditures	<u>23,894</u>	<u>36,103</u>	<u>51,587</u>	<u>49,903</u>	<u>50,320</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    --</u>
<b>FUND BALANCE – BEG. OF YEAR</b>	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    --</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$    --</u>	<u>\$    --</u>	<u>\$    --</u>	<u>\$    --</u>	<u>\$    --</u>

- (1) Transfers to the Town for payment for fire protection and emergency response services. See “THE DISTRICT – District Agreements – Fire IGA.”
- (2) Transfers to District No. 1 for the payment of general operating expenditures. See “THE DISTRICT – District Agreements – Master IGA.”

Sources: The District’s *unaudited* financial statements for the years ended December 31, 2013-17.

## Budget Summary and Comparison

Set forth below are statements of the District's 2017 budget and 2018 budget for the General Fund as compared to District 2017 actual (unaudited) figures. The figures in the chart have been derived from the District's 2017 budget, 2018 budget, and unaudited financial statements for the year ended December 31, 2017, and are set forth in accordance with generally accepted accounting principles.

### Budget Summary and Comparison – General Fund

	2017			2018
	Annual Budget	Unaudited Actual	Variance	Annual Budget
<b>REVENUES</b>				
Property taxes	\$ 41,364	\$ 45,353	\$ 3,989	\$ 47,896
Specific ownership taxes	3,723	4,967	1,244	4,790
Other income	2,000	--	(2,000)	1,696
Fire protection tax	3,989	--	(3,989)	4,618
Total Revenues	<u>51,076</u>	<u>50,320</u>	<u>(756)</u>	<u>59,000</u>
<b>EXPENDITURES</b>				
Accounting	--	--	--	13,000
Contingency	2,000	--	2,000	1,766
County Treasurer's fee	680	680	--	718
District management	--	--	--	12,000
Dues and membership	--	--	--	650
Election	--	--	--	2,000
Insurance	--	--	--	7,000
Legal	--	--	--	10,000
Miscellaneous	--	--	--	500
Noxious weed control	--	--	--	5,000
Payment to Town <sup>(1)</sup>	3,929	3,931	(2)	4,549
Transfer to District No. 1 <sup>(2)</sup>	44,467	45,709	(1,242)	--
Total Expenditures	<u>51,076</u>	<u>50,320</u>	<u>756</u>	<u>57,183</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,817</u>
FUND BALANCE - BEGINNING	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,817</u>

(1) Transfers to the Town for payment for fire protection and emergency response services. See "THE DISTRICT – District Agreements – Fire IGA."

(2) Transfers to District No. 1 for the payment of general operating expenditures. See "THE DISTRICT – District Agreements – Master IGA."

Sources: District's budgets for 2017 and 2018, and *unaudited* financial statements for the year ended December 31, 2017.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Limited Offering Memorandum contains general information concerning historic economic and demographic conditions in the Town of Castle Rock and Douglas 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.

### Population and Age Distribution

The following table sets forth population statistics for the Town of Castle Rock, Douglas County, Denver-Aurora-Lakewood Metropolitan Based Statistical Area (“Denver-Aurora MSA”) and the State. Denver-Aurora MSA is comprised of six metro counties and four bordering counties: Douglas, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson and Park counties. Between 2010 and 2016, the population of the Town of Castle Rock increased 18.8%, Douglas County increased 15.0%, Denver-Aurora MSA increased 12.1%, and the State increased 10.1%.

#### 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 <sup>(1)</sup>	20,224	132.2	175,766	191.0	2,179,240	30.7	4,301,261	30.6
2010	48,231	138.4	285,462	62.4	2,543,482	16.7	5,029,196	16.9
2011	49,888	3.4	292,478	2.5	2,601,177	2.3	5,119,538	1.8
2012	50,955	2.1	298,638	2.1	2,647,527	1.8	5,191,086	1.4
2013	52,781	3.6	306,627	2.7	2,697,283	1.9	5,268,413	1.5
2014	54,425	3.1	314,804	2.7	2,750,964	2.0	5,350,118	1.6
2015	56,751	4.3	322,198	2.3	2,807,692	2.1	5,448,055	1.8
2016	57,289	0.9	328,330	1.9	2,852,335	1.6	5,538,180	1.7

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

Sources: United States Department of Commerce, Bureau of the Census (1970-2010); and Colorado State Demography Office (2011-2016 estimated subject to periodic revision and 2000 MSA estimate).

The following table sets forth a projected comparative age distribution profile for the populations of the Town of Castle Rock, Douglas County, Denver-Aurora MSA, the State and the United States as of January 1, 2018.



Age Distribution

Age	Town of Castle Rock	Douglas County	Denver-Aurora MSA	Colorado	United States
0-17	28.8%	26.3%	23.2%	22.7%	22.6%
18-24	8.8	9.0	8.4	9.6	9.7
25-34	9.7	9.7	15.3	14.6	13.4
35-44	16.1	14.3	14.3	13.5	12.6
45-54	15.5	16.2	13.4	12.8	12.9
55-64	10.7	12.8	12.3	12.7	12.9
65-74	6.8	7.7	8.2	8.8	9.4
75 and Older	3.6	4.0	4.9	5.3	6.5

Source: Claritas, © 2018 Environics Analytics (EA).

**Income**

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, Veteran 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<sup>(1)</sup>

Year	Town of Castle Rock	Douglas County	Denver- Aurora MSA	Colorado	United States
2014	\$70,087	\$79,604	\$49,480	\$47,469	\$43,715
2015	72,935	82,167	53,691	49,949	45,448
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

(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*, 2014-2017; and Claritas © 2018 by Environics Analytics (EA).

Percent of Households by Effective Buying Income Groups – 2018 Estimates

<u>Effective Buying Income Group</u>	<u>Town of Castle Rock</u>	<u>Douglas County</u>	<u>Denver-Aurora MSA</u>	<u>Colorado</u>	<u>United States</u>
Under \$24,999	8.2%	6.3%	15.1%	17.4%	22.3%
\$25,000-49,999	14.5	12.6	23.9	25.7	27.1
\$50,000-74,999	19.1	17.9	20.4	20.3	19.6
\$75,000-99,999	20.6	20.3	16.8	16.1	14.3
\$100,000-124,999	13.4	14.0	8.6	7.6	6.0
\$125,000-149,999	9.2	9.8	5.3	4.6	3.7
\$150,000 or More	15.0	19.1	9.9	8.3	7.0

Source: Claritas, © 2018 Environics Analytics (EA).

The following table sets forth annual per capita personal income levels for Douglas County, Denver-Aurora MSA, the State, and the nation.

Per Capita Personal Income

<u>Year<sup>(1)</sup></u>	<u>Douglas County</u>	<u>Denver-Aurora MSA</u>	<u>Colorado</u>	<u>United States</u>
2012	\$60,251	\$49,302	\$45,120	\$44,283
2013	61,354	51,596	46,869	44,489
2014	65,220	55,082	50,021	46,486
2015	67,314	57,081	51,956	48,429
2016	67,139	56,892	52,097	49,204
2017	n/a	n/a	53,504	50,392

(1) County and MSA figures posted November 2017; state and national figures posted March 2018. All figures are subject to periodic revisions.

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

**Employment**

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

Labor Force and Employment<sup>(1)</sup>

<u>Year</u>	<u>Douglas County<sup>(1)</sup></u>		<u>Denver-Aurora MSA<sup>(1)</sup></u>		<u>Colorado<sup>(1)</sup></u>		<u>United States</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>
2013	164,441	5.3%	1,463,915	6.6%	2,767,153	6.9	7.4%
2014	169,078	4.0	1,486,178	4.8	2,799,491	5.0	6.2
2015	172,093	3.1	1,505,317	3.7	2,824,759	3.9	5.3
2016	177,471	2.7	1,541,280	3.1	2,893,268	3.3	4.9
2017	183,263	2.4	1,590,441	2.7	2,992,307	2.8	4.4
<u>Month of March</u>							
2017	180,326	2.3%	1,566,152	2.7%	2,948,935	2.8%	4.5%
2018 <sup>(2)</sup>	187,191	2.5	1,624,011	2.8	3,060,622	2.9	4.1

(1) Figures for Douglas County, Denver-Aurora MSA, and the State are not seasonally adjusted; and are subject to revision.

(2) Preliminary.

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

The following two tables set forth the number of individuals employed within selected industries in Douglas County which are covered by unemployment insurance. In 2016, the largest employment sector in Douglas County was retail trade (comprising approximately 15.3% of the county's work force), followed, in order, by government, professional and technical services, accommodation and food services, and health care and social assistance. For the twelve-month period ended December 31, 2016, total average employment in the County increased 3.5% as compared to the same period ending December 31, 2015, while total average weekly wages decreased by (1.0)% during the same time period.

Average Number of Employees Within Selected Industries – Douglas County

<u>Industry Title</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017<sup>(1)</sup></u>
Agriculture, Forestry, Fishing, Hunting	155	166	180	188	193	213
Mining	425	456	583	567	478	320
Utilities	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>	n/a <sup>(2)</sup>
Construction	6,118	6,370	7,092	7,786	8,340	8,324
Manufacturing	2,298	2,305	2,380	2,481	2,378	2,290
Wholesale Trade	3,345	3,654	3,554	3,698	3,800	4,010
Retail Trade	15,808	16,612	16,981	17,486	17,924	17,759
Transportation and Warehousing	722	787	855	995	977	1,381
Information	3,714	5,026	4,606	5,450	5,584	5,334
Finance and Insurance	6,009	6,632	6,846	7,052	8,231	8,998
Real Estate, Rental and Leasing	1,196	1,315	1,415	1,568	1,694	1,828
Professional and Technical Services	9,775	11,376	11,746	12,044	12,028	13,112
Management of Companies/Enterprises	2,232	2,608	2,849	2,852	3,010	3,161
Administrative and Waste Services	5,545	5,740	5,958	6,225	6,070	5,937
Educational Services	1,662	1,751	1,931	1,899	2,079	2,006
Health Care and Social Assistance	8,554	9,549	10,633	11,117	11,825	12,381
Arts, Entertainment and Recreation	3,240	3,057	3,107	3,135	3,220	3,740
Accommodation and Food Services	10,092	10,735	11,179	11,735	11,962	12,115
Other Services	3,019	3,202	3,436	3,657	3,952	4,239
Non-classifiable	24	28	30	8	9	7
Government	<u>11,111</u>	<u>11,454</u>	<u>11,976</u>	<u>12,750</u>	<u>12,845</u>	<u>13,336</u>
Total <sup>(3)</sup>	<u>95,223</u>	<u>103,012</u>	<u>107,528</u>	<u>112,883</u>	<u>116,808</u>	<u>120,714</u>

(1) Averaged figures through 3<sup>rd</sup> quarter 2017.

(2) Due to confidentiality, figures were not released.

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

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

In 2016, the largest employment sector in the Denver-Aurora MSA was government (comprising approximately 13.7% of the metro area's work force), followed in order by health care and social assistance; retail trade; accommodations and food services; and professional and technical services. For the twelve month period ending December 31, 2016, total average employment in the Denver-Aurora MSA increased by approximately 2.7% as compared to the same twelve month period ending December 31, 2015, and total average weekly wages increased by 1.0% during the same time period.

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

Industry	2012	2013	2014	2015	2016	2017 <sup>(1)</sup>
Agriculture, Forestry, Fishing, Hunting	1,979	2,051	2,452	2,551	2,847	3,474
Mining	11,088	11,295	12,452	11,907	9,505	9,473
Utilities	3,571	3,512	3,689	3,697	3,653	3,609
Construction	62,113	69,234	77,834	82,575	87,752	91,261
Manufacturing	63,182	63,790	65,329	68,051	69,012	68,955
Wholesale Trade	63,631	65,231	67,695	69,961	71,162	72,134
Retail Trade	125,240	128,551	131,937	135,857	137,944	137,051
Transportation & Warehousing	41,208	43,510	45,010	46,339	47,875	50,376
Information	42,892	44,089	44,636	45,620	46,671	46,783
Finance & Insurance	66,499	69,191	69,635	72,729	75,009	76,669
Real Estate, Rental & Leasing	23,372	23,913	24,912	26,334	27,460	28,138
Professional & Technical Services	107,999	114,997	119,678	125,078	129,546	132,577
Management of Companies/Enterprises	25,857	28,351	29,173	30,058	30,123	31,804
Administrative & Waster Services	89,309	89,621	93,353	96,173	97,341	97,839
Educational Services	20,721	20,810	21,551	22,192	22,817	22,760
Health Care & Social Assistance	130,238	136,530	143,722	151,849	158,017	156,215
Arts, Entertainment & Recreation	21,530	21,527	22,263	23,121	23,901	26,067
Accommodation & Food Services	114,391	120,085	125,841	131,824	137,006	139,855
Other Services	37,929	38,829	40,781	42,057	43,724	45,821
Non-Classifiable	132	173	194	148	144	49
Government	<u>178,686</u>	<u>181,722</u>	<u>184,615</u>	<u>189,753</u>	<u>194,000</u>	<u>196,752</u>
Total All Industries <sup>(2)</sup>	<u>1,231,565</u>	<u>1,277,012</u>	<u>1,326,750</u>	<u>1,377,873</u>	<u>1,415,507</u>	<u>1,437,662</u>

(1) Averaged figures through 3<sup>rd</sup> quarter 2017.

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

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

The following table sets forth major employers 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 in Douglas County.

Major Private Non-Retail Employers in Douglas County

<u>Name of Employer</u>	<u>Product or Service</u>	<u>Estimated Number of Employees<sup>(1)</sup></u>
Charles Schwab	Financial services	3,700
DISH Network	Satellite TV and equipment	2,620
Centura: Parker Adventist Hospital & Castle Rock Adventist Hospital	Healthcare	1,560
CH2M	Engineering/architectural services	1,400
Western Union	Financial services	1,300
HealthOne: Sky Ridge Medical Center	Healthcare	1,290
Specialized Loan Servicing LLC	Debt collection services	950
VISA Debit Processing Services	Transaction processing	930
Cognizant (formerly TriZetto Corp.)	Healthcare software solutions	830
IHS Market	Indexed technical data	790

(1) Revised May 2017.

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

**Retail Sales**

Annual retail sales figures for the Town of Castle Rock, Douglas County, Denver-Aurora MSA and the State are set forth below.

Year	<u>Retail Sales<sup>(1)</sup></u> (in thousands)			<u>Retail Sales<sup>(1)</sup></u> (in thousands)			<u>Retail Sales<sup>(1)</sup></u> (in thousands)	
	Town of Castle Rock	Percent Change	Douglas County	Percent Change	Denver-Aurora MSA	Percent Change	Colorado	Percent Change
2011	\$1,024,402	--	\$7,694,322	--	\$ 83,602,218	--	\$154,697,943	--
2012	1,133,125	10.6%	8,291,006	7.8%	91,013,565	8.9%	164,387,648	6.3%
2013	1,204,517	6.3	8,326,440	0.4	95,950,941	5.4	172,784,033	5.1
2014	1,315,800	9.2	8,409,964	1.0	100,015,388	4.2	182,709,978	5.7
2015	1,369,100	4.1	9,824,997	16.8	101,283,636	1.3	182,845,695	0.1

(1) The Department of Revenue has not released numbers for 2016 and 2017 due to system problems.

Source: State of Colorado, Department of Revenue, "Sales Tax Statistics", 2011-2015.

## Building Permit Activity

The following tables set forth a history of building permits issued for new structures in the Town of Castle Rock and in unincorporated Douglas County.

### Building Permit Issuance for New Structures within Town of Castle Rock

Year	Single Family <sup>(1)</sup>		Multi-Family		Commercial	
	Permits	Value	Permits	Value	Permits	Value
2013	825	\$205,176,742	3	\$7,507,781	19	\$12,637,596
2014	808	192,749,533	0	0	20	6,436,059
2015	794	182,149,931	83	9,565,533	51	25,430,159
2016	753	169,668,570	43	38,810,205	79	59,440,534
2017	644	188,237,052	29	21,735,136	102	46,650,365
2018 <sup>(2)</sup>	368	110,788,484	168	7,847,238	18	31,431,974

(1) Includes single family attached permits.

(2) As of April 30, 2018.

Source: Town of Castle Rock, Building Inspection Division.

### Building Permit Issuances in Unincorporated Douglas County

Year	Residential - New		Multi-Family <sup>(1)</sup>		Commercial - New	
	Permits	Value	Permits	Value	Permits	Value
2013	592	\$186,248,894	188	\$ 74,504,368	84	\$ 53,592,318
2014	725	235,935,151	260	103,455,769	83	62,293,189
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 <sup>(2)</sup>	369	114,289,684	5	17,763	24	39,983,035

(1) Includes apartments, condominiums and townhouses.

(2) As of April 30, 2018.

Source: Douglas County Building Division.

## Foreclosure Activity

The following table sets forth data on the number of foreclosures filed in the Douglas County 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

Year	Number of Foreclosures Filed	Percent Change
2013	769	--
2014	440	(42.8)%
2015	322	(26.8)
2016	314	(2.5)
2017	254	(19.1)
2018 <sup>(1)</sup>	96	--

(1) Filings through April 30, 2018.

Sources: Colorado Division of Housing (2013-2017) and Douglas County Public Trustee (2018).

## **TAX MATTERS**

### **Federal Tax Matters**

The Internal Revenue Code of 1986, as amended (the “Code”), contains a number of restrictions and requirements that apply to the Bonds including, without limitation, (i) investment restrictions, (ii) requirements for periodic payments of arbitrage profits to the United States, and (iii) rules regarding the proper use of the proceeds of the Bonds and the facilities financed or refinanced with such proceeds. The District has covenanted to comply with all of the restrictions and requirements of the Code that must be satisfied in order for the interest on the Bonds to be and remain excludable from the gross income of the owners thereof for federal income tax purposes (the “Tax Covenants”).

In the opinion of Ballard Spahr LLP, Denver, Colorado, Bond Counsel, interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of the certifications of the District and continuing compliance by the District with the requirements of the Code. Interest on the Bonds is not an item of tax preference for purposes of the individual federal alternative minimum tax. The corporate alternative minimum tax was repealed by legislation enacted on December 22, 2017 (known as the “Tax Cuts and Jobs Act”), effective for tax years beginning after December 31, 2017. For tax years beginning on or before December 31, 2017 interest on the Bonds is not an item of tax preference for purposes of the corporate alternate minimum tax in effect prior to enactment of the Tax Cuts and Jobs Act; however, interest on Bonds held by a corporation (other than an S Corporation, regulated investment company, or real estate investment trust) indirectly may be subject to federal alternative minimum tax because of its inclusion in the adjusted current earnings of a corporate holder. Bond Counsel expresses no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

In rendering its opinion, Bond Counsel will rely on, and will assume the accuracy of, certain representations and certifications, and compliance by the District with certain covenants, including the Tax Covenants. Bond Counsel will not independently verify the accuracy of the District’s representations and certifications. In addition, Bond Counsel has not been engaged, and will not undertake, to monitor compliance with the Tax Covenants or to



inform any person as to whether the Tax Covenants are being complied with; nor has Bond Counsel undertaken to determine or to inform any person whether any actions taken or not taken, or events occurring or not occurring, after the date of issuance of the Bonds may affect the federal tax status of the interest on the Bonds. Failure to comply with certain of the Tax Covenants could result in the inclusion of the interest on the Bonds in the gross income of the owners for federal income tax purposes, retroactive to the date of issuance of the Bonds.

Certain requirements and procedures contained or referred to in the Indentures and certain other documents executed in connection with the issuance of the Bonds may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted in the future if a legal opinion is rendered at the time to the effect that such action will not cause the interest on the Bonds to be included in the gross income of the owners for federal income tax purposes. The opinions of Bond Counsel rendered in connection with the initial issuance of the Bonds will not address any such actions.

***Backup Withholding.*** A person making payments of tax-exempt interest to a bondholder is generally required to make an information report of the payments to the Internal Revenue Service and to perform “backup withholding” from the interest if the bondholder does not provide an IRS Form W-9 to the payor. “Backup withholding” means that the payor withholds tax from the interest payments at the backup withholding rate, currently 24%. Form W-9 states the bondholder’s taxpayer identification number or basis of exemption from backup withholding.

If a holder purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the account, as generally can be expected, there should be no backup withholding from the interest on the Bond.

If backup withholding occurs, it does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

## **State of Colorado Tax Matters**

In the opinion of Bond Counsel, under existing law, to the extent that interest on the Bonds is excludable from gross income for federal income tax purposes, such interest is also excludable from gross income for State of Colorado income tax purposes and from the calculation of State of Colorado alternative minimum taxable income. Bond Counsel will express no opinion regarding other state or local tax consequences arising with respect to the Bonds, including whether interest on the Bonds is exempt from taxation under the laws of any jurisdiction other than the State of Colorado.

## **General**

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete; holders of the Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

See Appendix G hereto for the proposed Forms of Bond Counsel Opinions.

## **LEGAL MATTERS**

### **No Litigation Involving the District**

In connection with the issuance of the Bonds, the District states that no litigation of any nature is now pending or, to the best of their knowledge, threatened, seeking to restrain or to enjoin the execution, issuance or delivery of the Bonds or the Indentures, or the levy or collection of any taxes to pay the principal of or interest on the Bonds, or in any manner questioning the authority or proceedings for the Elections, or the issuance of the Bonds, or the execution of the Indentures or the levy or collection of said taxes, or affecting the validity of the Elections, the Bonds, the Indentures, or the levy or collection of said taxes; and no litigation of any nature is now pending or, to the best of its knowledge, threatened, 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 Bond Resolution, the Indentures or the Continuing Disclosure Agreement, or the ability of the District to consummate the transactions contemplated thereby. The District's general counsel is expected to render an opinion stating that, to the best of its actual knowledge, there is no pending action, suit, proceeding, inquiry or investigation in which the District is a party.

### **Recent Colorado Court Cases and Legislation**

On April 21, 2016, the Colorado Court of Appeals (the "Court of Appeals") issued an opinion in the case *Landmark Towers Association, Inc. v. UMB Bank, n.a.*, 2016 WL 1594047 (Colo. App. Apr. 21, 2016) (referred to herein as the "2016 Marin Decision" and together with the 2018 Marin Decision, as defined below, "Marin"). The Marin litigation was filed by homeowners seeking to recover ad valorem property taxes paid to the Marin Metropolitan District (the "Marin District") and to enjoin the future levying of ad valorem property taxes on the basis of, among other things, that the persons who approved the Marin District's debt and taxes were not eligible electors and that the Marin District has provided no actual benefit to the homeowners' property.

The Court of Appeals held in the 2016 Marin Decision that those persons who voted at the Marin District's TABOR election and approved the Marin District's debt and taxes were not eligible electors and those persons that the Court of Appeals stated were eligible electors were not given the opportunity to participate in the election. Accordingly, the Court of Appeals held in the 2016 Marin Decision that the Marin District's TABOR election was conducted illegally and the ad valorem property taxes authorized by such election to pay the Marin District's bonds were levied illegally. On December 11, 2017, the Colorado Supreme Court (the "Supreme Court") issued an opinion in the case *UMB Bank, N.A., et al. v. Landmark Towers Association, Inc. et al.*, 408 P.3d 836 (Colo. 2017) which reversed the 2016 Marin

Decision; provided that not all issues addressed in the 2016 Marin Decision were reached by the Supreme Court. The Supreme Court held that the litigation relating to the legality of the Marin District's TABOR election brought by the homeowners was time-barred by statute, and therefore, the Supreme Court did not opine on the legality of such election or the taxes authorized by such election. The Supreme Court remanded the case to the Court of Appeals "for further proceedings consistent with this opinion, including on those claims that the [Court of Appeals] did not address based on its previous disposition of this case."

On May 31, 2018, on remand from the Supreme Court, the Colorado Court of Appeals issued *Landmark Towers Association, Inc. v. UMB Bank, n.a.*, 2018 COA 75 (Colo. App. June 1, 2018) (referred to herein as "2018 Marin Decision"). In the 2018 Marin Decision, the Court of Appeals held that (a) the inclusion of certain property (including property now owned by homeowners) into the Marin District violated the homeowners' rights to due process, (b) the ad valorem property taxes imposed by the Marin District were actually special assessments under Colorado law and imposing the assessments against the homeowners' property which does not specially benefit from improvements funded by the Marin District also violated homeowners' rights to due process; and (c) the mill levy imposed by the Marin District exceeded the amount permitted by its service plan. Consequently, the Court of Appeals barred the Marin District from levying taxes to pay its bonds and concluded that the homeowners are owed a refund of excessive assessments. The parties may seek the Supreme Court review of this decision.

In response to the Court of Appeals' 2016 Marin Decision, the Colorado General Assembly unanimously passed Senate Bill 16-211 ("SB 211"), codified at Section 1-1-105.5, C.R.S. and Sections 32-1-808(5) and (6), C.R.S., which states that, generally, no special district election conducted on or before May 3, 2016, may be contested on the grounds that any person who voted at such election was not an eligible elector. It also validates the qualifications of all board members appointed or elected on or before May 3, 2016, and all actions undertaken by any board member appointed or elected on or before May 3, 2016. SB 211 has not been applied or interpreted by any court and there is no guarantee that SB 211 will effectively bar state or federal constitutional claims filed at any given time.

Based on the applicable federal and Colorado law and taking into account the Marin litigation described above, Bond Counsel has concluded, and will provide an opinion with respect to each series of Bonds to the effect that, each series of Bonds constitutes a valid and binding limited tax general obligation of the District and of all of the taxable property of the District is subject to the levy of an ad valorem tax at the rate and in the amount of the Senior Required Mill Levy and the Subordinate Required Mill Levy, for the purpose of paying the principal of and interest on the Bonds. See Appendix G – Forms of Bond Counsel Opinions.

### **Approval of Certain Legal Proceedings**

Legal matters relating to the issuance of the Bonds, as well as the treatment of interest on each series of the Bonds for purposes of federal and State income taxation, are subject to the approving legal opinion of Ballard Spahr LLP, Denver, Colorado, as Bond Counsel. Such opinions, the forms of which are attached hereto as Appendix G, 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, Collins Cockrel & Cole P.C., Denver,

Colorado. Legal fees to Bond Counsel and Underwriter's counsel are contingent upon the sale and delivery of the Bonds. Bond Counsel represents the Underwriter from time to time in connection with certain matters. Bond Counsel does not represent the Underwriter or any other party (other than the District) in connection with the issuance 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 Elections, 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 Elections.

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

### **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, 2018, or the sum of \$387,000 for claims accruing on or after January 1, 2018, 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, 2018, except in such instance, no person may recover in excess of \$350,000; or the sum of \$1,093,000 for claims accruing on or after January 1, 2018, and before January 1, 2022, except in such instance, no person may recover in excess of \$387,000. 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, 2018. 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.

### **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.

### **NO RATINGS**

The District has not submitted, and does not intend to submit, an application to any securities rating agency with respect to the Bonds.

### **UNDERWRITING**

D.A. Davidson & Co., Denver, Colorado (the “Underwriter”) has agreed to purchase the 2018A Senior Bonds from the District under a Bond Purchase Agreement at a purchase price equal to \$31,306,100 (which is equal to the par amount of the 2018A Senior Bonds, less Underwriter’s discount of \$638,900). The Underwriter has also agreed to purchase the 2018B Subordinate Bonds from the District under a Bond Purchase Agreement at a purchase price equal to \$3,162,200 (which is equal to the par amount of the 2018B Subordinate Bonds, less Underwriter’s discount of \$97,800). The Underwriter is committed to take and pay for all of the Bonds if any are taken.

**LIMITED OFFERING MEMORANDUM CERTIFICATION**

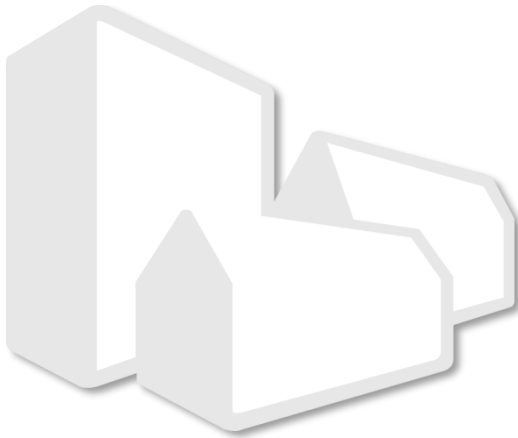
The preparation of this Limited Offering Memorandum and its distribution have been authorized by the District. This Limited Offering Memorandum is hereby duly approved by the District as of the date on the cover page hereof.

**CROWFOOT VALLEY RANCH  
METROPOLITAN DISTRICT NO. 2**

By           /s/ Chad Murphy            
Chad Murphy, President

**APPENDIX A**  
**MARKET STUDY**





Crowfoot Valley Ranch Metro District 2

**Canyons South – Market Analysis**

**Castle Rock, CO**

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## Background

Crowfoot Valley Ranch Metro District 2 (“the District”) hired John Burns Real Estate Consulting, LLC (“JBREC”) to complete a market analysis for the Canyons South development. Canyons South (“Subject” or “Canyons South”) is a proposed master-planned community in Castle Rock, Colorado. The Subject is a project of HT Canyons South, LP, a Delaware limited partnership, acting through its subsidiaries HT Canyons South Development LP, a Delaware limited partnership, and HT Canyons South Land LP, a Delaware limited partnership (collectively, the “Developer”). It will be located east of the confluence of Founder’s Parkway and Crowfoot Valley Road, approximately 2.0 miles east of Interstate 25. The Subject is about 27 miles south of Denver. It includes about 1,100 acres, and a maximum of 968 homesites. William Lyon, Lennar, David Weekley, and Toll Brothers (“Subject Builders”) are under contract to purchase lots in the community.

## Objective

The objective of this assignment is to evaluate the market opportunity for the Subject in conjunction with a pending bond application. Key questions addressed in this analysis include the following:

- What are reasonable per project absorption rates for the planned homes and prices?
- What are competitive market conditions in the market and submarket?
- What are the key housing market, economic, and demographic trends that are driving the opportunity for housing in the Denver MSA and the submarket?

## Key Assumptions

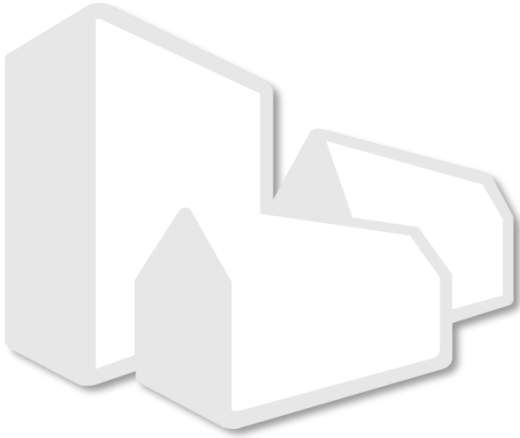
JBREC assumes the Developer and Subject Builders will: 1) offer floor plan sizes and types as proposed, 2) be executed in a quality “market appropriate” manner with specification levels and unit finishes in-line with market expectations, 3) include amenities recommended by JBREC, 4) fund the operation and maintenance of these amenities by District revenues without supplementary HOA fees, 5) commence advertising and marketing efforts prior to construction to generate qualified shopper traffic, 6) consider establishing a pre-sales program, 7) have experienced sales agents familiar with the local market, and 8) come to market in March 2020. We assumed that the quality of the builders’ products at the Subject will be commensurate with the quality of products in top comparable master planned communities. We assume the proposed “Standard” products will be most similar to Terrain, and luxury products will be most similar to Stepping Stone.

**Subject prices in this report reflect the Subject Builders’ expected pricing when sales start in March 2020. Macro housing market conditions in the Denver MSA are as of March 2018. Comparable project data are as of January 2018.**

## Contact Information

John Burns Real Estate Consulting, LLC (“JBREC”) completed this analysis. Ken Perlman, Principal, served as Project Manager of this assignment. Chris Dorociak, Senior Manager, oversaw the daily operations of the study. Don Walker, President and CFO, reviewed this report. Follow-up questions should be directed to:

[kperlman@realestateconsulting.com](mailto:kperlman@realestateconsulting.com) – (858) 281-7214  
[cdorociak@realestateconsulting.com](mailto:cdorociak@realestateconsulting.com) – (858) 281-7218



## Executive Summary

# Executive Summary: Pricing and Product Assumptions

- Per the Developer, William Lyon, Lennar, David Weekley, and Toll Brothers are under contract to purchase lots at Canyons South. These builders placed non-refundable deposits on their committed lots, equating to about 15% of finished lot prices. The absorption targets from builders translate to home sales through 2024. The takedown schedules and absorption targets per builder appear reasonable within the context of the competitive market. Collectively, precedent exists in this market and submarket for the absolute number of sales and market capture the Developer is forecasting and the builders are committing to in Canyons South.
- The Developer provided expected builder home sizes and prices as of the start of master plan community sales in March 2020. Based on these pricing expectations, JBREC estimated a reasonable sales pace per product line and build-out for the community.
- JBREC forecasts that home prices in the Denver market should appreciate 8.2% between January 2018 (date of the competitive market survey) and March 2020, the date sales will begin at Canyons South. To provide an appropriate comparison of the Subject product lines (anticipated pricing) to the current competitive market, JBREC adjusted the builders' prices downward 8.2%. Prices for both January 2018 and March 2020 (those reported by the Developer) are reflected in the table.
- The Subject's net total pricing (January 2018) is about 10.0% above Terrain in Castle Rock due to the Subject's superior location, larger lots, and superior recommended amenities. It is similar to The Meadows in Castle Rock and Stepping Stone in Parker. The Meadows and Stepping Stone's superior locations (including schools) are generally offset by larger lots and assumed amenities at Canyons South. January 2018 price positioning is about 10% below Sterling Ranch due to a locational premium for the Littleton area, and estimated Subject sales rates per product that are above per-product sales rates at Sterling Ranch.

## Product and Pricing Assumptions for Canyons South

HOME SALES START: MARCH 2020	INVENTORY		LOT SIZE			LIVING AREA			MARCH 2020 PRICING			JAN 2018 PRICING		
Canyons South	MIX	%	Avg. Lot Size	Range		Avg. Square Feet	Net Total	Net Total / Sq.Ft.	Monthly Payment	Net Total	Net Total / Sq.Ft.	Monthly Payment		
50' SFD Standard (Currently Lyon)	150	15%	5,750	1,969 - 2,865		2,417	\$552,500	\$229	\$2,653	\$509,800	\$211	\$2,448		
60' SFD Standard (Currently Lyon)	180	19%	7,500	2,305 - 3,453		2,879	\$607,500	\$211	\$2,918	\$560,500	\$195	\$2,692		
60' SFD Luxury (Currently Lennar)	103	11%	7,500	2,900 - 3,875		3,388	\$670,000	\$198	\$3,218	\$618,200	\$182	\$2,969		
70' SFD Standard (Currently Lyon)	100	10%	9,450	2,113 - 3,154		2,634	\$607,500	\$231	\$2,918	\$560,500	\$213	\$2,692		
70' SFD Luxury (Currently Weekley)	264	27%	9,450	2,300 - 3,600		2,950	\$694,000	\$235	\$3,333	\$640,400	\$217	\$3,076		
80' SFD Luxury (Currently Toll)	114	12%	11,200	3,400 - 4,160		3,780	\$844,100	\$223	\$4,054	\$778,900	\$206	\$3,741		
100' SFD Luxury (Custom & Spec)	57	6%	15,000	4,000 - 6,000		5,000	\$1,500,000	\$300	\$7,204	\$1,384,100	\$277	\$6,647		
<b>Total or Weighted Average:</b>	<b>968</b>	<b>100%</b>	<b>8,839</b>			<b>3,087</b>	<b>\$709,600</b>	<b>\$228</b>	<b>\$3,408</b>	<b>\$654,800</b>	<b>\$210</b>	<b>\$3,145</b>		

# Executive Summary: Appreciation Assumptions

It is reasonable to estimate home price appreciation at Canyons South that is consistent with JBREC's forecasts for the Denver MSA. JBREC demonstrates Subject Builder pricing when sales start in March 2020. Based on our forecasts, we show estimated builder pricing as of January 2018. We also show forecasted home prices from April 2020 through December 2021.

			2018P	2019P	2020P		2021P
JBREC	MSA Forecast		4.9%	2.8%	2.0%		0.5%
					Opening Day		
Home Price Appreciation		Subject Forecast	4.9%	2.8%	0.5%	1.5%	0.5%
Canyons South	Count	Jan-18	Dec-18	Dec-19	Mar-20	Apr-20 to Dec-20	Dec-21
50' SFD Standard (Currently Lyon)	150	\$509,800	\$534,777	\$549,751	\$552,500	\$560,788	\$563,591
60' SFD Standard (Currently Lyon)	180	\$560,500	\$588,013	\$604,478	\$607,500	\$616,613	\$619,696
60' SFD Luxury (Currently Lennar)	103	\$618,200	\$648,508	\$666,667	\$670,000	\$680,050	\$683,450
70' SFD Standard (Currently Lyon)	100	\$560,500	\$588,013	\$604,478	\$607,500	\$616,613	\$619,696
70' SFD Luxury (Currently Weekley)	264	\$640,400	\$671,739	\$690,547	\$694,000	\$704,410	\$707,932
80' SFD Luxury (Currently Toll)	114	\$778,900	\$817,024	\$839,900	\$844,100	\$856,762	\$861,045
100' SFD Luxury (Custom & Spec)	57	\$1,384,100	\$1,451,885	\$1,492,537	\$1,500,000	\$1,522,500	\$1,530,113
<b>TOTAL OR WEIGHTED AVERAGE</b>	<b>968</b>	<b>\$654,800</b>	<b>\$686,874</b>	<b>\$706,106</b>	<b>\$709,600</b>	<b>\$720,281</b>	<b>\$723,883</b>

Between January 2018 and March 2020, we expect Subject home prices to appreciate by approximately 8.2%.

Between April 2020 and December 2021, we expect home prices to appreciate by approximately 2.0%. This appreciation equates to 1.5% for the remainder of 2020 and 0.5% for 2021.

After 2021, we expect average home price appreciation for Canyons South to range from 1.0% to 2.0% per annum. This is consistent with our expectation for the Denver MSA. We provide details regarding price appreciation after 2021 on the following page.

# Executive Summary: Appreciation Assumptions

JBREC offers forecasts new home price appreciation for the Denver market for 2018 through 2021. As reflected in this report, those appreciation numbers are:

2018P	2019P	2020P	2021P
4.9%	2.8%	2.0%	0.5%

We forecast that home prices at the Subject should appreciate 8.2% between the date of our competitive survey (January 2018) and the start of sales in March 2020.

JBREC does not currently forecast price appreciation beyond 2021. For perspective on long-term price appreciation we reviewed the annual rate of appreciation for the median new home price in Denver between 1999 and 2017. It was 5.6% per annum. We also looked at our Burns Home Value Index (BHVI), which measures home value trends for all homes (new and resale) in the market, allowing us to report on and forecast price appreciation without the noise of shifts in the mix of homes selling, as well as other issues. The BHVI increased 4.0% on average annually between 1985 and 2017. It is important to note that these price increases took place during a period of declining interest rates. Further, price increases are making the market less affordable now than in previous years. The combined impact of higher interest rates and home price on absorption portends more muted price appreciation going forward.

Given these conditions, we would recommend no more than a 1.0% to 2.0% average annual rate of appreciation for the Subject property beyond 2021. The 1.0% to 2.0% would be an annual average over time. Because real estate is cyclical, the appreciation rate could be less in some years, perhaps even negative, and more in others.

This recommendation, like all of our forecasts, is our estimate looking several years out. In general, for future projects, we are assuming “normal” real estate market conditions, and not a condition of either prolonged “boom” or “bust” market conditions. We assume that economic conditions, employment, and household growth will occur in accordance with current expectations. We are not taking into account major shifts in the level of consumer confidence; in the ability of developers to secure needed project entitlements; in the cost of development or construction; in tax laws that favor or disfavor real estate markets; or in the availability and/or cost of capital and mortgage financing for real estate developers, owners, and buyers. Should there be such major shifts affecting real estate markets, this analysis should be updated, with the conclusions and recommendations summarized herein reviewed and reevaluated under a potential range of scenarios reflecting changed market conditions.

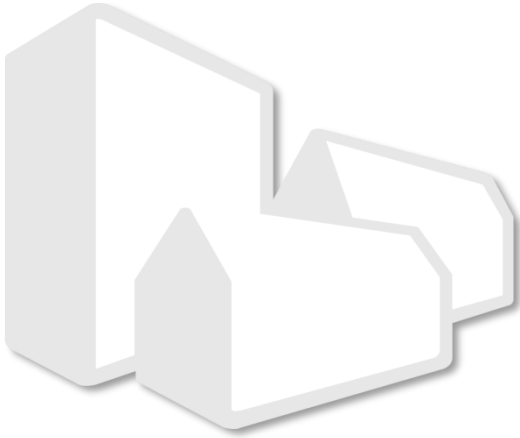
# Executive Summary: Build-Out

Subject Product (Lot Size)	Sales/ Month	Sales/ Quarter	Sales/ Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
50' SFD Standard (Currently Lyon)	3.25	9.8	39.0	27	39	39	39	6	0	0	0	0	0
60' SFD Standard (Currently Lyon)	3.25	9.8	39.0	27	39	39	39	36	0	0	0	0	0
60' SFD Luxury (Currently Lennar)	3.00	9.0	36.0	30	36	36	1	0	0	0	0	0	0
70' SFD Standard (Currently Lyon)	2.50	7.5	30.0	26	30	30	14	0	0	0	0	0	0
70' SFD Luxury (Currently Weekley)	2.00	6.0	24.0	17	24	13	0	0	0	0	0	0	0
70' SFD Luxury (TBD)	3.00	9.0	36.0	0	0	11	30	36	36	36	36	25	0
80' SFD Luxury (Currently Toll)	1.50	4.5	18.0	14	18	18	4	0	0	0	0	0	0
80' SFD Luxury (TBD)	1.50	4.5	18.0	0	0	0	14	18	18	10	0	0	0
100' SFD Luxury (Custom & Spec)	0.50	1.5	6.0	5	6	6	6	6	6	6	6	6	4
<b>TOTAL ANNUAL SALES</b>	<b>16.00</b>	<b>48.0</b>	<b>192.0</b>	<b>146</b>	<b>192</b>	<b>192</b>	<b>147</b>	<b>102</b>	<b>60</b>	<b>52</b>	<b>42</b>	<b>31</b>	<b>4</b>

- JBREC targets stabilized monthly sales rates of 0.50 to 3.25 sales per product line for homes in Canyons South. We assume seven concurrent points of sale. JBREC believes it is reasonable to target approximately 192 annual new home sales per year at Canyons South in peak years. Our estimated annual sales at the Subject translate into a 1.8% capture rate of the future Denver MSA's annual new home sales of approximately 10,900 transactions. The capture rate is similar to Terrain's average capture and below The Meadows, representing reasonable benchmarks for Subject sales pace.
- JBREC estimates sales pace by product or neighborhood. Home closings will occur after these sales. Home closings can be influenced positively or negatively by factors such as weather as well as availability of materials and labor to construct the homes.
- JBREC assumes home sales begin in March 2020 and that the Subject's amenity center opens in summer/fall 2020.



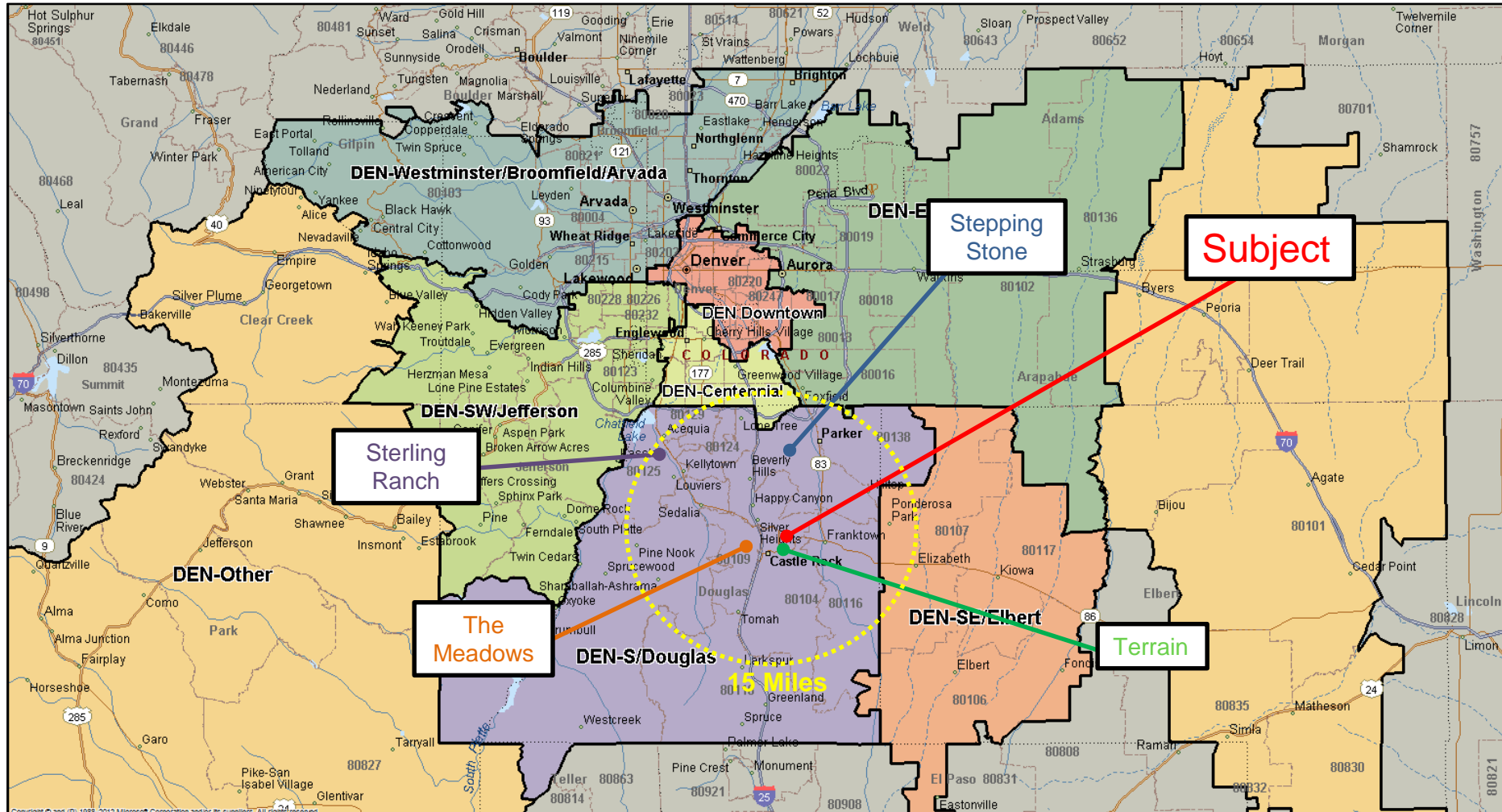
- **Anticipated Buyer Profiles.** JBREC anticipates a masterplan for homebuyers who are predominantly working professional families with school-age children. This group of buyers accounts for the majority of new home sales in comparable communities. Locational advantages of the Subject include Douglas County schools and reasonable commuting access to employment hubs such as the Denver Tech Center. To achieve targeted absorption, we assume that future builders will offer a selection of single-level floorplans, which can appeal to move-down buyers and retirees in Castle Rock. The local area population over the age of 65 is projected as the fastest growing segment over the next five years, followed by 1st time homebuyers (25-34 year olds) and move-up home buyers (35-44).
- **Denver MSA Housing Market Conditions.** Denver's housing market remains stable. Pricing power remains nominal due to continued affordability concerns. Builders are mainly raising prices to cover costs. Ever-increasing materials prices and a lack of skilled workers are driving costs up. Resale homes appreciated 5.5% YOY per the Burns Home Value Index™ (as of March 2018). Strong resale buyer demand is fueling steady appreciation, as evidenced by nearly 60K resale homes sold in the last 12 months.
- **Denver's New and Resale Home Prices.** The median new home price in the Denver MSA is \$490,700, and the median resale price is \$396,200. There is a 22% price premium for a new versus a resale home, which equates to \$94,500. This premium has decreased over the past five years given greater annual price appreciation for resale homes over new homes (10% versus 8% per year). Denver's home price appreciation contributed to FHA and GSE loan limit increases. The new Denver FHA and GSE loan limits have increased 7% to \$529,000. The median prices of new and resale homes both fall under the conforming loan limits. Nevertheless, the Burns Affordability Index for the Denver MSA is 9.7, where 10 is the least affordable in the market's history. The median resale home price in Denver has appreciated about \$190,000 since 2008 (\$208,700 to \$396,200). Growth in home equity provides existing homeowners with down payment resources for a move-up home at Canyons South.



## Project Overview

# Location

Canyons South is located in Castle Rock, within the South Denver/Douglas County submarket. Key comparable projects are also located within the South Denver/Douglas County (“South Denver”) submarket, including Terrain, The Meadows, and Stepping Stone. Sterling Ranch is included in this report as a point of reference for price and segmentation, but JBREC considers this master plan to be less of a true “competitor” for Canyons South. Castle Rock buyers tend to be loyal to the area and Sterling Ranch is outside of Castle Rock, about 15 miles northwest of town. Comparable communities offered multiple residential product options, amenities, and good access to employment and services. They benefit from Douglas County schools, which are in one of the most well-respected school districts in Colorado.

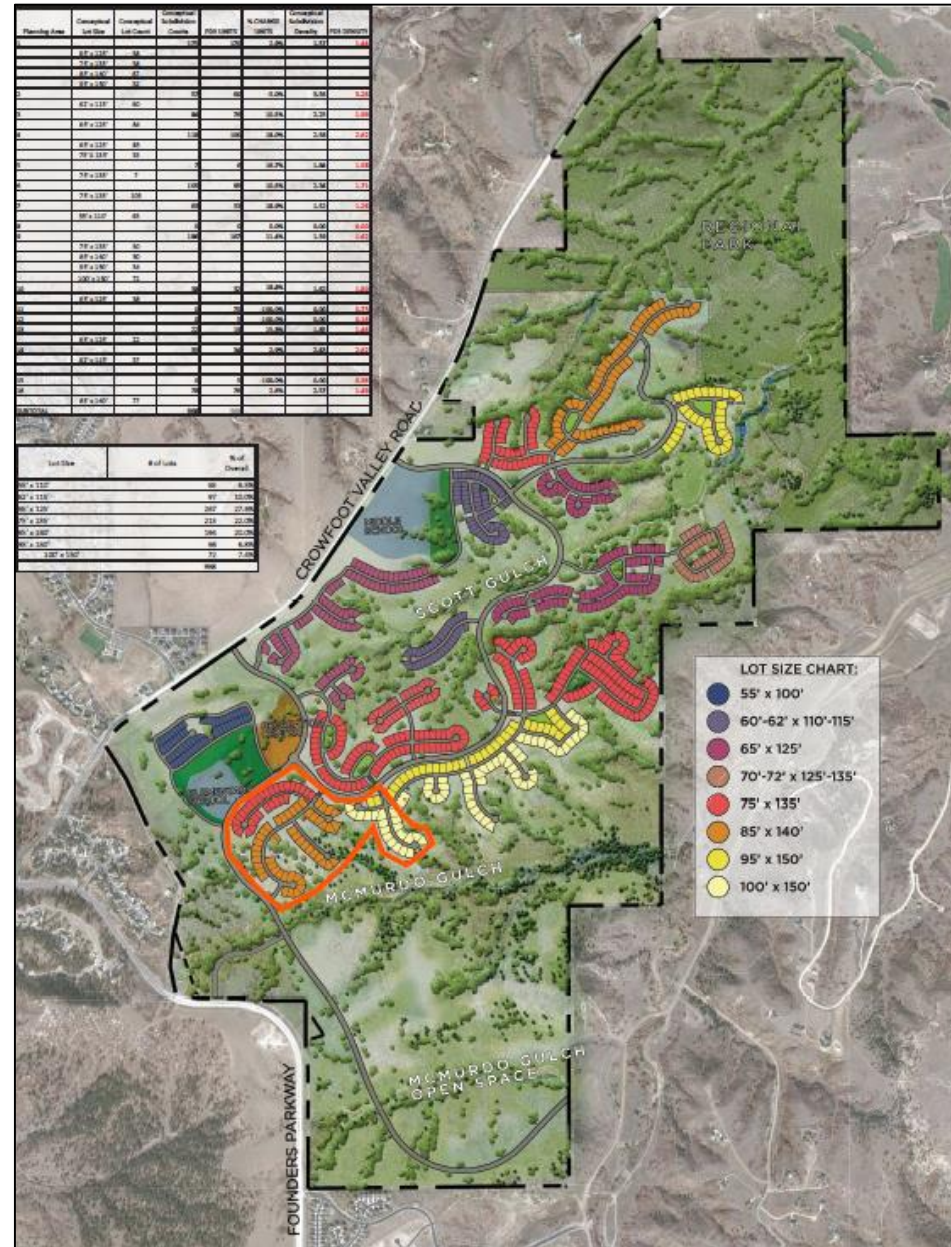


# Canyons South Project Overview

Canyons South is planned to encompass approximately 1,100 acres and will include a maximum of 968 homesites, all of which are planned as single-family detached lots.

- The Subject occupies a cohesive parcel with rolling topography, bordering residential development on the east side of Castle Rock. Crowfoot Valley Road provides direct access to services and amenities along Founder's Parkway. The Subject is about two miles east of Interstate 25, a key north-south corridor connecting Denver to Colorado Springs.
- The Subject's 968 lots will range from approximately 50' x 115' (5,750 square feet) to 100' x 150' (15,000 square feet). The current master plan includes lots that are single-loaded and border open space, which can provide builder premium opportunities.
- The Developer's vision is to create a community with lots that are larger and more dispersed than competitive projects. These lots will be elevated with potential for regional views. The Subject's larger lots and open space frontage will be competitive advantages.

A \$5.0 million amenity center is planned for Canyons South, which will enhance its marketability. JBREC assumes this facility includes a clubhouse, pool, and exercise room. **JBREC's sales conclusions in this report are predicated on these amenities being completed and opened by summer/fall 2020.** The Meadows in Castle Rock provides an example of the quality, look, and feel of such an amenity center.



Our absorption conclusions assume that Canyons South includes the amenities listed below. If these amenities are not included, it would negatively impact the pricing and absorption estimates included in this analysis. JBREC is not opining on the reasonableness of costs to complete these amenities.

- ✓ **Clubhouse and Pool.** A \$5.0 million facility is planned. We assume that it will feature upscale architecture and design, with interior sitting areas, a fitness room, changing rooms, and a small demonstration/catering kitchen. We assume this complex will feature an outdoor pool, extensive terrace space, shaded areas, and barbeque pavilions. The pool can promote a lively environment for families with children.
- ✓ **Preserved Open Space and Trails.** The clubhouse at Canyons South will serve as the community's "trailhead." Networks of paved and unpaved trails will lead to and from the clubhouse. Paved walking trails will be important for families, especially parents with baby joggers. Unpaved trails will enhance the lifestyle of Canyons South by providing opportunities for trail running and mountain biking.
- ✓ **Parks.** In addition to open space, Canyons South will include neighborhood parks for young children and a dog park. Neighborhood parks will be developed with playground equipment and tied into the community's paved trail network. Given the importance of dogs to Coloradans, a dog park can serve as a marketing element for Canyons South and a social hub for its residents.
- ✓ **Schools.** Canyons South's assigned schools will be similar to local comparables in terms of school scores, including Terrain and The Meadows. Overall, schools in Douglas County rank as some of the best in the Denver metro area. The masterplan includes two school sites, one for an elementary school and one for a middle school. These sites are located on the north and west side of the master plan. They are close to Crowfoot Valley Road and well buffered from planned residential areas. The convenient presence of schools at Canyons South will enhance marketability to families.

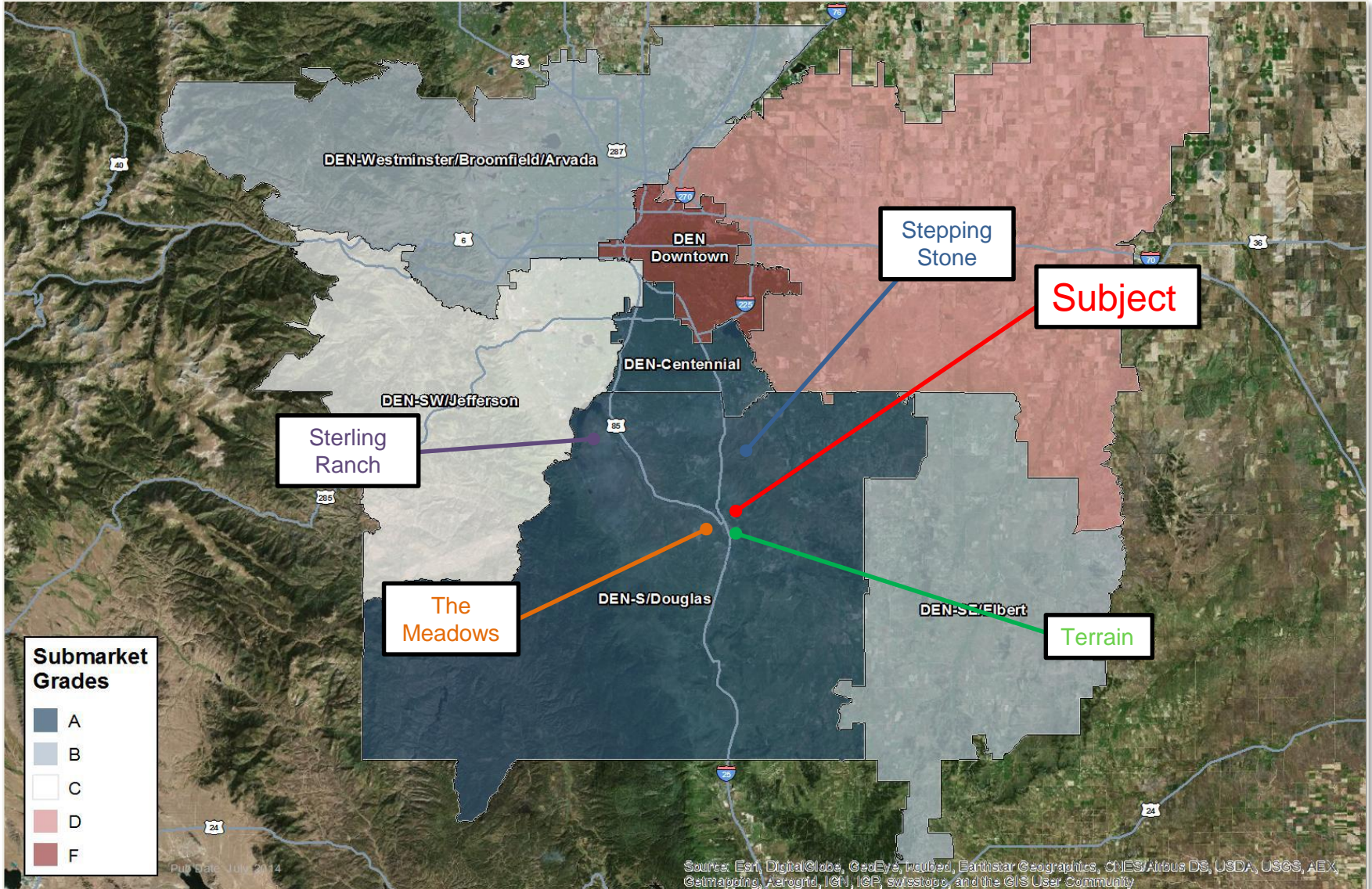
# Amenity Concepts – Clubhouse and Pool





# Denver Submarket Grading Map

Our submarket grades are intended to be used to explain to someone unfamiliar with a market where people prefer to live (e.g., approximately 20% live in A submarkets, 20% in B, etc.). Each submarket can have good and bad areas within it. The South Denver/Douglas County submarket (location of Canyons South) is rated as an A market, which ranks it with the most attractive in Denver.







## Conclusions

# Product Assumptions and Conclusions: Summary

SUBJECT		SIZE	TAX & HOA		MARCH 2020			JAN 2018		
Product	Lot Size	SF	Base	HOA	Net Total Price	Total/SF	Total Pmt.	Net Total Price	Total/SF	Total Pmt.
<b>A 50' SFD Standard (Currently Lyon)</b>		<b>5,750</b>								
Product/Density:	SFD	1,969	1.18%	\$0	\$530,000	\$269	\$2,545	\$489,000	\$248	\$2,348
Lot Dimensions	50x115	2,865	1.18%	\$0	\$575,000	\$201	\$2,762	\$530,600	\$185	\$2,548
JBREC Target Sales/Mo.	3.25									
Lot Count:	150									
<b>Totals/Averages:</b>		<b>2,417</b>			<b>\$552,500</b>	<b>\$229</b>	<b>\$2,653</b>	<b>\$509,800</b>	<b>\$211</b>	<b>\$2,448</b>
<b>B 60' SFD Standard (Currently Lyon)</b>		<b>7,500</b>								
Product/Density:	SFD	2,305	1.18%	\$0	\$570,000	\$247	\$2,738	\$525,900	\$228	\$2,526
Lot Dimensions	60x125	3,453	1.18%	\$0	\$645,000	\$187	\$3,098	\$595,100	\$172	\$2,858
JBREC Target Sales/Mo.	3.25									
Lot Count:	180									
<b>Totals/Averages:</b>		<b>2,879</b>			<b>\$607,500</b>	<b>\$211</b>	<b>\$2,918</b>	<b>\$560,500</b>	<b>\$195</b>	<b>\$2,692</b>
<b>C 60' SFD Luxury (Currently Lennar)</b>		<b>7,500</b>								
Product/Density:	SFD	2,900	1.18%	\$0	\$645,000	\$222	\$3,098	\$595,100	\$205	\$2,858
Lot Dimensions	60x125	3,875	1.18%	\$0	\$695,000	\$179	\$3,338	\$641,300	\$165	\$3,080
JBREC Target Sales/Mo.	3.00									
Lot Count:	103									
<b>Totals/Averages:</b>		<b>3,388</b>			<b>\$670,000</b>	<b>\$198</b>	<b>\$3,218</b>	<b>\$618,200</b>	<b>\$182</b>	<b>\$2,969</b>
<b>D 70' SFD Standard (Currently Lyon)</b>		<b>9,450</b>								
Product/Density:	SFD	2,113	1.18%	\$0	\$570,000	\$270	\$2,738	\$525,900	\$249	\$2,526
Lot Dimensions	70x135	3,154	1.18%	\$0	\$645,000	\$205	\$3,098	\$595,100	\$189	\$2,858
JBREC Target Sales/Mo.	2.50									
Lot Count:	100									
<b>Totals/Averages:</b>		<b>2,634</b>			<b>\$607,500</b>	<b>\$231</b>	<b>\$2,918</b>	<b>\$560,500</b>	<b>\$213</b>	<b>\$2,692</b>
<b>E 70' SFD Luxury (Currently Weekley)</b>		<b>9,450</b>								
Product/Density:	SFD	2,300	1.18%	\$0	\$639,000	\$278	\$3,069	\$589,600	\$256	\$2,832
Lot Dimensions	70x135	3,600	1.18%	\$0	\$749,000	\$208	\$3,597	\$691,200	\$192	\$3,320
JBREC Target Sales/Mo.	2.00									
Lot Count:	264									
<b>Totals/Averages:</b>		<b>2,950</b>			<b>\$694,000</b>	<b>\$235</b>	<b>\$3,333</b>	<b>\$640,400</b>	<b>\$217</b>	<b>\$3,076</b>
<b>F 80' SFD Luxury (Currently Toll)</b>		<b>11,200</b>								
Product/Density:	SFD	3,400	1.18%	\$0	\$824,000	\$242	\$3,957	\$760,400	\$224	\$3,652
Lot Dimensions	80x140	4,160	1.18%	\$0	\$864,200	\$208	\$4,150	\$797,400	\$192	\$3,830
JBREC Target Sales/Mo.	1.50									
Lot Count:	114									
<b>Totals/Averages:</b>		<b>3,780</b>			<b>\$844,100</b>	<b>\$223</b>	<b>\$4,054</b>	<b>\$778,900</b>	<b>\$206</b>	<b>\$3,741</b>
<b>G 100' SFD Luxury (Custom &amp; Spec)</b>		<b>15,000</b>								
Product/Density:	SFD	4,000	1.18%	\$0	\$1,450,000	\$363	\$6,964	\$1,338,000	\$335	\$6,426
Lot Dimensions	100x150	6,000	1.18%	\$0	\$1,550,000	\$258	\$7,444	\$1,430,200	\$238	\$6,869
JBREC Target Sales/Mo.	0.50									
Lot Count:	57									
<b>Totals/Averages:</b>		<b>5,000</b>			<b>\$1,500,000</b>	<b>\$300</b>	<b>\$7,204</b>	<b>\$1,384,100</b>	<b>\$277</b>	<b>\$6,647</b>

- William Lyon and David Weekley provided an expected range of net total home prices and plan sizes reflected in the table.
- Lennar and Toll Brothers provided expected average prices and plan sizes reflected in the table, by which JBREC estimated ranges per product.
- For 100' lots, the Developer expects to sell retail lots, with total home values averaging +/- \$1.5 million. JBREC estimated a range of custom home sizes and prices based on this expectation.

# Property Taxes and HOA Fees

1. The Subject Mill Levy of 164.232 was provided by D.A. Davidson and the Developer with the breakdown as published (grey box) on the following page.
2. Per the Douglas County Assessor's Office, an assessment percentage of 7.20% is applied to the actual home value for homes in the County to determine the assessed value.
3. To determine property tax rates, the assessed value is multiplied by the decimal equivalent of the total mill levy. This process determines the total taxes a homeowner pays.
4. JBREC's analysis reflects tax rates as a percentage of home prices for this analysis. For example:
  - A Mill Levy of 164.232 times an assessment of 7.2% equates to a tax rate of 1.18% on the actual home value.
  - Applying the calculation to a "typical" \$479,600 home at the Subject yields annual taxes of \$5,668, or 1.18% of the home price.
5. The Subject's property tax rate of 1.18% is consistent with the competitive market. Projects we surveyed had rates ranging from 1.00% to 1.26%, with an average of 1.11% and a median of 1.10%.
6. **The Developer reports that District fees paid by homeowners at Canyons South will be sufficient to fund the operation and maintenance of amenities in Canyons South without supplementary HOA fees. Per the Developer, this analysis does not model any HOA fees for the Subject.**
  - The Developer reports that if HOA fees are charged in the future, the District tax rate could be lower, which would not result in material changes to total monthly payments.
  - Changes in total HOA fees and/or District tax rates that result in material changes to monthly payments will impact the results of JBREC's analysis.

Per the Developer and D.A. Davidson the following represents the mill levy and property tax calculation for the Subject.



### Example for Residential Property:

The actual value of Mr. Brown's home is \$400,000. The Notice of Valuation shows the current assessment percentage is 7.20 percent.

$$\text{Actual Value} \times \text{Assessment Percentage} = \text{Assessed Value}$$

$$\text{\$ 400,000 Actual Value} \times \text{7.20\% Assessment Percentage} = \text{\$ 28,800 Assessed Value}$$

To determine the property tax, multiply the **assessed value** times the **decimal equivalent of the total mill levy**. A mill is equal to 1/1000 of a dollar. A tax rate is the mill levy expressed as a percentage. Thus 98.42 mills = 9.842 percent or .09842 as the decimal equivalent.

If Mr. Brown's assessed value is \$28,800, his taxes will be:

$$\text{Assessed Value} \times \text{Mill Levy} = \text{Taxes}$$

$$\text{\$ 28,800 Assessed Value} \times \text{.09842 Mill Levy} = \text{\$ 2,834.50 Taxes}$$

### Subject Mill Levy

Taxing Entity <sup>(1)</sup>	Mill Levy <sup>(2)</sup>
Douglas County School District Re-1	38.996
Douglas County	19.774
Castle Rock Fire Protection District	11.490
Douglas County Law Enforcement Authority	4.500
Douglas County Libraries	4.021
Cherry Creek Basin Water Quality Authority	0.453
Cedar Hill Cemetery Association	0.148
<b>Total Overlapping Sample Mill Levy</b>	<b>79.382</b>
The District	<u>84.850</u>
<b>Total Sample Mill Levy</b>	<b>164.232</b>

### Subject Property Tax Calculation

$$\text{Mill Levy} = 164.232/1,000 = 0.164232$$

$$\text{Assessment Percentage} = 0.072$$

$$\text{Tax Rate on Actual Home Value} = 0.164232 \times 0.072 = 0.0118 = 1.18\%$$

$$\text{House Value} = \text{\$479,600 (Actual)}$$

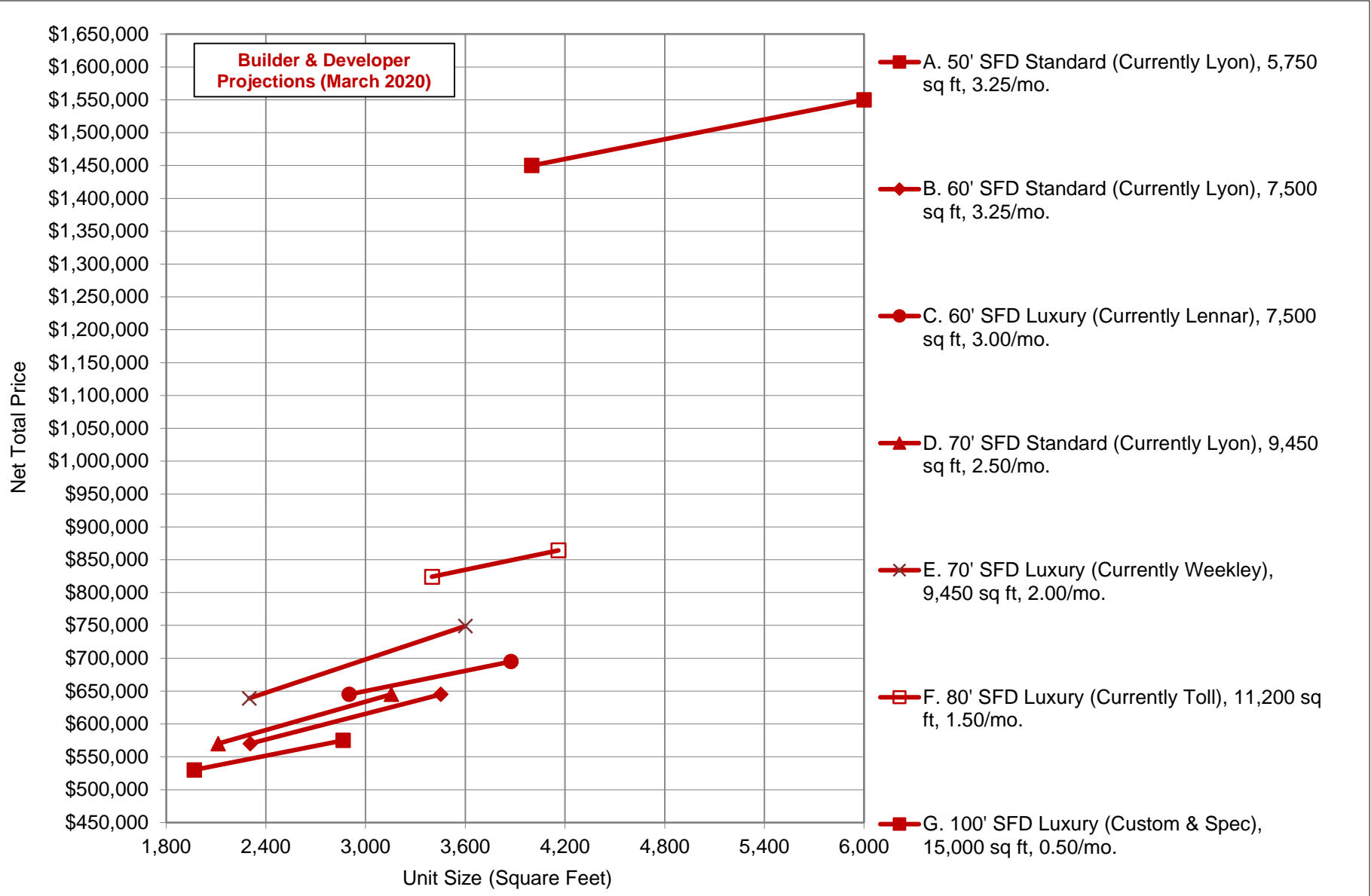
$$\text{Assessment Percentage} = 7.2\%$$

$$\text{Assessed Value} = \text{\$34,513}$$

$$\text{\$34,514 Assed Value} \times 0.164232 = \text{\$5,668}$$

$$\text{\$5,668/\$479,600} = 1.18\%$$

# Builder Assumptions: Net Total Prices as of March 2020



Source: John Burns Real Estate Consulting, Community Sales Offices; Absorption = Historical/3 Month

# Total Price Summary

The following summarizes JBREC's assumptions for prices by product type for the Canyons South master plan.

HOME SALES START: MARCH 2020	INVENTORY		LOT SIZE	LIVING AREA		MARCH 2020 PRICING			JAN 2018 PRICING		
Canyons South	MIX	%	Avg. Lot Size	Range	Avg. Square Feet	Net Total	Net Total / Sq.Ft.	Monthly Payment	Net Total	Net Total / Sq.Ft.	Monthly Payment
50' SFD Standard (Currently Lyon)	150	15%	5,750	1,969 - 2,865	2,417	\$552,500	\$229	\$2,653	\$509,800	\$211	\$2,448
60' SFD Standard (Currently Lyon)	180	19%	7,500	2,305 - 3,453	2,879	\$607,500	\$211	\$2,918	\$560,500	\$195	\$2,692
60' SFD Luxury (Currently Lennar)	103	11%	7,500	2,900 - 3,875	3,388	\$670,000	\$198	\$3,218	\$618,200	\$182	\$2,969
70' SFD Standard (Currently Lyon)	100	10%	9,450	2,113 - 3,154	2,634	\$607,500	\$231	\$2,918	\$560,500	\$213	\$2,692
70' SFD Luxury (Currently Weekley)	264	27%	9,450	2,300 - 3,600	2,950	\$694,000	\$235	\$3,333	\$640,400	\$217	\$3,076
80' SFD Luxury (Currently Toll)	114	12%	11,200	3,400 - 4,160	3,780	\$844,100	\$223	\$4,054	\$778,900	\$206	\$3,741
100' SFD Luxury (Custom & Spec)	57	6%	15,000	4,000 - 6,000	5,000	\$1,500,000	\$300	\$7,204	\$1,384,100	\$277	\$6,647
<b>Total or Weighted Average:</b>	<b>968</b>	<b>100%</b>	<b>8,839</b>		<b>3,087</b>	<b>\$709,600</b>	<b>\$228</b>	<b>\$3,408</b>	<b>\$654,800</b>	<b>\$210</b>	<b>\$3,145</b>

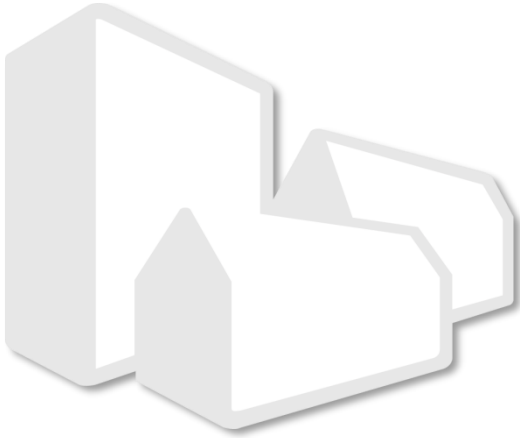
- In reality, not all products will sell concurrently. The distribution of product is likely to be different at any point in time and this distribution will impact the overall weighted price.
- Home prices and lot prices shown are representative, based on the mid-point pricing of the assumed product range. Actual prices will likely vary.

In Denver, new homes are commonly built and sold with basements. The basements tend to be below grade and are typically offered as “unfinished” by the builder. **Home size (square feet) quoted by most builders does not include basement space.** Those same assumptions hold true for JBREC’s assumptions with regard to unit sizes in the Denver market:

- Home sizes (square feet) are indicative of finished, heated space above grade.
- Most builders in the Denver market will offer an *unfinished* basement as standard with their home. Most builders in the Denver market do not offer *finished* basements as standard.
- Builders may finish basements at the buyer’s request as an “option.” In conducting our research for purposes of this analysis, JBREC inquired at each competitive project as to whether or not (1) an unfinished basement was included as standard (2) the builder would, as an option, offer a finished basement
- In instances where the builder would finish the basement, we surveyed that builder for what the typical cost (to the buyer) would be and how common it was for homebuyers to select a finished basement.
- In instances where homebuyers commonly exercised the option to finish the basements, the quoted price to finish was included as “option” revenue for that same project. Even in instances where basements were finished, JBREC’s comparables table does not adjust the size of the house for a finished basement.

This analysis assumes that builders in the Subject property will include an unfinished basement as standard with each home. The unfinished basement included in this assumption is not part of the quoted square footage of the homes.

- It is reasonable to assume that a portion of the option and upgrade revenues that each builder can expect at the Subject is part of the quoted “option and upgrade” revenue in this report. We anticipate that about half of all buyers select a finished basement as an upgrade.
- It is reasonable to target revenues of \$30 to \$50 per square foot (and sometimes more to finish a basement). As an example a 2,500 square foot home might include a 1,000 to 1,200 square foot basement. Finishing costs might be \$30,000 to \$50,000 for those basements. The price to finish a basement will of course, vary based on the quality of the finishes selected.



## Product Positioning



# Positioning within the Competitive Market

The following exhibits display JBREC’s assumed price positioning for Canyons South. The charts compare Subject product lines against the competitive market. The Developer reported that builder prices for were as of project opening in March 2020. The date of the market survey for this analysis is January 2018. JBREC expects that between January 2018 and March 2020, the new home market in the Denver MSA (and the Subject) will appreciate by 8.2%. To provide an appropriate comparison of the Subject product lines (anticipated pricing) to the competitive market (January 2018), JBREC adjusted the Subject Builders’ prices downward by this appreciation factor.

The Subject can support an array of product segments for a wide range of household types. JBREC believes that the community can compete well in the greater Denver market.

- The site offers good proximity to high-paying jobs, in the Denver Tech Center and elsewhere (such as the Lockheed campus).
- The site offers good proximity to local services in Castle Rock and recreational opportunities such as Rueter-Hess Reservoir.
- Local demographics are weighted toward upper-income households. The median household income is \$102,800 within a five-mile radius of the Subject.
- The site is large and plans include preserving a substantial amount of open space, offering larger lots than typical for competitive communities, and positioning many of these lots as single-loaded on open space.

Canyons South will compete with large new masterplans in South Denver, including Terrain in Castle Rock, Stepping Stone in Parker, and Sterling Ranch in Littleton. All three of these communities are underway selling new homes that are similar to expected Subject product lines.

In the following pages, JBREC presents positioning comparisons for new homes at Canyons South that focus on:

1. Products priced relative to competitive projects;
2. Products priced relative to each other; and
3. Products priced with a reasonable target absorption pace.

Total prices are a function of base prices, options spending, and lot premiums, less incentives. For competitive projects, options spending averages about 9.0% of base prices; premiums average about 3.0% of base prices; and incentives average about 2.0% of base prices. JBREC anticipates the Subject can achieve similar averages.

# Positioning within the Competitive Market

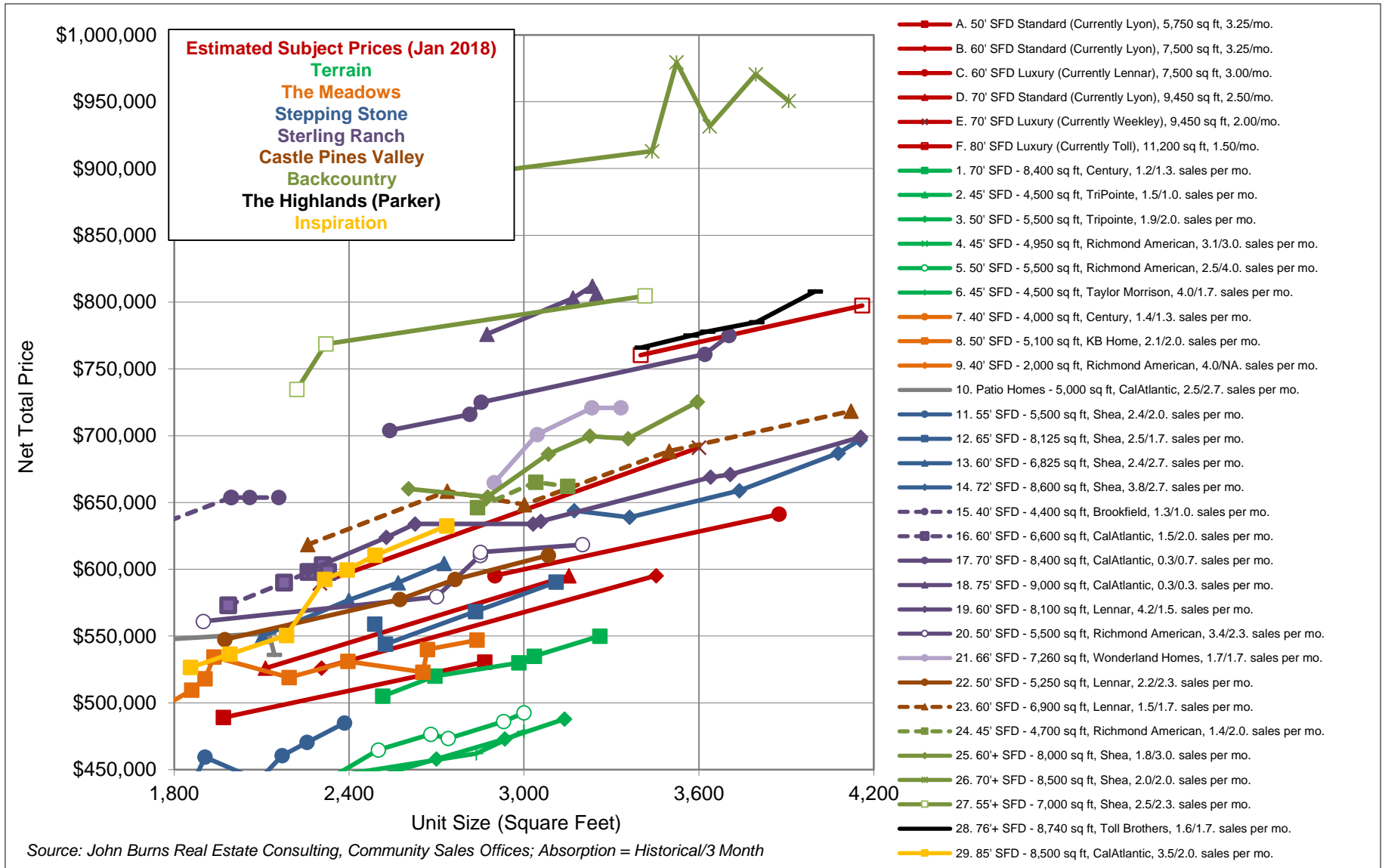
Subject product lines within Canyons South are generally positioned as follows:

- **Relative to Terrain.** Subject pricing is about 10% above Terrain. We evaluated new home pricing and location premiums for the Subject area versus Terrain, as well as surveyed regional real estate executives. The Subject's location and access points are superior. Canyons South can offer superior amenities to Terrain in its recreation center, trail network, and parks. The Subject's topography provides superior view settings. We anticipate additional pricing premiums to Canyons South's larger lots.
- **Relative to Stepping Stone.** We evaluated new home pricing for the Subject area versus Stepping Stone, as well as surveyed regional real estate executives, who indicated that Stepping Stone has a small locational advantage (further north). After adjusting for location and including the Subject's larger lot sizes, product lines in these two communities would be priced competitively with one another.
- **Relative to Sterling Ranch.** Price positioning is about 10% lower than Sterling Ranch. We evaluated new home pricing by area, homebuilder offerings, and surveyed regional real estate executives. Sterling Ranch's location close to Highlands Ranch with views of the Front Range is superior to the Subject's location. Larger lots at Canyons South narrows this locational difference. However, JBREC also considers sales pace, and the majority of actively selling product lines in Sterling Ranch are selling at a pace of less than 2.0 sales per month. Our pricing estimates are also below Sterling Ranch to support an absorption pace that is higher than this masterplan.

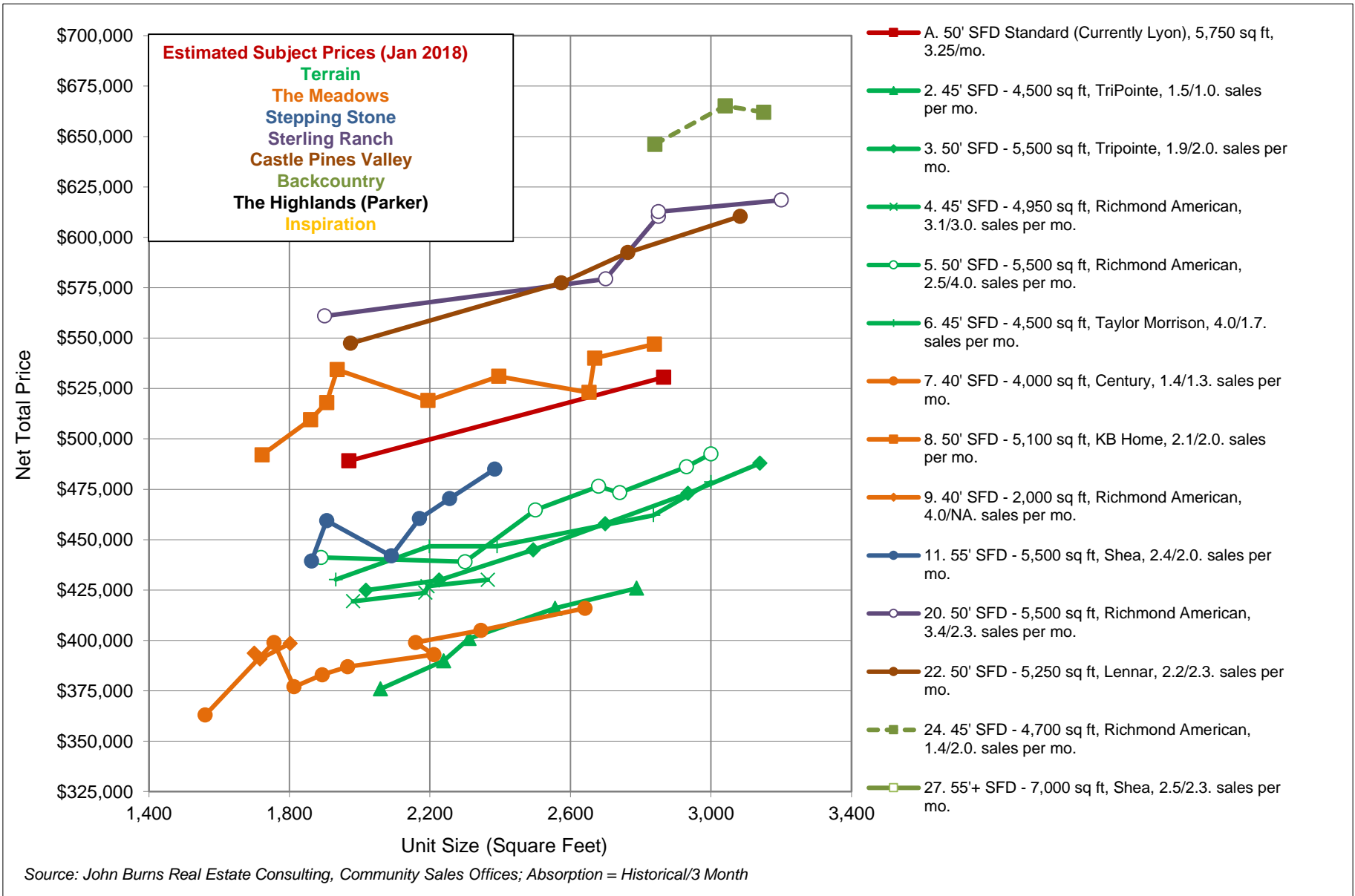
JBREC recognizes that the Developer is very well respected in Denver. This sense of trust among new home buyers can enhance pricing and/or absorption. The Developer's brand can provide early momentum to sales within the masterplan when the project is still in its infancy.

# Net Total Price Positioning: Builder Products as of January 2018

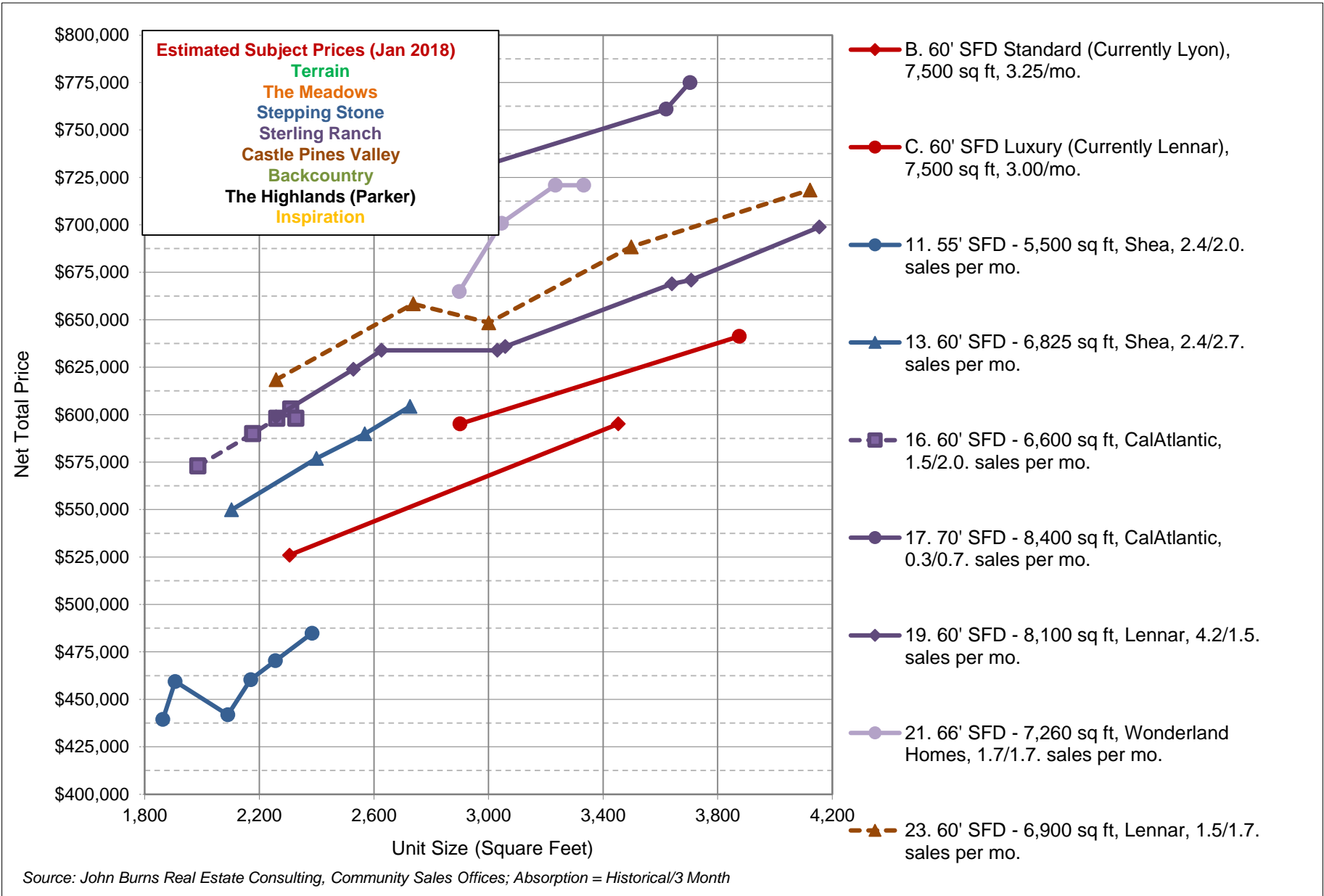
The chart demonstrates the Subject's builder pricing relative to the competitive market. The Developer plans to sell 100' lots to individuals and spec builders. The Subject's 100' lots are excluded from this chart.



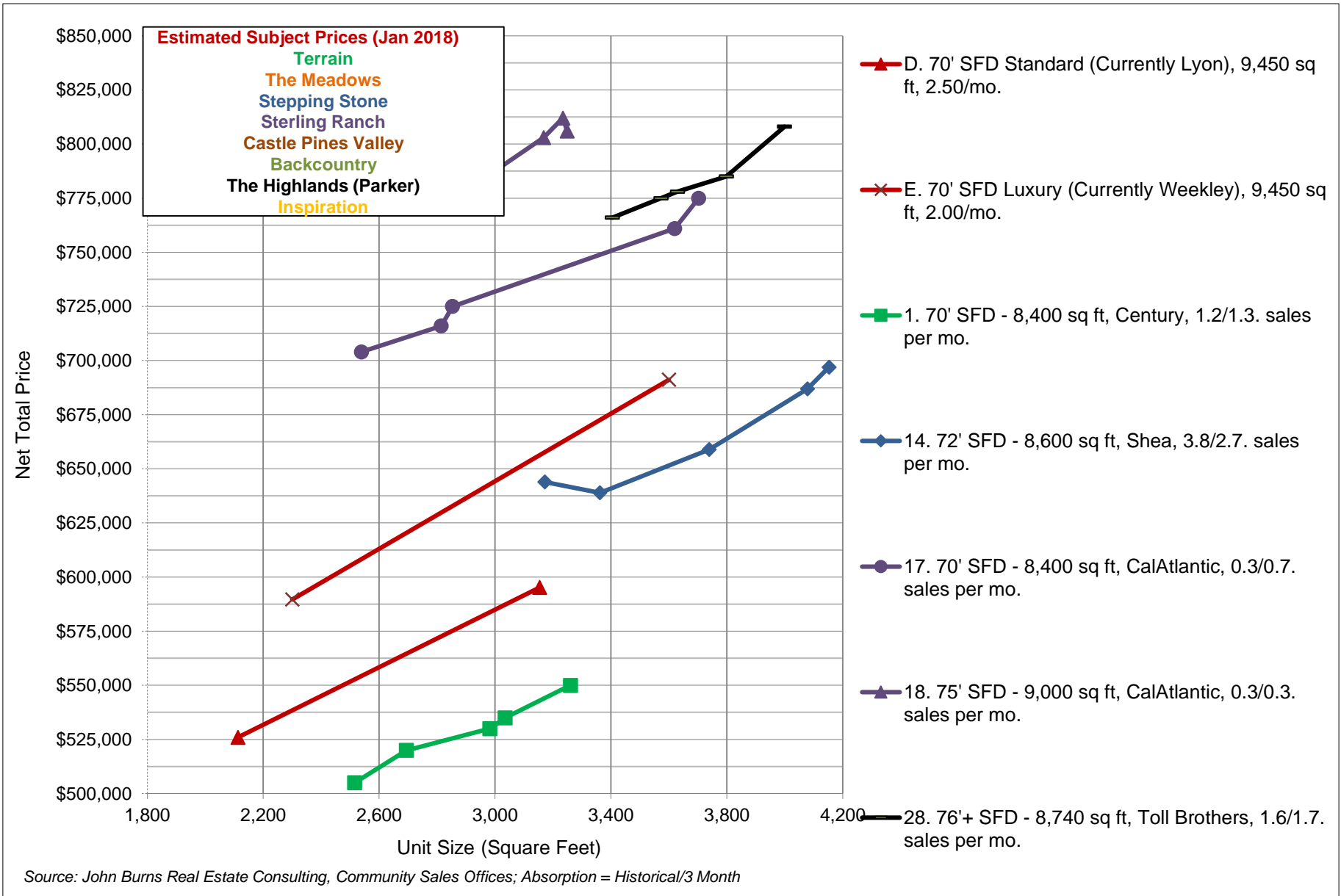
# Net Total Price Positioning: 50' Subject Products (Jan. 2018)



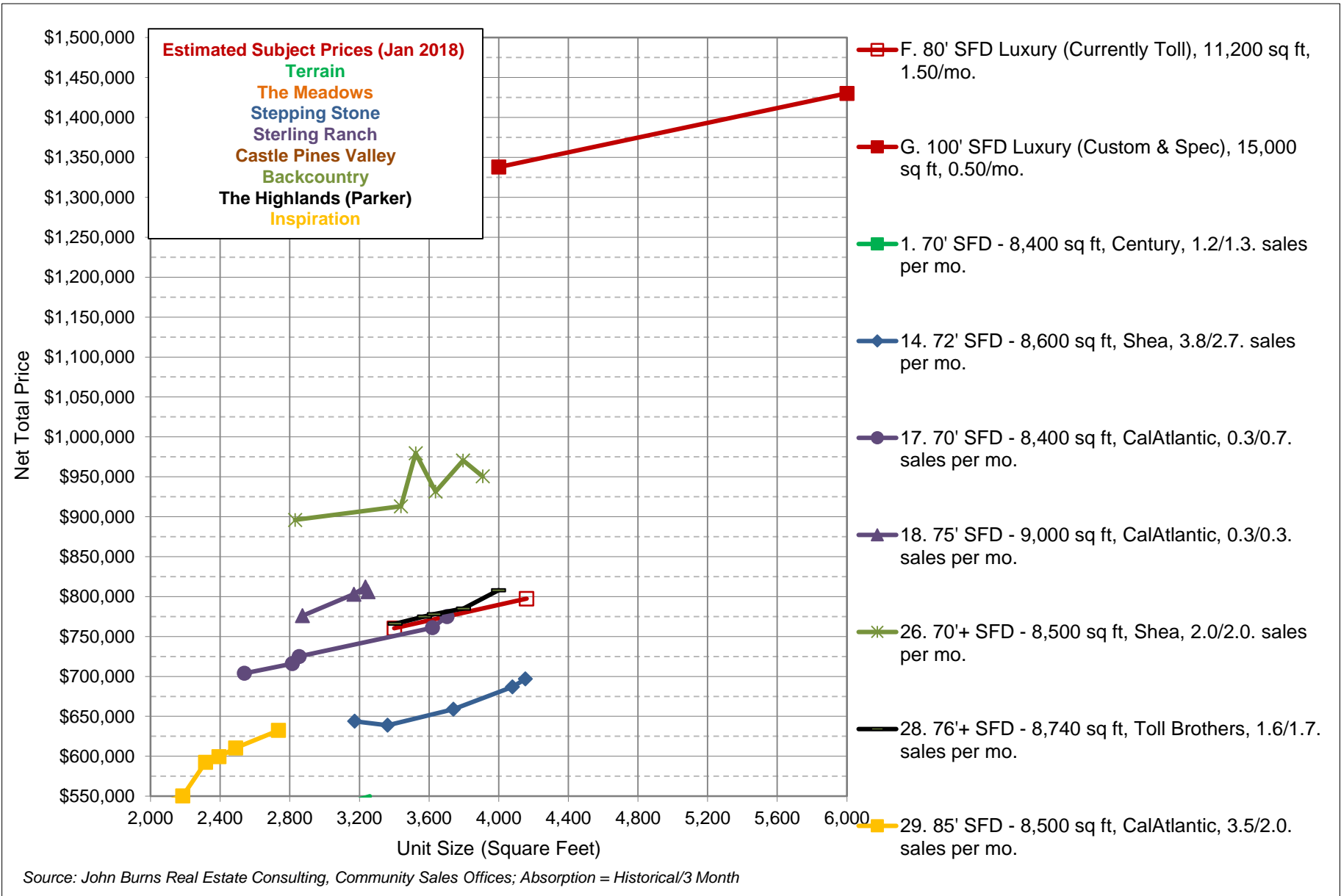
# Total Price Positioning: 60' Subject Products (Jan. 2018)



# Total Price Positioning: 70' Subject Products (Jan. 2018)



# Total Price Positioning: 80' and 100' Subject Products (Jan. 2018)



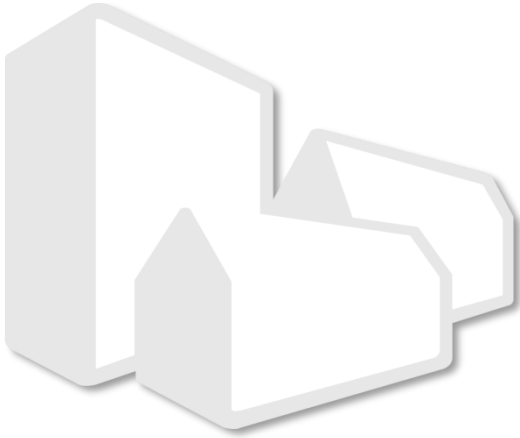
# Summary of Key Comparables

JBREC surveyed actively selling new home communities in the following master plans to evaluate pricing assumptions and reasonable sale paces for Canyons South. The following summarizes key results from our survey in January 2018. Detail regarding surveyed master plans including plan-by-plan pricing is presented in Appendix B of this analysis.

#	MPC	Competitor	Builder	Units	PRODUCT				PRICE								PRICE/SF		Payment		Pace	
					Dimensions	Avg. Square Feet	Low Sq.Ft.	High Sq.Ft.	Base	Incentive	% Incentive	Options	% Options	Premiums	% Premiums	Net Total	Base	Total	Monthly	L3M	Overall	
1	Terrain	70' SFD	Century	67	70' x 120'	2,897	2,515	3,260	\$487,950	(\$15,000)	-3.1%	\$25,000	5.1%	\$30,000	6.1%	\$527,950	\$163	\$182	\$2,517	1.3	1.2	
2	Terrain	45' SFD	TriPointe	157	45' x 100'	2,391	2,059	2,788	\$391,700	(\$5,000)	-1.3%	\$10,000	2.6%	\$5,000	1.3%	\$401,700	\$162	\$168	\$1,930	1.0	1.5	
3	Terrain	50' SFD	Tripointe	100	50' x 110'	2,585	2,018	3,139	\$428,067	(\$5,000)	-1.2%	\$20,000	4.7%	\$10,000	2.3%	\$453,067	\$164	\$175	\$2,169	2.0	1.9	
4	Terrain	45' SFD	Richmond American	75	45' x 110'	2,182	1,981	2,365	\$390,200	(\$11,706)	-3.0%	\$39,020	10.0%	\$7,500	1.9%	\$425,014	\$174	\$195	\$2,038	3.0	3.1	
5	Terrain	50' SFD	Richmond American	60	50' x 110'	2,577	1,890	3,000	\$427,664	(\$12,830)	-3.0%	\$42,766	10.0%	\$10,000	2.3%	\$467,601	\$161	\$181	\$2,237	4.0	2.5	
6	Terrain	45' SFD	Taylor Morrison	101	45' x 100'	2,471	1,932	3,000	\$412,590	(\$7,000)	-1.7%	\$41,259	10.0%	\$6,000	1.5%	\$452,849	\$164	\$183	\$2,168	1.7	4.0	
7	The Meadows	40' SFD	Century	98	40' x 100'	2,038	1,560	2,641	\$371,283	(\$10,000)	-2.7%	\$15,000	4.0%	\$15,000	4.0%	\$391,283	\$177	\$192	\$1,889	1.3	1.4	
8	The Meadows	50' SFD	KB Home	160	50' x 110'	2,242	1,722	2,839	\$449,755	\$0	0.0%	\$60,000	13.3%	\$14,000	3.1%	\$523,755	\$201	\$234	\$2,505	2.0	2.1	
9	The Meadows	40' SFD	Richmond American	149	40' x 50'	1,739	1,700	1,802	\$393,617	(\$26,809)	-6.8%	\$22,500	5.7%	\$5,000	1.3%	\$394,308	\$211	\$227	\$1,935	NA	4.0	
10	The Meadows	Patio Homes	CalAtlantic	69	50' x 100'	1,994	1,714	2,144	\$572,461	(\$42,500)	-7.4%	\$0	0.0%	\$15,000	2.6%	\$544,961	\$266	\$273	\$2,759	2.7	2.5	
11	Stepping Stone	55' SFD	Shea	192	55' x 100'	2,112	1,863	2,384	\$429,400	(\$5,000)	-1.2%	\$30,000	7.0%	\$5,000	1.2%	\$459,400	\$201	\$218	\$2,342	2.0	2.4	
12	Stepping Stone	65' SFD	Shea	138	65' x 125'	2,739	2,488	3,110	\$512,900	(\$5,000)	-1.0%	\$40,000	7.8%	\$17,500	3.4%	\$565,400	\$185	\$206	\$2,853	1.7	2.5	
13	Stepping Stone	60' SFD	Shea	60	60' x 105'	2,449	2,103	2,726	\$520,275	(\$5,000)	-1.0%	\$55,000	10.6%	\$10,000	1.9%	\$580,275	\$210	\$237	\$2,925	2.7	2.4	
14	Stepping Stone	72' SFD	Shea	119	72' x 119'	3,701	3,172	4,153	\$608,100	(\$5,000)	-0.8%	\$50,000	8.2%	\$12,000	2.0%	\$665,100	\$163	\$180	\$3,333	2.7	3.8	
15	Sterling Ranch	40' SFD	Brookfield	22	40' x 110'	1,999	1,786	2,159	\$524,680	(\$3,500)	-0.7%	\$11,000	2.1%	\$16,200	3.1%	\$650,304	\$261	\$325	\$3,134	1.0	1.3	
16	Sterling Ranch	60' SFD	CalAtlantic	60	60' x 110'	2,212	1,986	2,328	\$563,390	(\$35,000)	-6.2%	\$64,000	11.4%	\$0	0.0%	\$592,390	\$239	\$268	\$2,855	2.0	1.5	
17	Sterling Ranch	70' SFD	CalAtlantic	6	70' x 120'	3,106	2,539	3,703	\$666,190	(\$35,000)	-5.3%	\$90,000	13.5%	\$15,000	2.3%	\$736,190	\$203	\$237	\$3,548	0.7	0.3	
18	Sterling Ranch	75' SFD	CalAtlantic	9	75' x 120'	3,131	2,873	3,249	\$714,240	(\$35,000)	-4.9%	\$100,000	14.0%	\$20,000	2.8%	\$799,240	\$217	\$255	\$3,852	0.3	0.3	
19	Sterling Ranch	60' SFD	Lennar	41	60' x 135'	3,125	2,258	4,155	\$620,650	(\$5,000)	-0.8%	\$20,000	3.2%	\$10,000	1.6%	\$645,650	\$197	\$207	\$3,112	1.5	4.2	
20	Sterling Ranch	50' SFD	Richmond American	148	50' x 110'	2,700	1,900	3,200	\$530,750	(\$35,000)	-6.6%	\$79,613	15.0%	\$21,000	4.0%	\$596,363	\$184	\$221	\$2,874	2.3	3.4	
21	Sterling Ranch	66' SFD	Wonderland Homes	39	66' x 110'	3,127	2,898	3,332	\$634,900	(\$3,000)	-0.5%	\$55,000	8.7%	\$15,000	2.4%	\$701,900	\$202	\$224	\$3,383	1.7	1.7	
22	Castle Pines Valley	50' SFD	Lennar	94	50' X 105'	2,599	1,974	3,083	\$569,400	(\$5,000)	-0.9%	\$12,500	2.2%	\$5,000	0.9%	\$581,900	\$217	\$224	\$2,833	2.3	2.2	
23	Castle Pines Valley	60' SFD	Lennar	81	60' x 115'	3,123	2,258	4,122	\$632,900	(\$5,000)	-0.8%	\$28,500	4.5%	\$10,000	1.6%	\$666,400	\$201	\$213	\$3,245	1.7	1.5	
24	Backcountry	45' SFD	Richmond American	54	45' X 105'	3,010	2,840	3,150	\$596,950	(\$17,909)	-3.0%	\$53,726	9.0%	\$25,000	4.2%	\$657,767	\$192	\$219	\$3,413	2.0	1.4	
25	Backcountry	60+ SFD	Shea	120	8,000	3,123	2,604	3,594	\$617,200	(\$10,000)	-1.6%	\$50,000	8.1%	\$30,000	4.9%	\$687,200	\$194	\$220	\$3,553	3.0	1.8	
26	Backcountry	70+ SFD	Shea	30	8,500	3,522	2,830	3,908	\$740,167	(\$10,000)	-1.4%	\$150,000	20.3%	\$60,000	8.1%	\$940,167	\$207	\$267	\$4,751	2.0	2.0	
27	Backcountry	55+ SFD	Shea	90	7,000	2,652	2,221	3,415	\$611,933	(\$10,000)	-1.6%	\$122,387	20.0%	\$45,000	7.4%	\$769,320	\$227	\$290	\$4,230	2.3	2.5	
28	The Highlands	76+ SFD	Toll Brothers	54	76' X 115'	3,759	3,405	3,999	\$594,495	\$0	0.0%	\$125,000	21.0%	\$65,000	10.9%	\$784,495	\$158	\$209	\$3,830	1.7	0.0	
29	Inspiration	85' SFD	CalAtlantic	110	85' x 100'	2,281	1,856	2,735	\$485,832	(\$7,500)	-1.5%	\$75,000	15.4%	\$25,000	5.1%	\$578,332	\$210	\$254	\$2,801	2.0	3.5	
<b>Competition Average</b>						<b>2,675</b>	<b>2,239</b>	<b>3,086</b>	<b>\$534,470</b>	<b>(\$12,854)</b>	<b>-2.4%</b>	<b>\$51,285</b>	<b>9.2%</b>	<b>\$18,076</b>	<b>3.2%</b>	<b>\$594,492</b>	<b>\$197</b>	<b>\$224</b>	<b>\$2,931</b>	<b>1.9</b>	<b>2.2</b>	
<b>Competition Median</b>						<b>2,599</b>	<b>2,059</b>	<b>3,110</b>	<b>\$530,750</b>	<b>(\$7,500)</b>	<b>-1.5%</b>	<b>\$42,766</b>	<b>8.7%</b>	<b>\$15,000</b>	<b>2.4%</b>	<b>\$581,900</b>	<b>\$201</b>	<b>\$220</b>	<b>\$2,855</b>	<b>2.0</b>	<b>2.1</b>	







## Douglas County Future Supply

# Competitive Lot Supply (Douglas County)

- **When Canyons South’s home sales start in March 2020, our research indicates most existing competition in key master plans will be built-out or close to built-out.** The table summarizes key master planned communities in the competitive market area (CMA), the total number of homes in those master plans, and the number of units remaining as of 1/4/18. Per this analysis, there is 2.0 to 2.7 years of supply in key master planned communities including Terrain, Stepping Stone, and The Meadows. Additional longer term supply is likely to be available within master plans such as Sterling Ranch and Inspiration, but these communities represent less relevant competitive supply. Sterling Ranch is included in this report as a point of reference for price and segmentation, but JBREC considers this master plan to be less of a true “competitor” for Canyons South. Our research indicates the South Douglas County and Castle Rock buyers are loyal to this area and that the buyer profile in Sterling Ranch is different.
- **Builders and brokers we surveyed indicate a strong demand or interest for finished lots in the competitive market.** Homebuilders in the local market recognize the aforementioned potential supply constraints in the CMA and also recognize that the Developer is one of only three local entities (Newland and Sterling Ranch Development are the others) willing to deliver finished lots on a consistent basis, a factor that we expect enhances the opportunity for the Developer at Canyons South.
- **We identified four key master plans proposed for the CMA.** These include Canyons South as well as Canyons North (currently controlled by Shea Homes), Lagae Ranch, and Hess Ranch. Lagae Ranch is the smallest (just 231 lots) and our research indicates most if not all of these lots are already committed to homebuilders. It is unclear as to whether Shea Homes will make future lots available to other production homebuilders. These three communities combine for a total of 6,188 units, meaning that the 968 lots the Developer would control at Canyons South represents about 16% of future inventory in the local market.

<b>DOUGLAS COUNTY, CO</b>					
Source: Douglas County Department of Community Development, JBREC. (as of 1/4/2018)					
<b>MASTERPLAN</b>	<b>POTENTIAL SFD LOTS</b>	<b>HOMES SOLD</b>	<b>REMAINING SFD LOTS</b>	<b>AVG. HOME SALES PER YEAR</b>	<b>ANNUAL SUPPLY</b>
<b>Under Development</b>					
The Meadows <sup>1</sup>	6,360	5,731	629	231	2.7
Terrain <sup>2</sup>	655	392	263	131	2.0
Stepping Stone <sup>3</sup>	900	607	293	133	2.2
Sterling Ranch (Near Term) <sup>4</sup>	2,160	97	2,063	325	6.3
<b>Totals/Averages</b>	<b>10,075</b>	<b>6,827</b>	<b>3,248</b>	<b>820</b>	<b>4.0</b>
<b>Proposed</b>					
Subject - Canyons South <sup>5</sup>	968	0	968	-	-
Canyons North <sup>6</sup>	2,500	0	2,500	-	-
Lagae Ranch <sup>7</sup>	231	0	231	-	-
Hess Ranch <sup>8</sup>	2,489	0	2,489	-	-
<b>Totals/Averages</b>	<b>6,188</b>	<b>0</b>	<b>6,188</b>	<b>-</b>	<b>-</b>

The following footnotes relate to the lot supply table on the previous page.

- 1/ The Meadows: 6,360 platted SFD lots as of 1/1/17 (most recent data available); could include up to 10,800 residential units
- 2/ Terrain: Included 1,300 remaining residential units as of 1/1/15. Remainder proposed for 300 apartments, 345 age-restricted, and 655 SFD lots
- 3/ Stepping Stone: Average home sales per year consistent with 2017; includes one builder (Shea Homes)
- 4/ Sterling Ranch: 784 lots in first filing and 1,376 lots in new filings; up to 12,050 residential units at build-out
- 5/ Canyons South: 968 single-family detached homesites
- 6/ Canyons North: Up to 2,500 residential units, lot development to start in 2018 and first homes to be complete in 2019
- 7/ Lagae Ranch: May be entitled for up to 400 multi-family, 231 SFD
- 8/ Hess Ranch: Zoning for up to 2,489 residential units

# Douglas County Future Supply – Incorporated Areas

The table highlights remaining supply in the incorporated portions of Douglas County. Castle Rock is highlighted as the most relevant to the Subject. While the Subject is not technically within incorporated Castle Rock (it is in the “Non-Urban” portion of Douglas County immediately to the east), Canyons South is well within Castle Rock’s sphere of influence. The key competitive master plans referenced in this analysis including The Meadows and Terrain are within incorporated Castle Rock. Based on the calculations shown below, incorporated Castle Rock includes about 3.9 years of lot supply (assuming the number of single family building permits issued over the last 12 months represented a reasonable proxy for activity there). More than half of this existing supply will be built-out by the time Canyons South comes to market.

<b>DOUGLAS COUNTY, CO - SINGLE FAMILY DETACHED RESIDENTIAL LOTS</b>					
CURRENT AS OF 12-1-2017					
Source: Douglas County Department of Community Development.					
<b>DOUGLAS COUNTY SINGLE-FAMILY INCORPORATED</b>	<b>PLATTED LOTS 12/1/17</b>	<b>BUILT HOUSING UNITS 12/1/17</b>	<b>EST. REMAINING PLATTED LOTS</b>	<b>L12M BUILDING PERMITS</b>	<b>ANNUAL SUPPLY</b>
<b>Incorporated Areas</b>					
Castle Rock	20,107	17,198	2,909	738	3.9
Aurora	1,051	471	580	208	2.8
Castle Pines	3,456	3,075	381	40	9.5
Larkspur	52	51	1	1	1.0
Littleton	0	0	0	0	0.0
Lone Tree	2,932	2,858	74	21	3.5
Parker	15,468	14,066	1,402	348	4.0
<b>Incorporated Totals/Averages</b>	<b>43,066</b>	<b>37,719</b>	<b>5,347</b>	<b>1,356</b>	<b>3.9</b>

The Douglas County Department of Community Development defines a “platted lot” as approved with the plat recorded with the Clerk & Recorder.

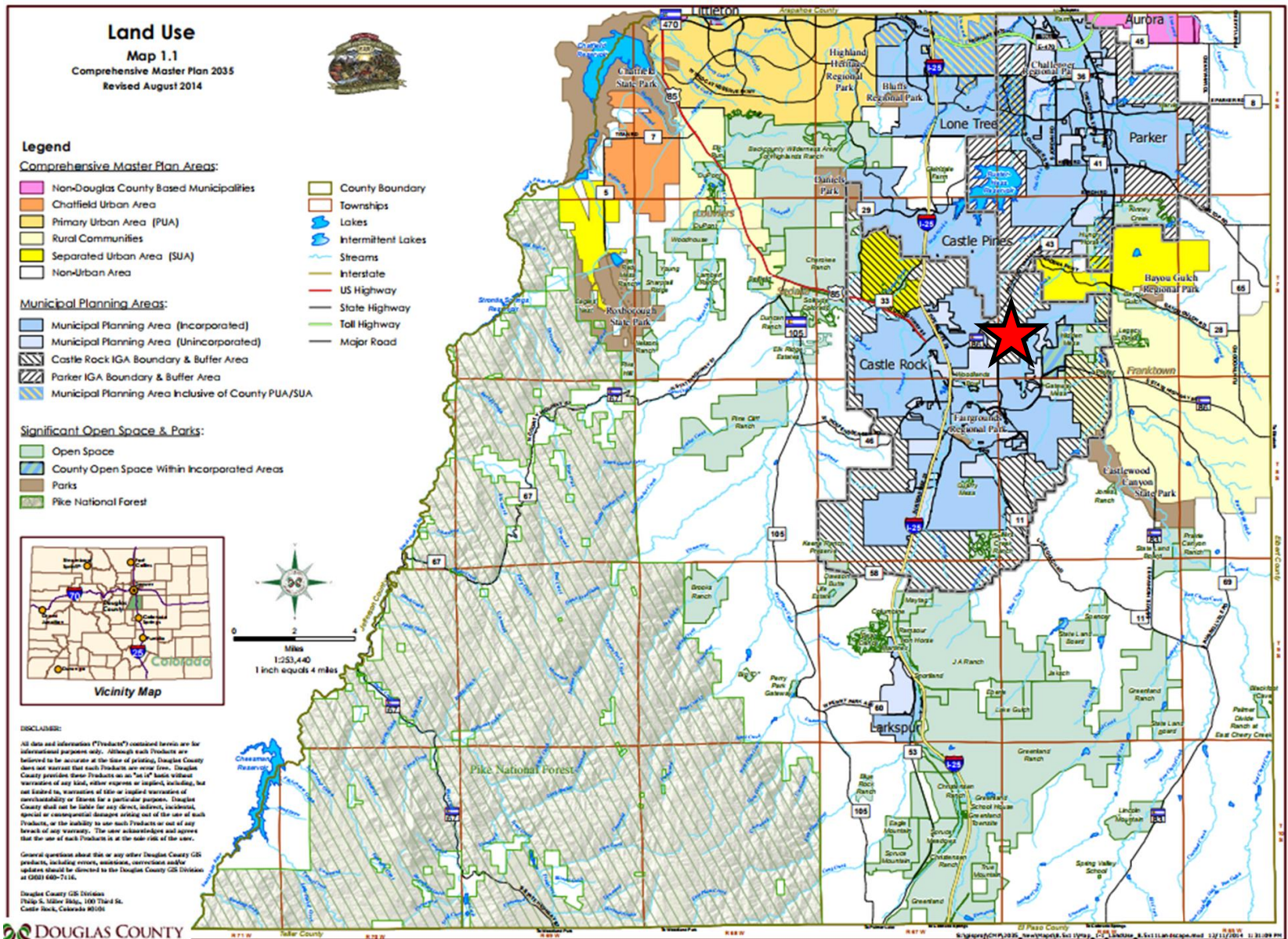
Canyons South is the largest new project in Non-Urban Douglas County. The Unincorporated Non-Urban area of Douglas County contains about 2,713 platted lots including 425 currently platted lots in Canyons South (another 543 Subject lots are zoned but not platted). Per Douglas County, remaining Non-Urban platted lots are primarily within plats of fewer than 125 lots, typically including 2 to 60 lots. These plats collectively represent substantial supply, but do not represent significant opportunities for production homebuilders looking for a consistent supply of lots in this market and with the benefits of being in a master planned community.

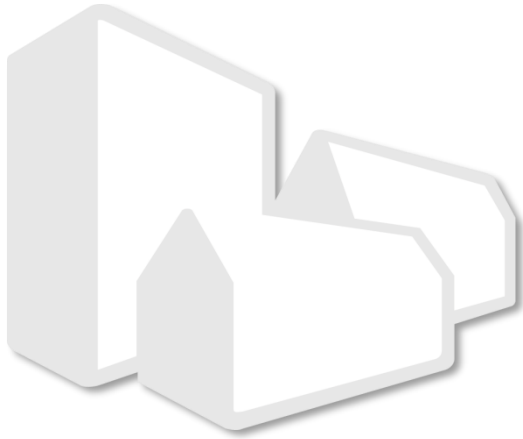
<b>DOUGLAS COUNTY, CO - SINGLE FAMILY DETACHED RESIDENTIAL LOTS</b>					
CURRENT AS OF 12-1-2017					
Source: Douglas County Department of Community Development.					
<b>DOUGLAS COUNTY SINGLE-FAMILY UNINCORPORATED</b>	<b>PLATTED LOTS 12/1/17</b>	<b>BUILT HOUSING UNITS 12/1/17</b>	<b>EST. REMAINING PLATTED LOTS</b>	<b>L12M BUILDING PERMITS</b>	<b>ANNUAL SUPPLY</b>
<b>Unincorporated Areas</b>					
Non-Urban (includes 425 lots in Canyons South)	11,630	8,917	2,713	144	18.8
Primary Urban Area (includes Highlands Ranch)	33,094	32,211	883	523	1.7
Castle Pines Separated Urban Area	1,641	1,479	162	18	9.0
Pinery Separated Urban Area	4,525	4,126	399	16	24.9
Roxborough Separated Urban Area	3,563	3,277	286	18	15.9
Castle Rock Municipal Planning Area	263	236	27	0	0.0
Parker Municipal Planning Area	4,515	4,064	451	39	11.6
Chatfield Urban Area (includes Sterling Ranch)	779	28	751	180	4.2
<b>Unincorporated Totals/Averages</b>	<b>60,010</b>	<b>54,338</b>	<b>5,672</b>	<b>938</b>	<b>6.0</b>

The Douglas County Department of Community Development defines a “platted lot” as approved with the plat recorded with the Clerk & Recorder. Estimates of platted lots in unincorporated areas provided by Douglas County exclude lots that the Community Development Department considers “over-zoned,” or unlikely to be built due to various restraints.

# Douglas County Land Use Plan

The map shows land use types according to Douglas County's Comprehensive Master Plan. Canyons South is located within the Unincorporated Castle Rock area.





## Absorption



Subject Product (Lot Size)	Sales/ Month	Sales/ Quarter	Sales/ Year	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
50' SFD Standard (Currently Lyon)	3.25	9.8	39.0	27	39	39	39	6	0	0	0	0	0
60' SFD Standard (Currently Lyon)	3.25	9.8	39.0	27	39	39	39	36	0	0	0	0	0
60' SFD Luxury (Currently Lennar)	3.00	9.0	36.0	30	36	36	1	0	0	0	0	0	0
70' SFD Standard (Currently Lyon)	2.50	7.5	30.0	26	30	30	14	0	0	0	0	0	0
70' SFD Luxury (Currently Weekley)	2.00	6.0	24.0	17	24	13	0	0	0	0	0	0	0
70' SFD Luxury (TBD)	3.00	9.0	36.0	0	0	11	30	36	36	36	36	25	0
80' SFD Luxury (Currently Toll)	1.50	4.5	18.0	14	18	18	4	0	0	0	0	0	0
80' SFD Luxury (TBD)	1.50	4.5	18.0	0	0	0	14	18	18	10	0	0	0
100' SFD Luxury (Custom & Spec)	0.50	1.5	6.0	5	6	6	6	6	6	6	6	6	4
<b>TOTAL ANNUAL SALES</b>	<b>16.00</b>	<b>48.0</b>	<b>192.0</b>	<b>146</b>	<b>192</b>	<b>192</b>	<b>147</b>	<b>102</b>	<b>60</b>	<b>52</b>	<b>42</b>	<b>31</b>	<b>4</b>

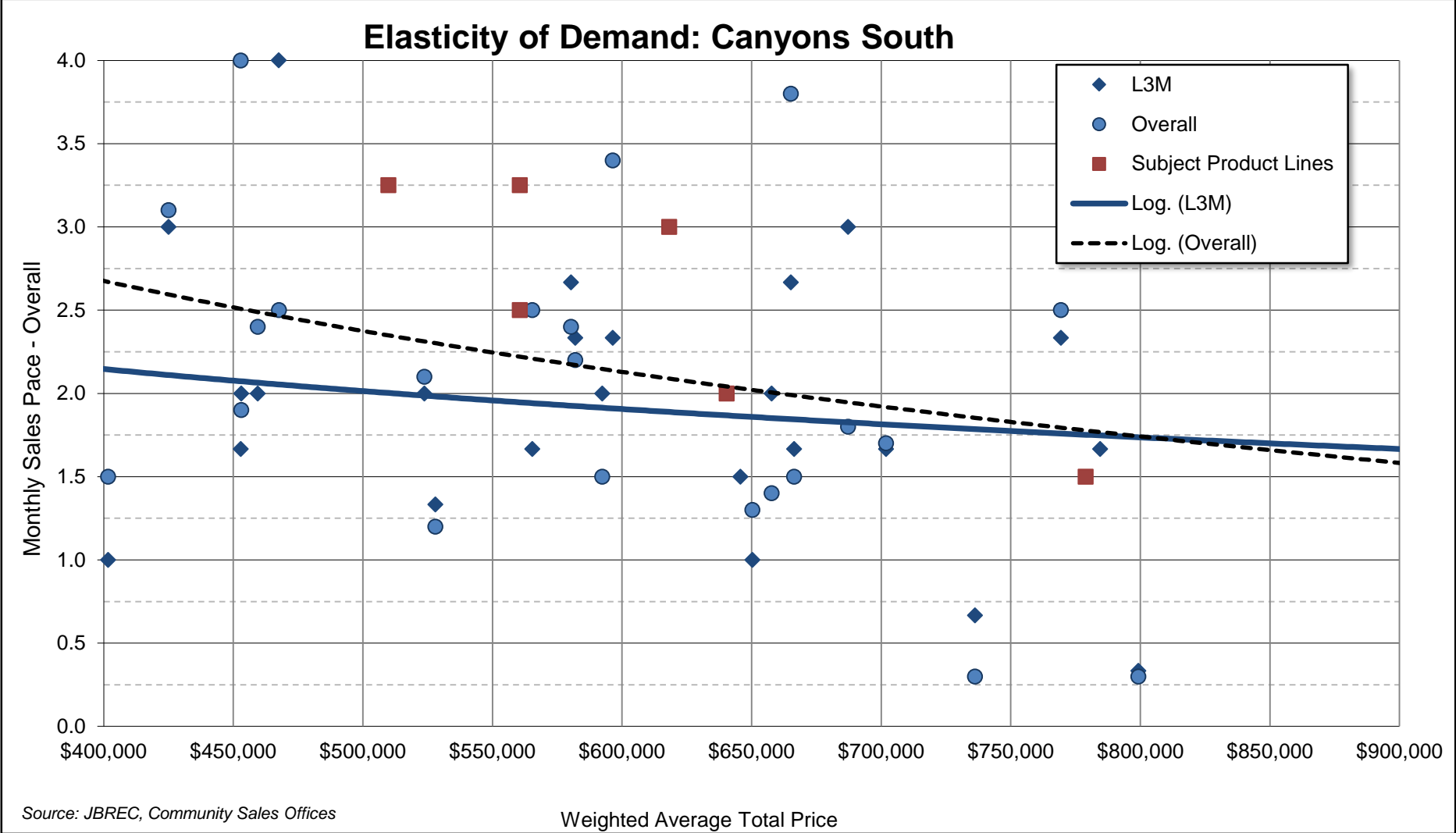
Per the Developer, we assume Subject home sales begin in March 2020 and that the community amenity center opens in summer/fall 2020.

- JBREC’s product expectations for Canyons South include a product and lot mix that is consistent with the Developer’s current program. Changes in builders and site planning could impact the build-out modeled in this analysis.
- JBREC believes it is reasonable to target approximately 192 annual new home sales per year at Canyons South in peak years. At the targeted pace, the build-out indicates a capture a peak of 1.8% of future home sales in the Denver MSA’s new home market. The capture rate is well established in the Douglas County market with master plans such as Inspiration and Terrain capturing similar volumes with a similar number of points of sale (there are currently six in Inspiration and six in Terrain with the actual number fluctuating periodically as neighborhoods enter each master plan or sell out).

The table above represents the sale of new homes from production builders to home purchasers. We assume lot sales occur six months prior to the start of home sales. Builders in this market are typically purchasing lots in phases of 75 to 150 homesites, but in an environment where lot inventory is limited, some builders may choose larger neighborhoods.

# Elasticity of Demand

Each point on the graph represents the an actively selling new home product series from our survey. The graphic measures each project's absorption rate (overall and over the last 3.0 months) versus that project's average total price. Targeted absorption rates for the Subject product lines are shown for perspective. Sales paces for the Subject products are generally consistent with what would be expected for comparable homes in the competitive market.



The tables reflects approximate market capture rates of annual new home sales for selected larger scale master planned communities in the Denver MSA. At the proposed build-out, JBREC expects Canyons South could capture a peak of 1.8% of all new home sales in Denver going forward. The capture rate is reasonable and is established in the market.

### HISTORICAL MARKET CAPTURE OF NEW HOME SALES IN DENVER MSA (2010 - 2017)

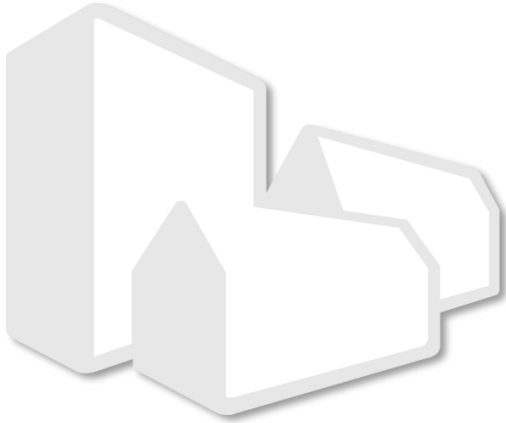
MASTERPLAN	2011	2012	2013	2014	2015	2016	2017	Avg
Green Valley Ranch			+/-4%	+/-5%	+/-4%	+/-4%	+/-4%	+/-4%
Highlands Ranch	+/-6%	+/-11%	+/-4%	+/-4%	+/-3%	+/-1%	+/-2%	+/-4%
Inspiration						+/-1%	+/-2%	+/-1%
Leyden Rock					+/-4%	+/-4%	+/-3%	+/-4%
The Meadows	+/-4%	+/-5%	+/-4%	+/-4%	+/-4%	+/-3%	+/-2%	+/-4%
Stapleton	+/-9%	+/-11%	+/-9%	+/-8%	+/-9%	+/-5%	+/-8%	+/-8%
Terrain				+/-2%	+/-2%	+/-1%	+/-2%	+/-2%

Source: JBREC; estimated market capture rates are rounded.

# Absorption Projections: Market Context

JBREC’s analysis suggests a peak 1.8% capture rate of the future Denver market, with the MSA’s total new home sales of an estimated +/- 10,900 transactions per year. The capture rate is similar to Terrain, which represents a reasonable comparable for community build-out. The Meadows is a larger master plan and achieved a higher sales totals at its peak. Future home sales in the competitive market are likely to come from on-going sales at Terrain and Inspiration (Newland Communities) and from Canyons North (Shea Homes) and Lagae.

	Annual New Home Closings	Percent Change	Implied Sales (% Capture)			Subject Estimated Sales	Implied Capture
			1.50%	1.75%	2.00%		
<b>2011</b>	4,074						
<b>2012</b>	4,659	14.4%					
<b>2013</b>	6,304	35.3%					
<b>2014</b>	6,557	4.0%					
<b>2015</b>	7,655	16.7%					
<b>2016</b>	8,694	13.6%					
<b>2017</b>	9,067	4.3%	<b>136</b>	<b>159</b>	<b>181</b>		
<b>2018 P</b>	10,500	15.8%	<b>158</b>	<b>184</b>	<b>210</b>		
<b>2019 P</b>	11,400	8.6%	<b>171</b>	<b>200</b>	<b>228</b>		
<b>2020 P</b>	11,500	0.9%	<b>173</b>	<b>201</b>	<b>230</b>	146	1.3%
<b>2021 P</b>	10,900	-5.2%	<b>164</b>	<b>191</b>	<b>218</b>	192	1.8%
<b>2022 P</b>	10,900	0.0%	<b>164</b>	<b>191</b>	<b>218</b>	192	1.8%
<b>2023 P</b>	10,900	0.0%	<b>164</b>	<b>191</b>	<b>218</b>	147	1.3%
<b>2024 P</b>	10,900	0.0%	<b>164</b>	<b>191</b>	<b>218</b>	102	0.9%
Min	4,074						
Max	11,500						
Median	9,784						
Average	8,858						



## Location Analysis

# Location Analysis – Proximity to Employment

Canyons South is approximately a +/- 30 minute drive to employment nodes in surrounding towns) and a +/- 45 minute drive to major employment concentrations in Denver and Colorado Springs. It is generally within a 45-minute commute of the Denver Tech Center on non Toll Roads (within 35 minutes using the E-470 toll road), one of the largest job centers in all of Denver and offers the benefit of a commute north on Highway 83 (versus Interstate 25).

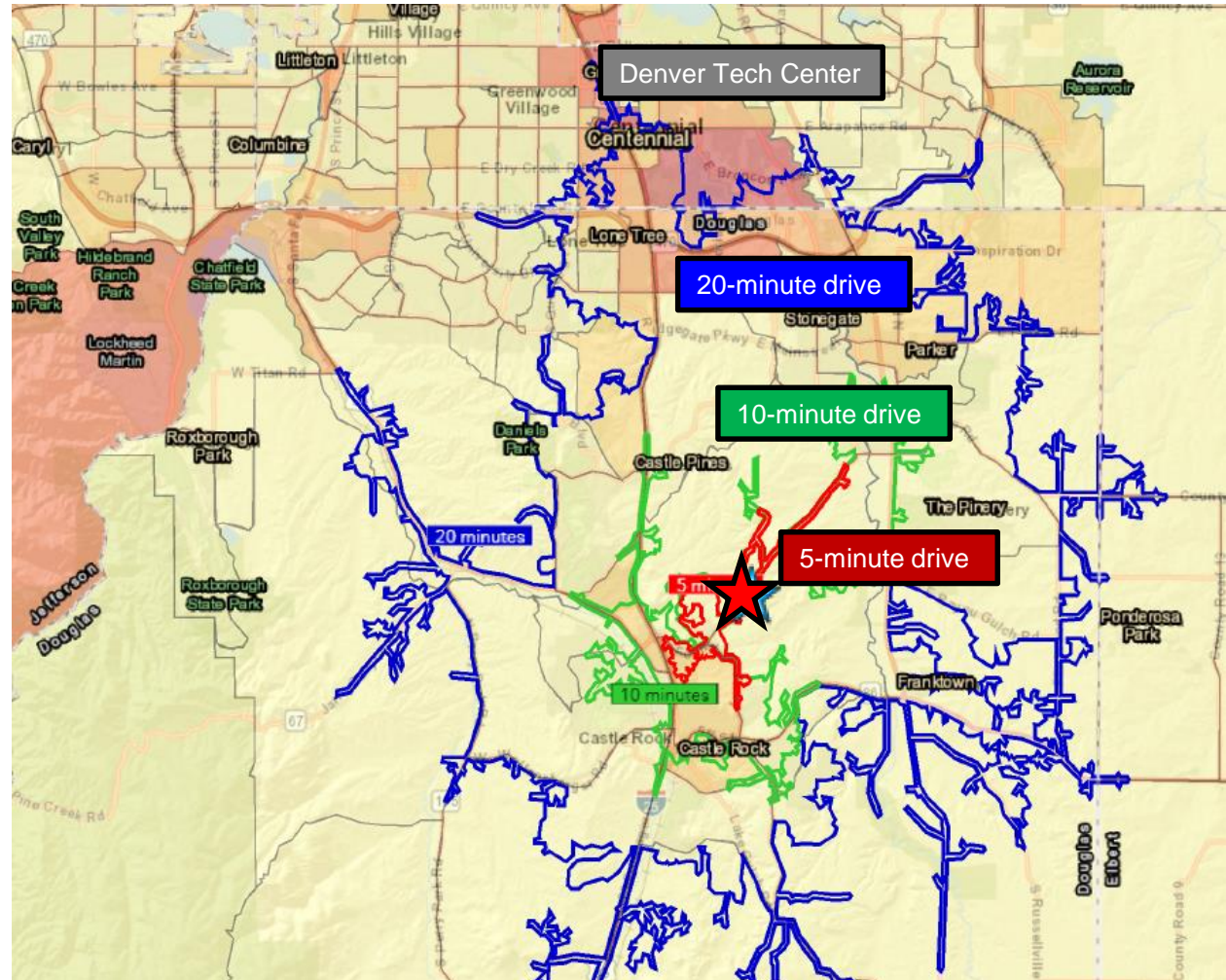
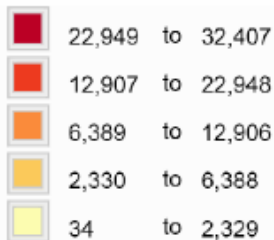
## TOP EMPLOYERS

Rank	Employer	Employees
1	HealthONE	10,180
2	UCHealth: University of Colorado Hospital	6,550
3	Centura Health	5,980
4	Lockheed Martin	5,900
5	CenturyLink	5,840
6	United Airlines	5,500
7	Children's Hospital Colorado	5,250
8	Kaiser Permanente	5,190
9	Comcast Corporation	5,130
10	University of Denver	3,830

Source: Metro Denver Economic Development Corporation  
Metro Denver EDC Largest Employers 2016-2017

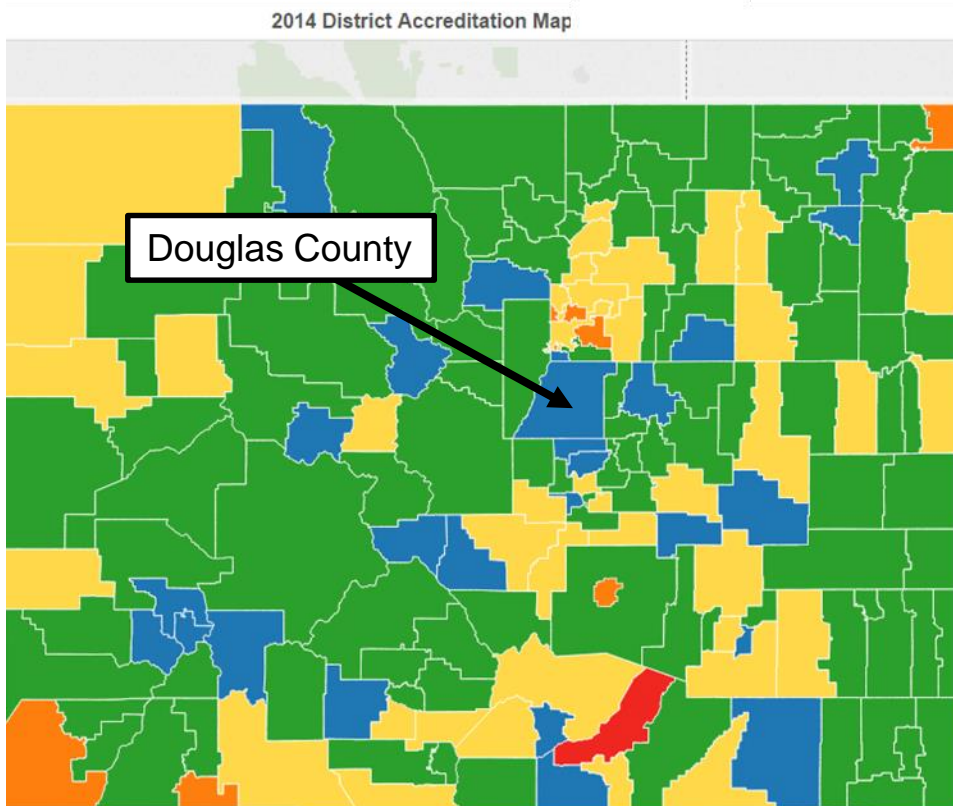
Date: 05/01/2016

## 2017 Total (SIC01-99) Employees by Census Tracts



# Denver School District Comparison

Canyons South is within the Douglas County school district, which is an advantage relative to other areas in Denver. Douglas County was the only school district with over 30,000 students in Colorado to earn an Accredited with Distinction rating. Only 25 of the 185 school districts in Colorado received an accreditation with distinction in the district performance framework, which measure student performance in academic achievement, academic growth, academic growth gaps and post-secondary and workforce readiness. Douglas counted tested above the state average in Writing, Reading, and Math.



**2014 Final Plan Type Category**

- Accredited with Distinction (Blue)
- Accredited (Green)
- Accredited w/Priority Improvement Plan (Orange)
- Accredited with Improvement Plan (Yellow)
- Accredited with Turnaround Plan (Red)

## Denver MSA School Districts

DISTRICT NAME	2014 % Points Earned	2014 Final Plan Type Category
DEER TRAIL 26J	85.4	Accredited with Distinction
LITTLETON 6	82.2	Accredited with Distinction
KIOWA C-2	80.7	Accredited with Distinction
<b>DOUGLAS COUNTY RE 1</b>	<b>77.4</b>	<b>Accredited with Distinction</b>
BIG SANDY 100J	78.5	Accredited
LIMON RE-4J	77.9	Accredited
GILPIN COUNTY RE-1	76.5	Accredited
CLEAR CREEK RE-1	76.1	Accredited
PARK COUNTY RE-2	76.0	Accredited
CHERRY CREEK 5	75.8	Accredited
PLATTE CANYON 1	75.4	Accredited
ELBERT 200	72.6	Accredited
STRASBURG 31J	71.1	Accredited
ELIZABETH C-1	70.2	Accredited
JEFFERSON COUNTY R-1	68.5	Accredited
BYERS 32J	66.5	Accredited
BENNETT 29J	62.8	Accredited with Improvement Plan
SCHOOL DISTRICT 27J	57.5	Accredited with Improvement Plan
DENVER COUNTY 1	54.4	Accredited with Improvement Plan
SHERIDAN 2	48.8	Accredited w/Priority Improvement Plan
WESTMINSTER 50	46.8	Accredited w/Priority Improvement Plan
MAPLETON 1	46.0	Accredited with Improvement Plan
ENGLEWOOD 1	45.2	Accredited with Improvement Plan
ADAMS-ARAPAHOE 28J	44.7	Accredited w/Priority Improvement Plan
ADAMS COUNTY 14	42.7	Accredited w/Priority Improvement Plan
AGATE 300		Accredited

	Writing	Reading	Math	Score
Douglas County School District (Subject)	66%	80%	69%	72%
Denver State Average	54%	69%	56%	60%

<sup>1</sup> Score = 2014% Proficient and Advanced

<sup>2</sup> Ranked based on score; higher score = 1, lower score = 5

Source: <http://www.cde.state.co.us/assessment/CoAssess-DataAndResults>

# School Scores

The Subject's assigned schools are equivalent to Terrain, and similar in ranking to The Meadows and Sterling Ranch.

Elementary			
Project	District	Elementary	Great Schools
<b>Canyons South - Subject</b>	<b>Douglas County</b>	<b>Sage Canyon</b>	<b>4</b>
Backcountry at Highlands Ranch	Douglas County	Stone Mountain	9
Stepping Stone	Douglas County	Prairie Crossing	7
Castle Pines Valley	Douglas County	Buffalo Ridge	7
The Meadows	Douglas County	Soaring Hawk	6
Sterling Ranch	Douglas County	Roxborough	5
Terrain	Douglas County	Sage Canyon	4

Middle			
Project	District	Middle	Great Schools
<b>Canyons South - Subject</b>	<b>Douglas County</b>	<b>Mesa</b>	<b>3</b>
The Meadows	Douglas County	Castle Rock	5
Castle Pines Valley	Douglas County	Rocky Heights	5
Sterling Ranch	Douglas County	Ranch View	4
Backcountry at Highlands Ranch	Douglas County	Ranch View	4
Terrain	Douglas County	Mesa	3
Stepping Stone	Douglas County	Sierra	3

High School			
Project	District	High School	Great Schools
<b>Canyons South - Subject</b>	<b>Douglas County</b>	<b>Douglas County HS</b>	<b>7</b>
Sterling Ranch	Douglas County	ThunderRidge	8
Backcountry at Highlands Ranch	Douglas County	ThunderRidge	8
Terrain	Douglas County	Douglas County HS	7
The Meadows	Douglas County	Castle View	7
Castle Pines Valley	Douglas County	Rock Canyon	7
Stepping Stone	Douglas County	Chaparral	6

Source: JBREC, GreatSchools





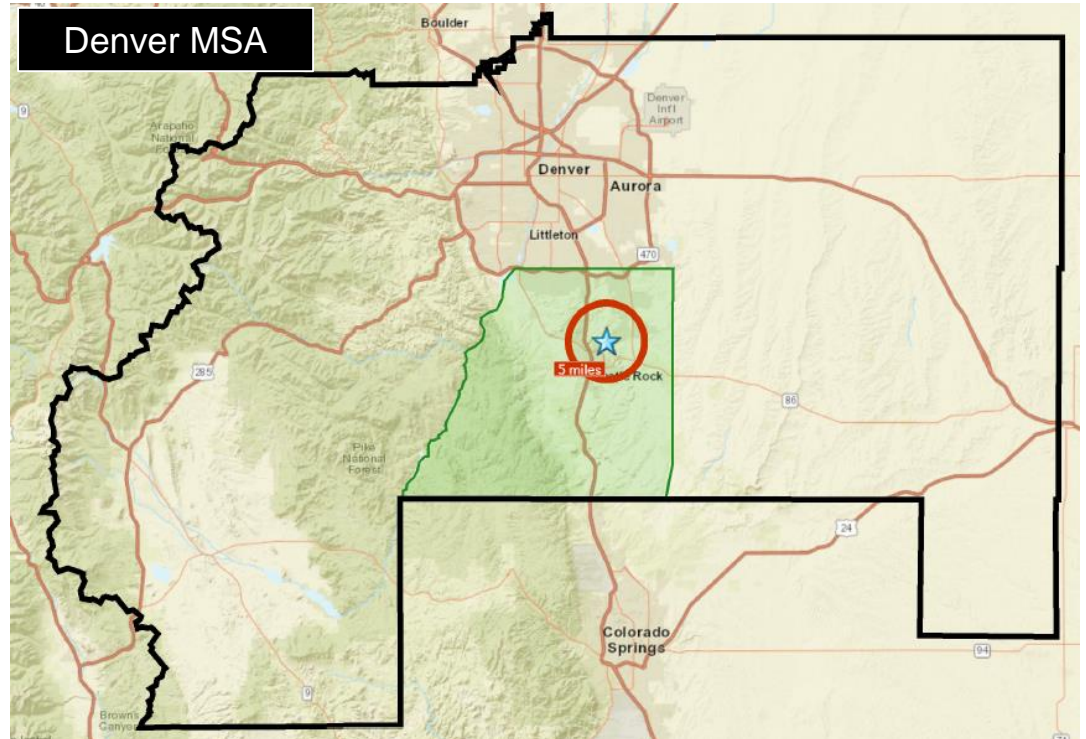
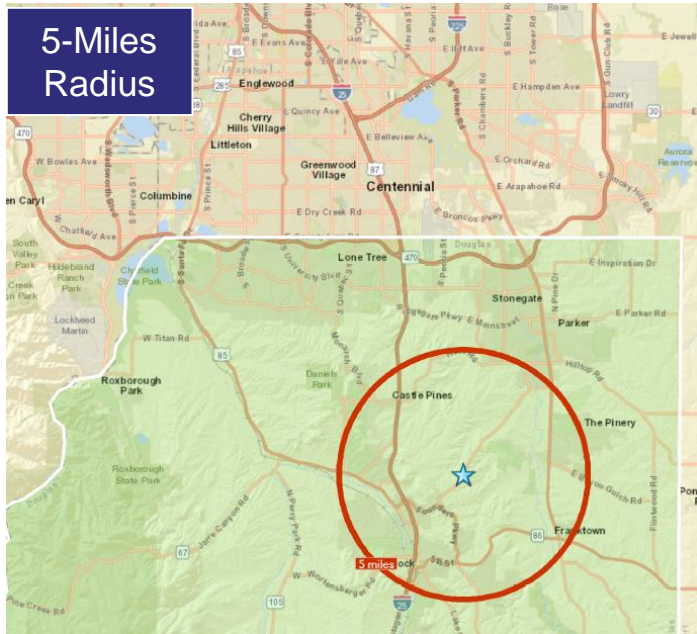
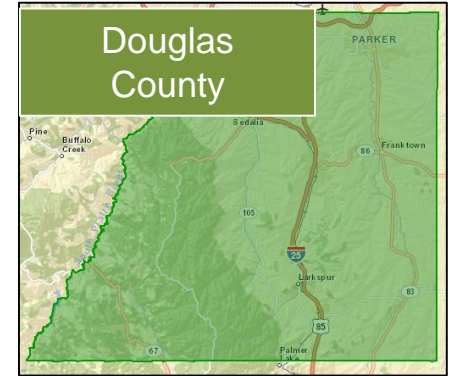


## Denver MSA Housing Market Trends

# Market Definitions

Housing market, economic and demographic data provided in this analysis is for the **Denver-Aurora-Lakewood, CO Metropolitan Statistical Area ("Denver MSA")**. The MSA includes **10 Colorado counties**: Denver County, Arapahoe County, Jefferson County, Adams County, **Douglas County**, Broomfield County, Elbert County, Park County, Clear Creek County, and Gilpin County. The Canyons South master plan is located within Douglas County as defined below.

The Denver-Aurora-Lakewood, CO Metropolitan Statistical Area does not include Boulder County (defined as the Boulder MSA). Between 2005 and 2015 there were an average 610 new home sales per year in the Boulder MSA.



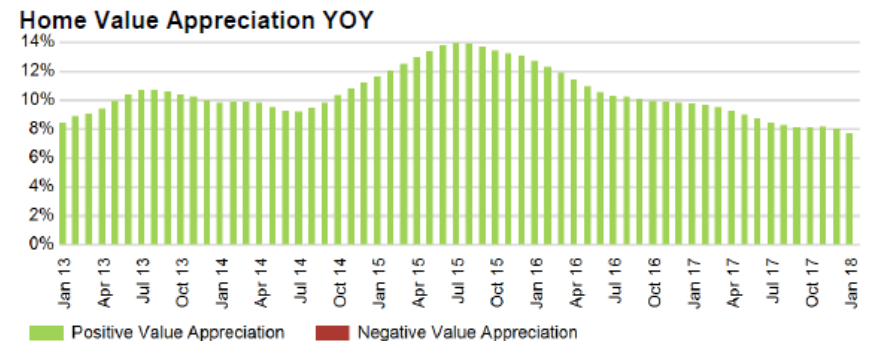
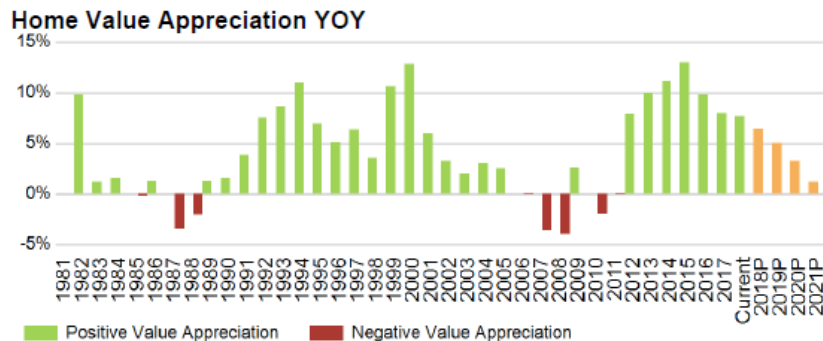
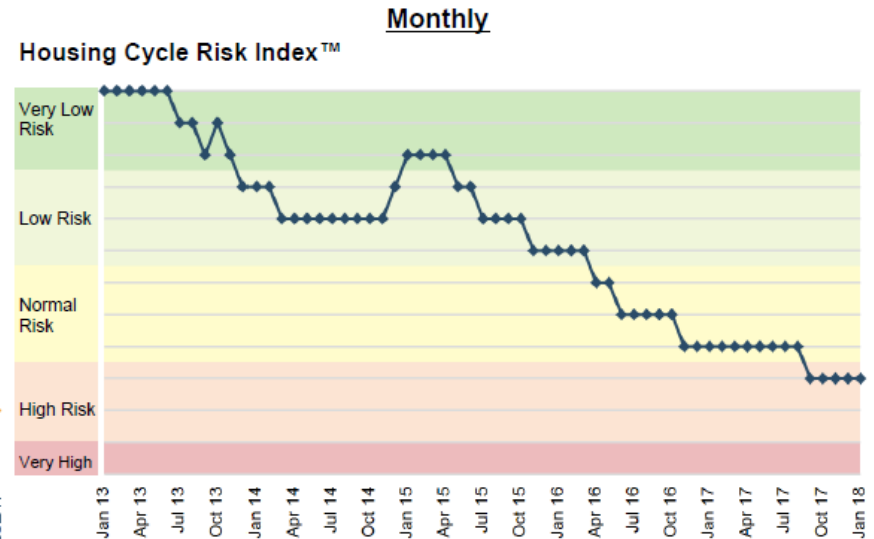
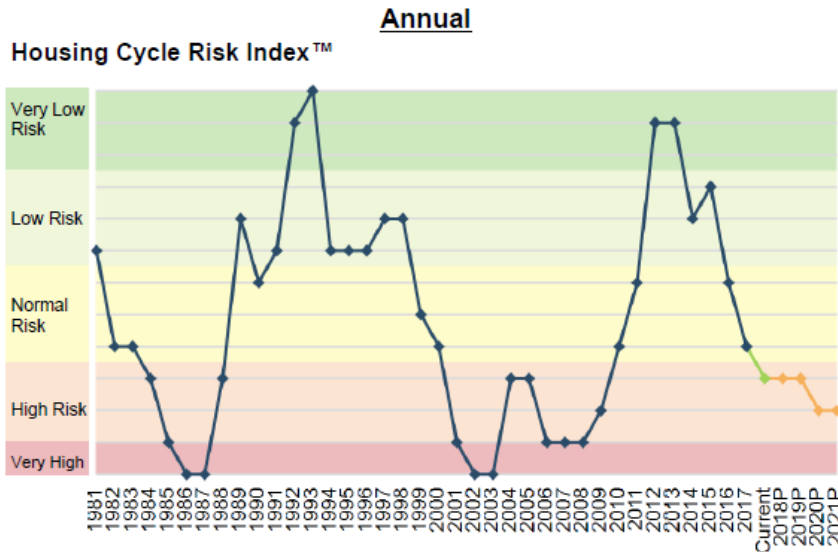
## Denver MSA: Current Market Conditions – March 2018

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- **Denver remains Normal;** however, we are evaluating an upgrade to Strong. Entry-level builders on the north and east sides of Denver report robust sales, and builders on the desirable south side are metering lot releases. The pricing environment is stable, but YOY appreciation has eased from the past few years. Resale months of supply remains abysmally low, and single-family rental occupancies are the highest in the county.
- **Affordability worsens.** Denver sits at 9.6 on our Burns Affordability Index™, where 0–1 is the 10% most affordable months in the market’s history, 5 is the median, and 9–10 is the 10% least affordable months. Affordability has rapidly deteriorated from an 8.9 rating just one year ago. We forecast a 9.7 affordability rating in 2018, the worst in Denver’s history.
- **Apartment rental market is overpriced.** Our Burns Intrinsic Apartment Rent Index™ measures apartment rents relative to the metro’s own historical rent-to-income ratio. Denver rents are currently 8% overpriced assuming our 18% intrinsic rent-to-income ratio. We project the market will be 11% overpriced by 2020 as rents rise due to increased demand and limited supply, which may turn some renters into home buyers.
- **Lennar controls 15% of open communities post-acquisition of CalAtlantic,** making them the largest builder in Denver. Previously, Lennar held the 6th spot with 15 open communities, while CalAtlantic stood at 2nd with 23 communities. The combined 38 communities represent a 9% increase YOY compared to the total number of Lennar and CalAtlantic communities one year ago. Lennar may adjust its community count while optimizing its metro footprint.

# Denver MSA: Housing Cycle Risk Index™

JBREC's Housing Cycle Risk Index (HCRI) is a measure of housing market fundamentals in a given market. The HCRI for the Denver, MSA is currently Normal Risk but is projected to worsen to High-Risk through 2021. Movements from Normal Risk to High Risk are indicative of markets where the level of investment risk is increasing as in the case of the Denver MSA. This index is broad and not all products and price points will react the same. JBREC projects continued, but slowing year-over-year price appreciation in the Denver MSA through 2021.

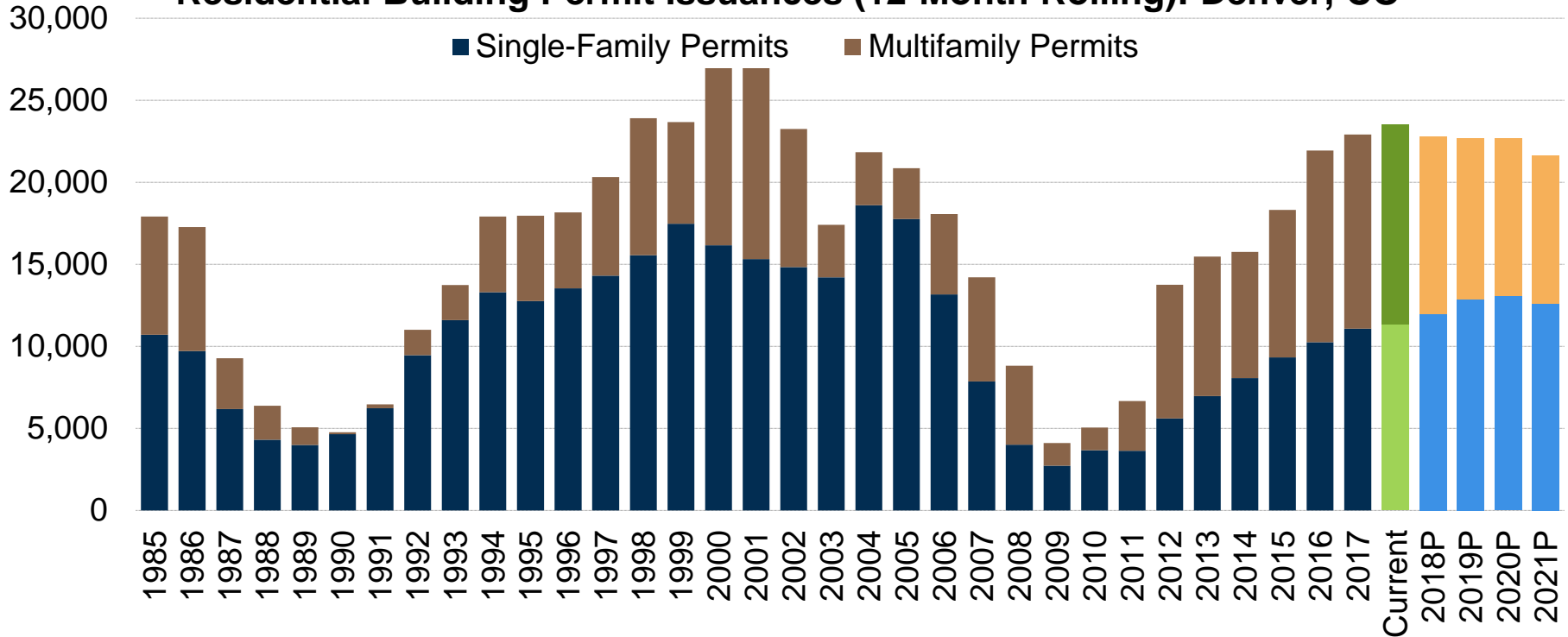


Our Housing Cycle Risk Index (HCRI) measures the health of market fundamentals (i.e., demand, supply, and affordability) and gauges investment risk within a housing market. For example, Average indicates relatively normal risk levels, while Poor indicates a high level of risk. When the HCRI increases from High Risk (below average fundamentals) to Low Risk (good fundamentals), it is time to invest. When the index falls from Low Risk to High Risk, it is time to divest. When the HCRI is improving and has reached Normal Risk or better, we recommend investing with optimism, including long-term investments.

# Denver MSA: Building Permits

The Denver MSA issued about 23,000 total building permits in 2017, about 4% year-over-year increase. We expect total annual permit issuances to remain stable through 2020, with annual single-family permits increasing and multifamily permits decreasing. In 2021, we expect a modest pull-back in total permits (both single-family and multifamily).

## Residential Building Permit Issuances (12-Month Rolling): Denver, CO



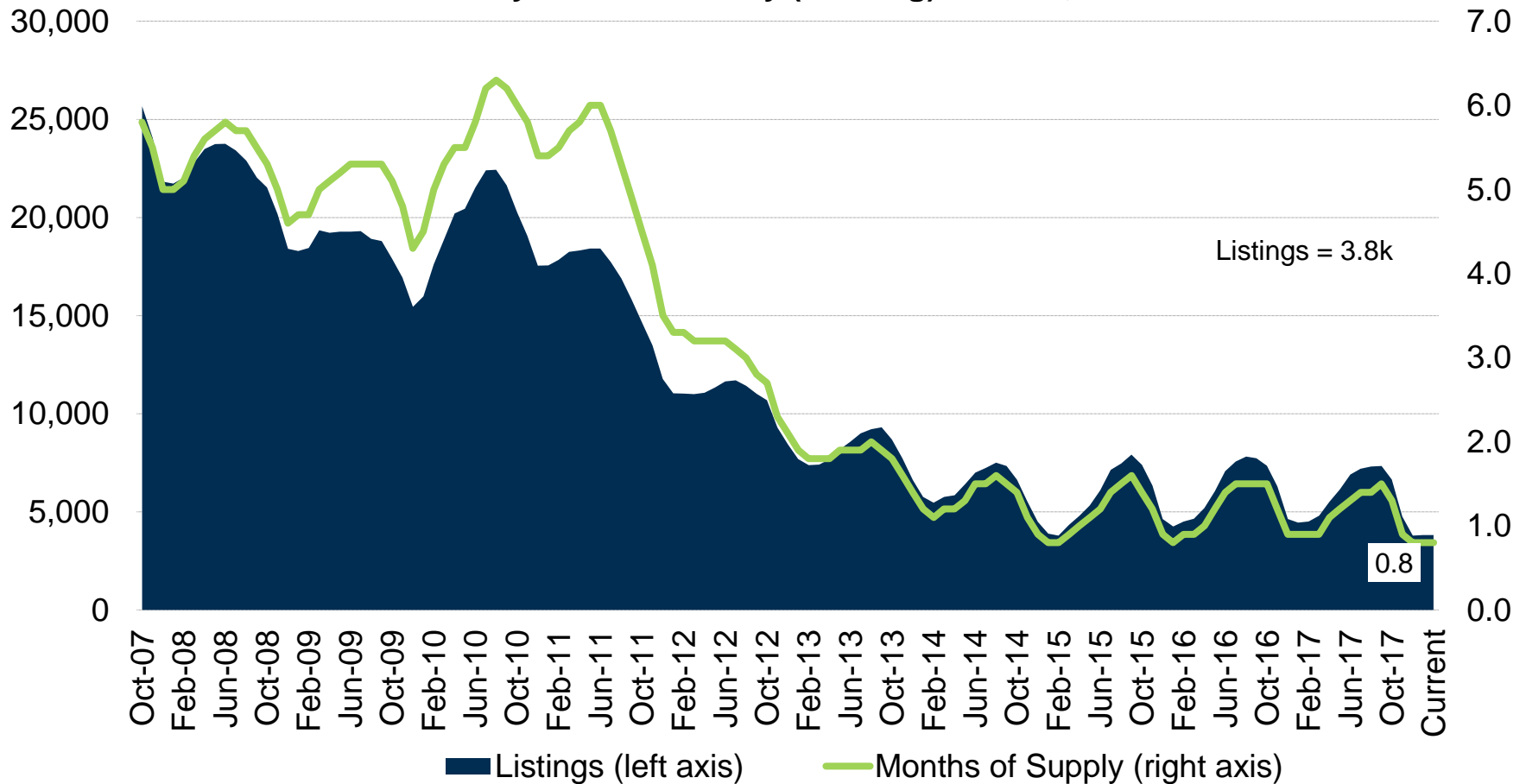
Sources: U.S. Census Bureau; John Burns Real Estate Consulting, LLC (Data as of January 2018, projections as of March 2018)

Permit History & Projections	2010	2011	2012	2013	2014	2015	2016	2017	Current	2018P	2019P	2020P	2021P
Single-Family Permits	3,660	3,630	5,606	6,965	8,064	9,324	10,247	11,083	11,363	12,000	12,900	13,100	12,600
1-Year Growth Rate	34%	-1%	54%	24%	16%	16%	10%	8%	11%	8%	8%	2%	-4%
Multifamily Permits	1,382	3,043	8,154	8,510	7,703	9,002	11,700	11,826	12,186	10,800	9,800	9,600	9,000
1-Year Growth Rate	-1%	120%	168%	4%	-9%	17%	30%	1%	4%	-9%	-9%	-2%	-6%
Total Permits	5,042	6,673	13,760	15,475	15,767	18,326	21,947	22,909	23,549	22,800	22,700	22,700	21,600
1-Year Growth Rate	23%	32%	106%	12%	2%	16%	20%	4%	7%	0%	0%	0%	-5%

# Denver MSA: Inventory

About 3,800 listings are on the market today, representing less than a 1.0 month supply of homes at today's sales volumes. A four- to five- month supply of units is considered an equilibrium in the resale market, indicating that the market is significantly under-supplied. Lower levels of resale supply will push more buyers toward new-home communities, and also provides underlying support for rising home values.

### Monthly Home Inventory (Existing): Denver, CO

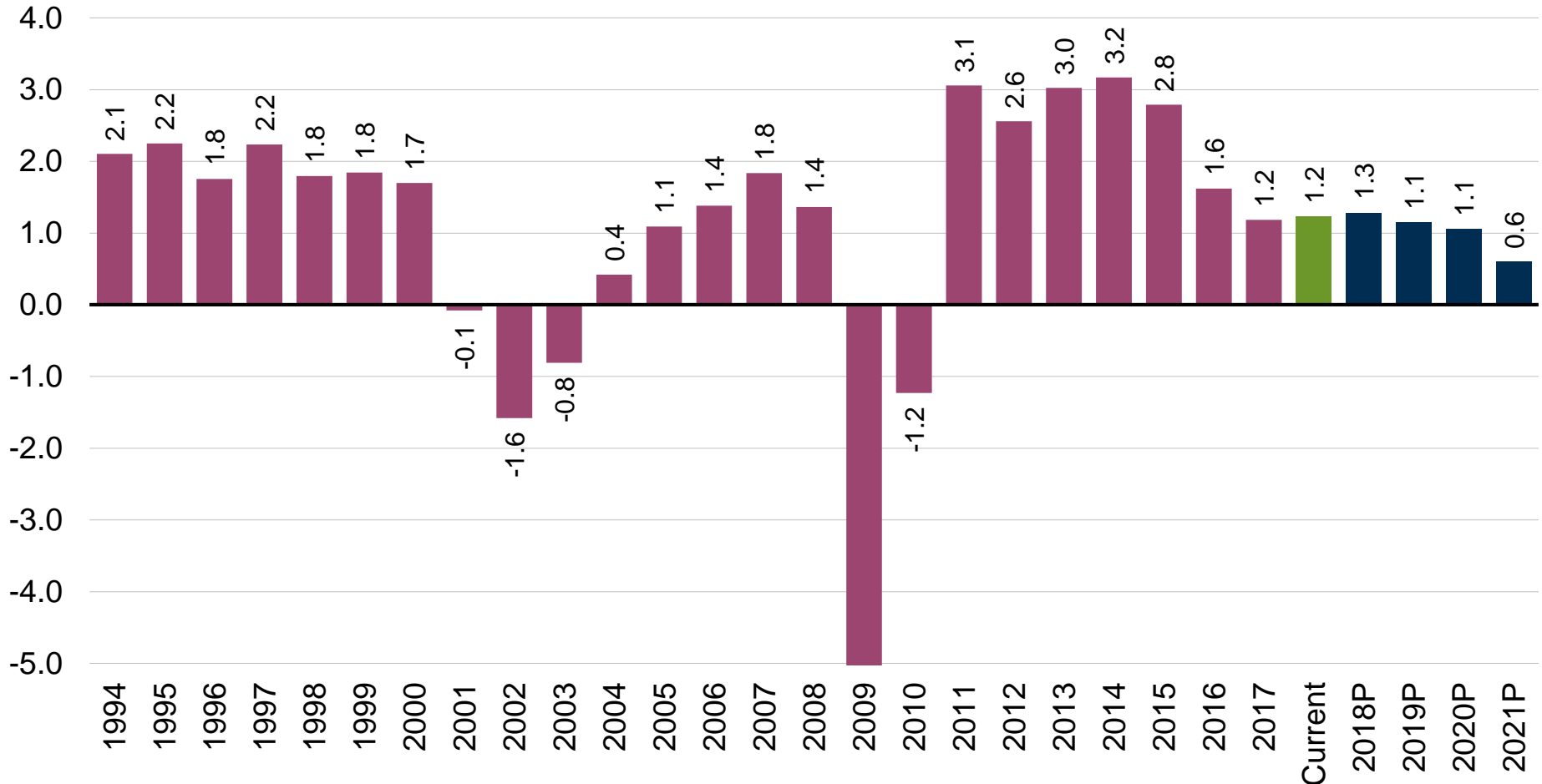


Sources: John Burns Real Estate Consulting, LLC estimates or various MLS sources (Data as of February 2018, projections as of March 2018)

# Denver MSA: Employment to Permit Ratio

The Employment to Permit (E/P) ratio measures the number of new jobs created for each building permit issued and is a strong indicator of housing supply and demand. The E/P ratio for the Denver MSA is currently 1.2, where an E/P ratio of 1.2 to 1.4 represents a balanced market. Based on projections for the Denver MSA, JBREC anticipates relatively balanced E/P ratios through 2020. In 2021, we anticipate a decrease in the E/P ratio as annual employment growth decreases.

**Employment / Permit Ratio: Denver, CO**



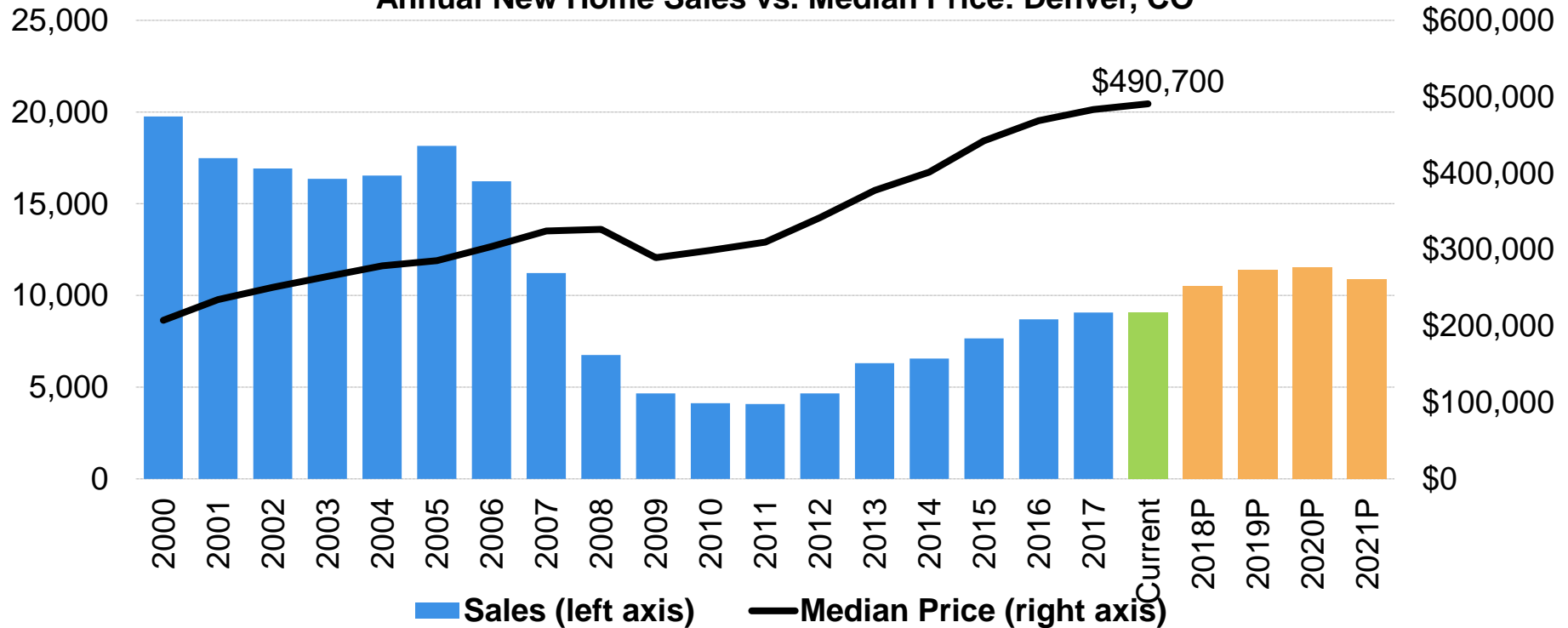
Sources: John Burns Real Estate Consulting, LLC; JBREC (Data as of January 2018, projections as of March 2018)



# Denver MSA: New Home Sales and Pricing

While new home sales volume has trended up since 2011, total new home sales (all product types) have been low over the past few years relative to historical norms (most recently due to a lack of supply, not a lack of demand). With continued albeit slower job growth, sales are expected to continue growing through 2020. The median new home price is currently at an all-time high of \$490,700. Median new home prices rose 10% in 2015, 6% in 2016, and 3% in 2017. JBREC is forecasting much more modest price appreciation over the next four years.

**Annual New Home Sales vs. Median Price: Denver, CO**



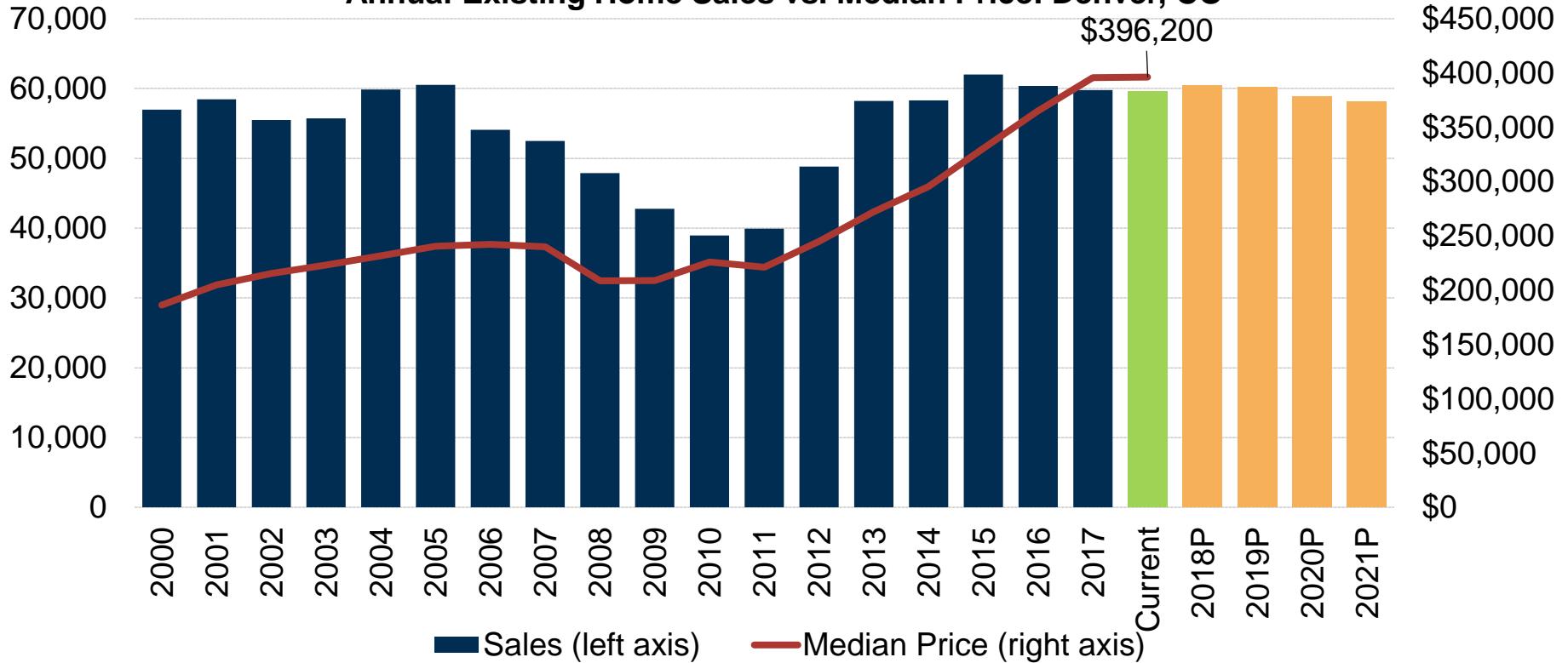
Sources: CoreLogic, Texas Real Estate Center, M.O.R.E, RB Intel, NAR, Various MLS's; John Burns Real Estate Consulting, LLC (Data as of January 2018, projections as of March 2018)

New Home Projections	2010	2011	2012	2013	2014	2015	2016	2017	Current	2018P	2019P	2020P	2021P
Annualized New Home Sales	4,129	4,074	4,659	6,304	6,557	7,655	8,694	9,067	9,086	10,500	11,400	11,500	10,900
1-Year Growth Rate	-11%	-1%	14%	35%	4%	17%	14%	4%	3%	16%	9%	1%	-5%
Median New Home Price	\$299,000	\$309,600	\$341,800	\$377,500	\$401,300	\$442,300	\$468,500	\$483,400	\$490,700	n/a	n/a	n/a	n/a
1-Year Growth Rate	3%	4%	10%	10%	6%	10%	6%	3%	-12%	n/a	n/a	n/a	n/a
New Home Price Appreciation Forecast	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4.9%	2.8%	2.0%	0.5%

# Denver MSA: Existing Home Sales and Pricing

Due to supply constraints, annual existing home sales volume has remained flat over the past two years. The median existing home price is at an all-time high. JBREC expects the rate of existing home sales growth to decline from 2018 through 2021.

### Annual Existing Home Sales vs. Median Price: Denver, CO



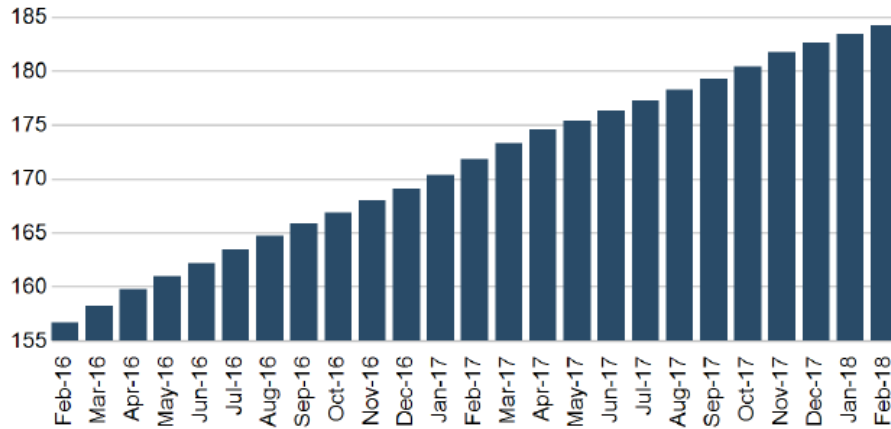
Sources: CoreLogic, Texas Real Estate Center, M.O.R.E., RB Intel, NAR, Various MLS's; John Burns Real Estate Consulting, LLC (Data as of January 2018, projections as of March 2018)

Resale Home History & Projections	2010	2011	2012	2013	2014	2015	2016	2017	Current	2018P	2019P	2020P	2021P
Annualized Existing Home Sales	38,965	39,933	48,818	58,240	58,296	62,005	60,379	59,763	59,592	60,500	60,200	58,800	58,100
1-Year Growth Rate	-9%	2%	22%	19%	0%	6%	-3%	-1%	-2%	1%	0%	-2%	-1%
Median Existing Home Price	\$226,000	\$221,100	\$245,000	\$272,400	\$295,400	\$330,600	\$365,200	\$395,800	\$396,200	n/a	n/a	n/a	n/a
1-Year Growth Rate	8%	-2%	11%	11%	8%	12%	10%	8%	10%	n/a	n/a	n/a	n/a
Burns Home Value Index™	-2%	0%	8%	10%	11%	13%	10%	8%	7%	6%	5%	3%	1%

# Denver MSA: Burns Homes Value Index™

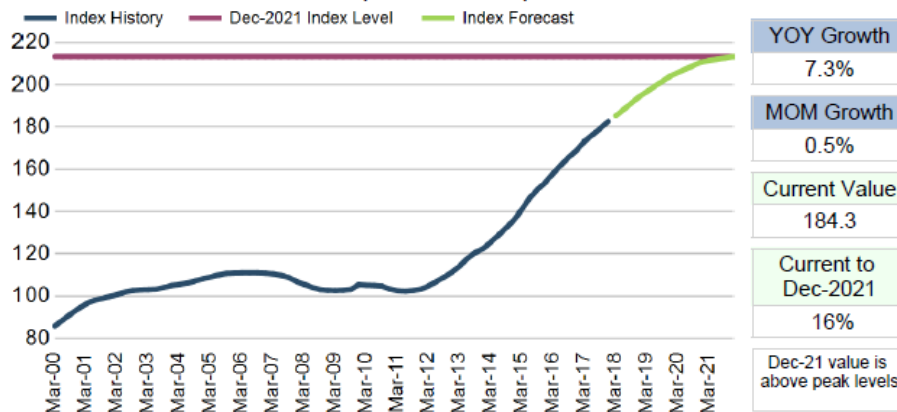
The Burns Home Value Index (BHVI), measures home values in a market in its entirety and not just recent home sale transactions. In this sense, the index eliminates the “mix” challenges that can be associated with specific transactions that take place at a specific time. The BHVI indicates that existing home values in the Denver MSA improved 7.3% year-over-year and our BHVI forecast calls for annual growth of 6.4% in 2018, tapering to 1.2% in 2021.

**Burns Home Value Index™**



BHVI Indexed to 100 in January 2002

**Burns Home Value Index™ (2000 to 2021)**



Source: John Burns Real Estate Consulting, LLC (Data:Feb 18, Pub:Mar 18)

**AVG. SINCE 1982\***  
**4.4%**

**NOW**  
**7.3%**

**Monthly Data**

Date	Value	YOY %
Apr-16	159.7	11.4%
May-16	160.9	10.9%
Jun-16	162.2	10.5%
Jul-16	163.5	10.3%
Aug-16	164.7	10.2%
Sep-16	165.9	10.1%
Oct-16	166.9	9.9%
Nov-16	168.0	9.9%
Dec-16	169.1	9.8%
Jan-17	170.3	9.8%
Feb-17	171.8	9.6%
Mar-17	173.3	9.5%
Apr-17	174.6	9.3%
May-17	175.4	9.0%
Jun-17	176.3	8.7%
Jul-17	177.3	8.4%
Aug-17	178.3	8.3%
Sep-17	179.3	8.1%
Oct-17	180.4	8.1%
Nov-17	181.7	8.2%
Dec-17	182.7	8.0%
Jan-18	183.5	7.7%
Feb-18	184.3	7.3%

**Year End Values**

Date	Value	YOY %
Dec-00	94.0	
Dec-01	99.6	6.0%
Dec-02	102.9	3.3%
Dec-03	104.9	2.0%
Dec-04	108.2	3.1%
Dec-05	110.9	2.5%
Dec-06	110.8	-0.1%
Dec-07	106.9	-3.6%
Dec-08	102.7	-4.0%
Dec-09	105.4	2.6%
Dec-10	103.2	-2.0%
Dec-11	103.2	0.0%
Dec-12	111.4	7.9%
Dec-13	122.5	10.0%
Dec-14	136.2	11.2%
Dec-15	154.0	13.0%
Dec-16	169.1	9.8%
Dec-17	182.7	8.0%
Dec-18P	194.4	6.4%
Dec-19P	204.2	5.0%
Dec-20P	210.8	3.3%
Dec-21P	213.4	1.2%

BHVI indexed to 100 in January 2002

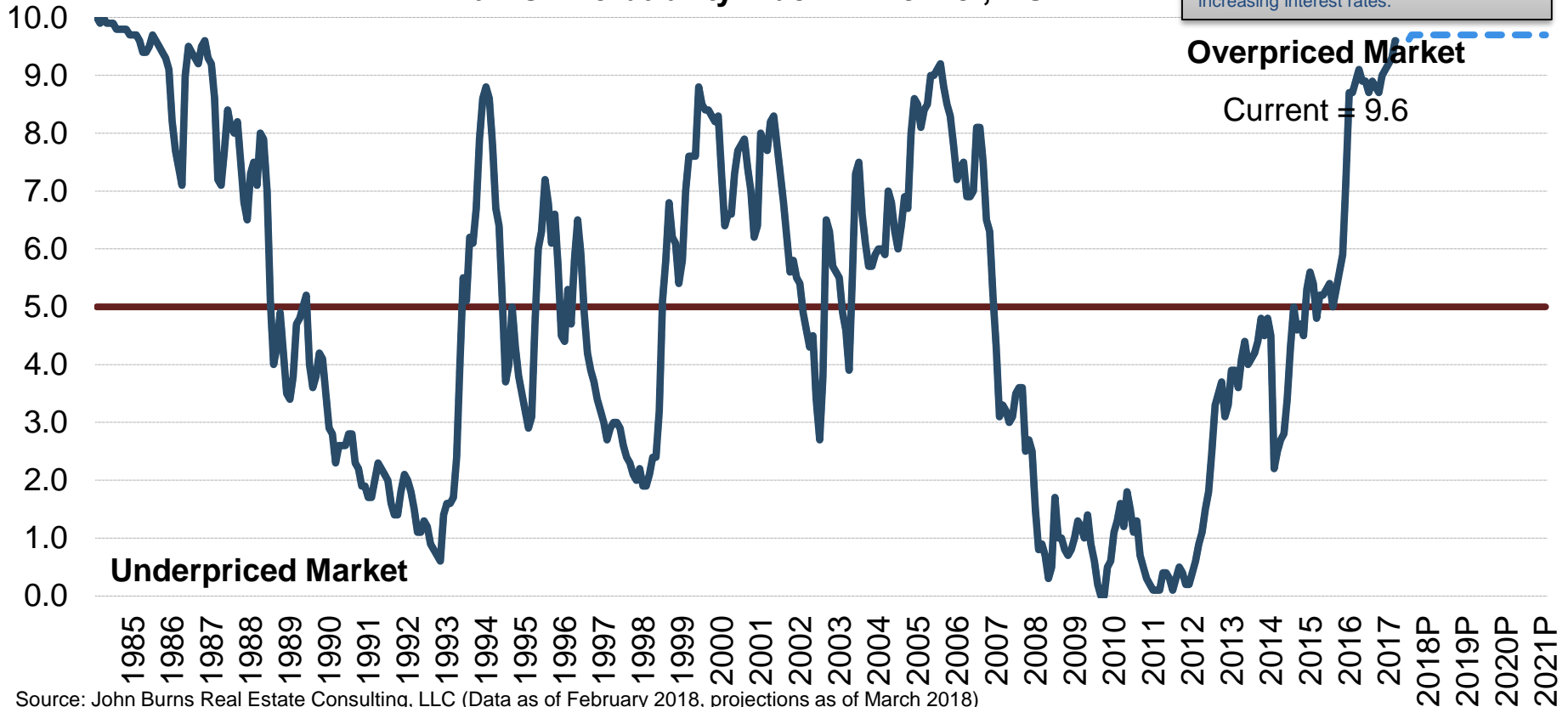
\* Historical average growth rate based on annual averages.

# Denver MSA: JBREC Affordability Index

The JBREC Affordability Index measures the historical relationship between the monthly costs of owning the median-priced home and the median household income. The current index is 9.6 (where 5.0 is the historical median dating back to 1985). Moving forward, we expect stable but historically high levels through 2021. The market is approaching the historical worst affordability.

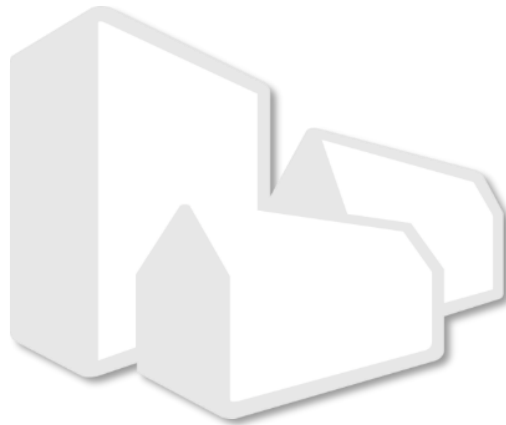
**Burns Affordability Index™: Denver, CO**

Declining affordability is a function of factors that include rising home prices and increasing interest rates.



Source: John Burns Real Estate Consulting, LLC (Data as of February 2018, projections as of March 2018)

Affordability History & Projections	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Current	Dec-18	Dec-19	Dec-20	Dec-21
Burns Affordability Index™	1.1	0.1	0.4	3.9	4.5	5.6	8.7	9.2	9.6	9.7	9.7	9.7	9.7
Median Housing Costs/Median Income	24%	23%	23%	28%	28%	29%	31%	32%	33%	35%	36%	37%	37%

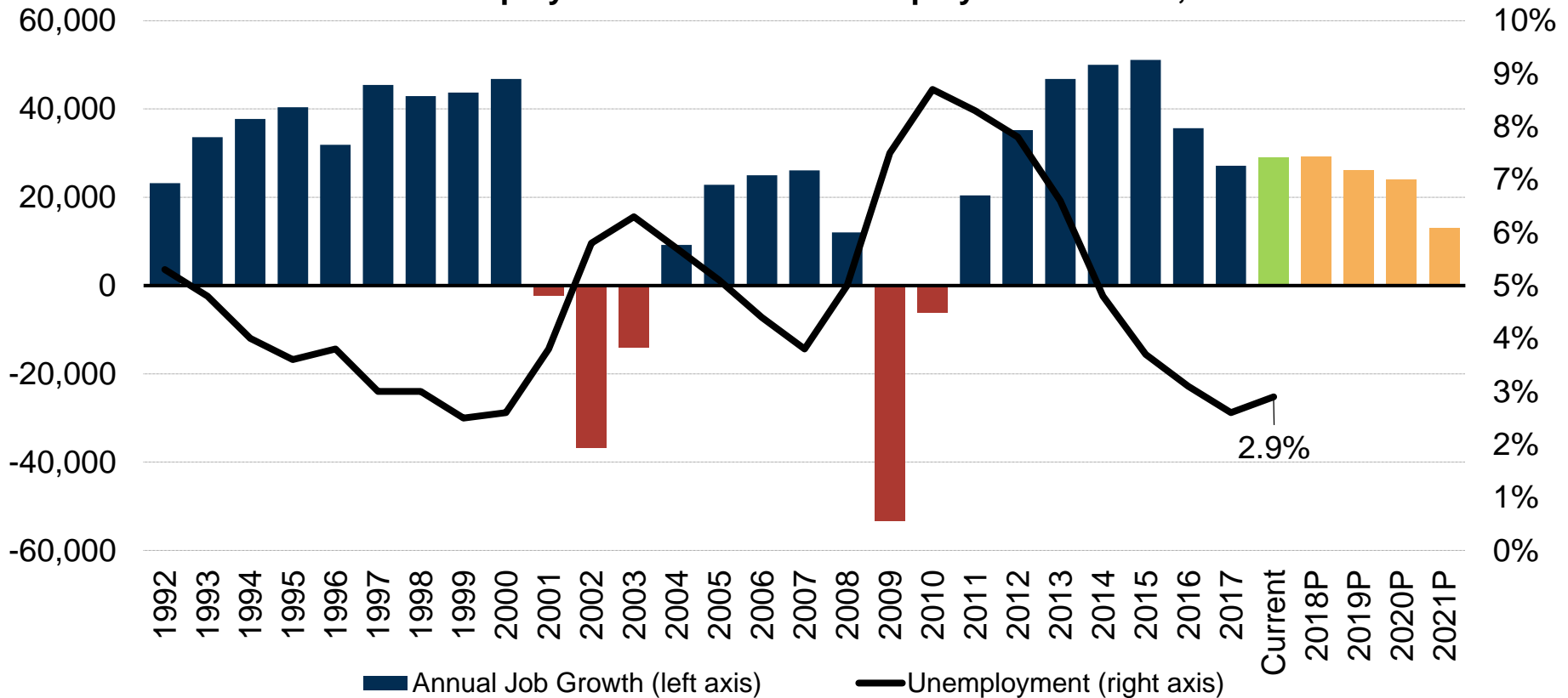


## Economic & Demographics Overview

# Denver MSA: Employment

Employment growth in Denver has been increasing since 2011, generating increasing demand for new housing in the region. JBREC anticipates 29,200 new jobs for the MSA in 2018—a 2.0% increase over 2017’s total. Moving forward we expect continued positive, but slowing, job growth from 2018 through 2020.

### Annual Employment Growth vs. Unemployment: Denver, CO



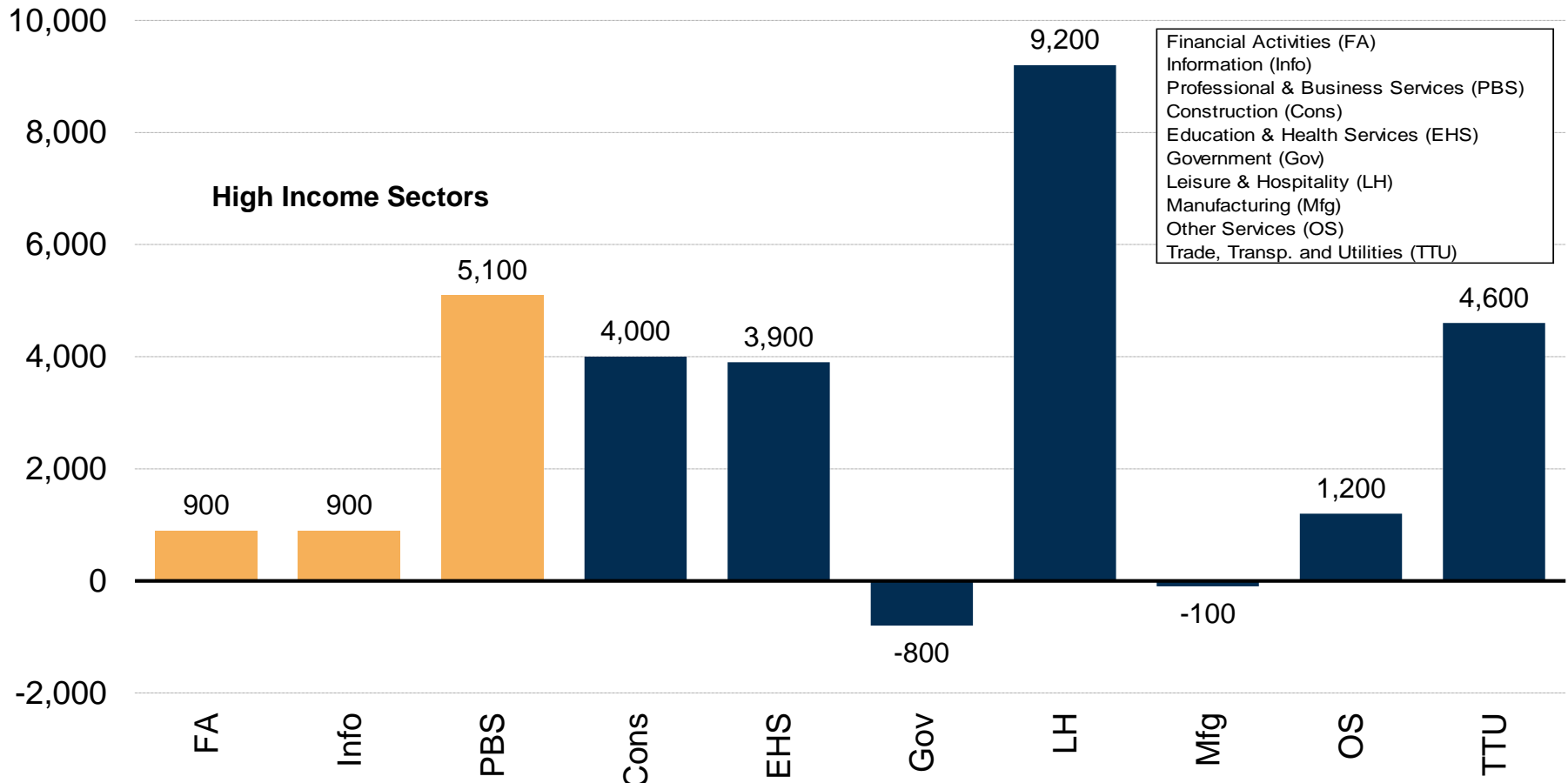
Sources: U.S. Bureau of Labor Statistics (BLS); John Burns Real Estate Consulting, LLC (Data as of January 2018, projections as of March 2018)

Employment History & Projections	2010	2011	2012	2013	2014	2015	2016	2017	Current	2018P	2019P	2020P	2021P
Payroll Survey Total	1,193,900	1,214,300	1,249,500	1,296,300	1,346,300	1,397,400	1,433,000	1,460,100	1,457,900	1,489,300	1,515,300	1,539,300	1,552,300
1-Year Change	-6,200	20,400	35,200	46,800	50,000	51,100	35,600	27,100	28,900	29,200	26,000	24,000	13,000
1-Year Growth Rate	-0.5%	1.7%	2.9%	3.7%	3.9%	3.8%	2.5%	1.9%	2.0%	2.0%	1.7%	1.6%	0.8%
Unemployment Rate	8.7%	8.3%	7.8%	6.6%	4.8%	3.7%	3.1%	2.6%	2.9%	2.0%	1.7%	1.6%	0.8%

# Denver MSA: Employment Growth by Sector

Most job sectors showed positive growth over the past 12 months in the Denver MSA, with the Leisure and Hospitality sector and Professional & Business Services sectors reflecting the largest growth in terms of absolute numbers of jobs. Over the past twelve months, the MSA has added about 28,900 jobs, or about a 2% increase.

**Current Employment Growth by Sector: Denver, CO**

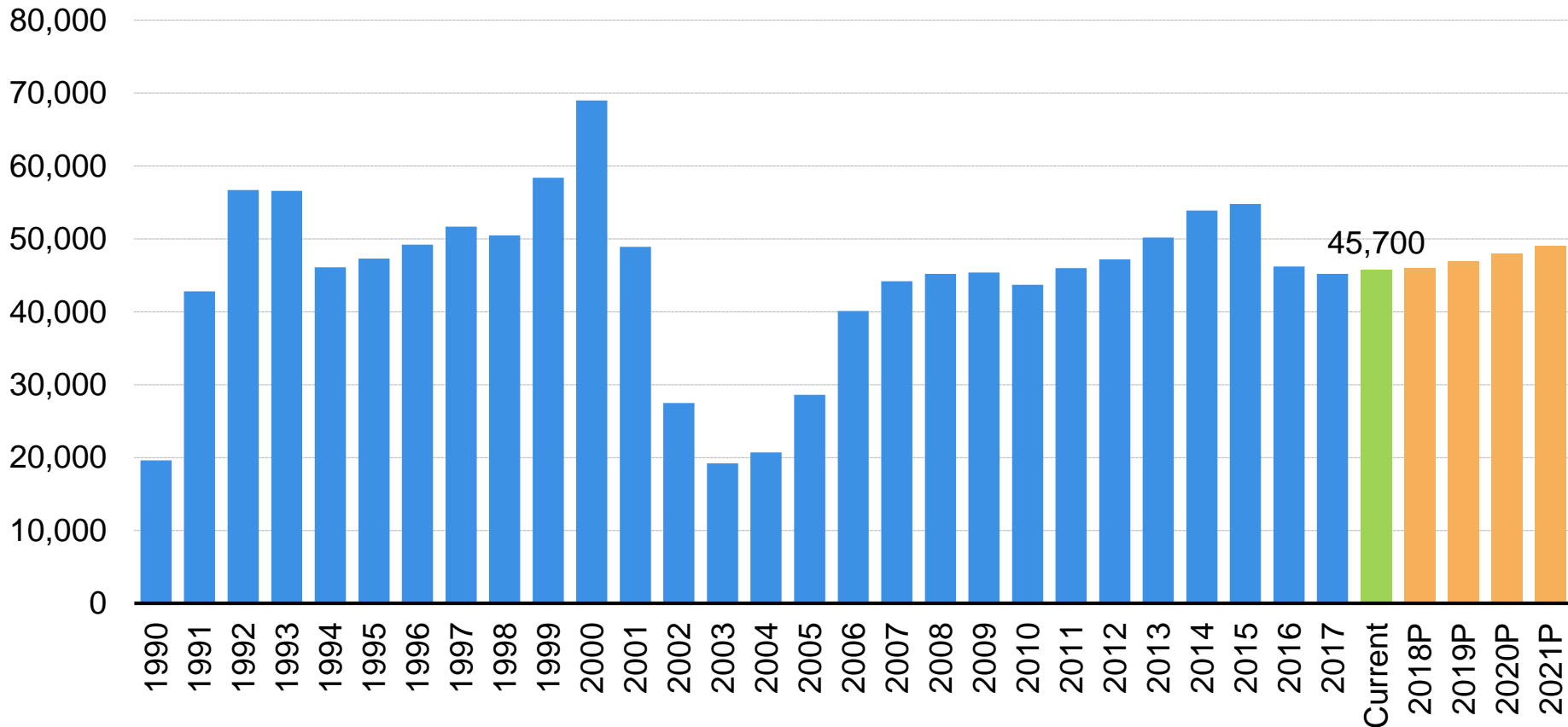


Sources: U.S. Bureau of Labor Statistics (BLS); John Burns Real Estate Consulting, LLC (Data as of January 2018, projections as of March 2018)

# Denver MSA: Population Growth

The Denver MSA's population grew by 45,700 residents, or 1.6%, over the past 12 months. JBREC anticipates population will grow year-over-year by an average +/- 47,475 new residents from 2018 through 2021, equating to +/-189,900 new residents over the four year span.

**Annual Average Population Growth: Denver, CO (1990 to 2021P)**



Sources: John Burns Real Estate Consulting, LLC; (Data as of January 2018, projections as of March 2018)

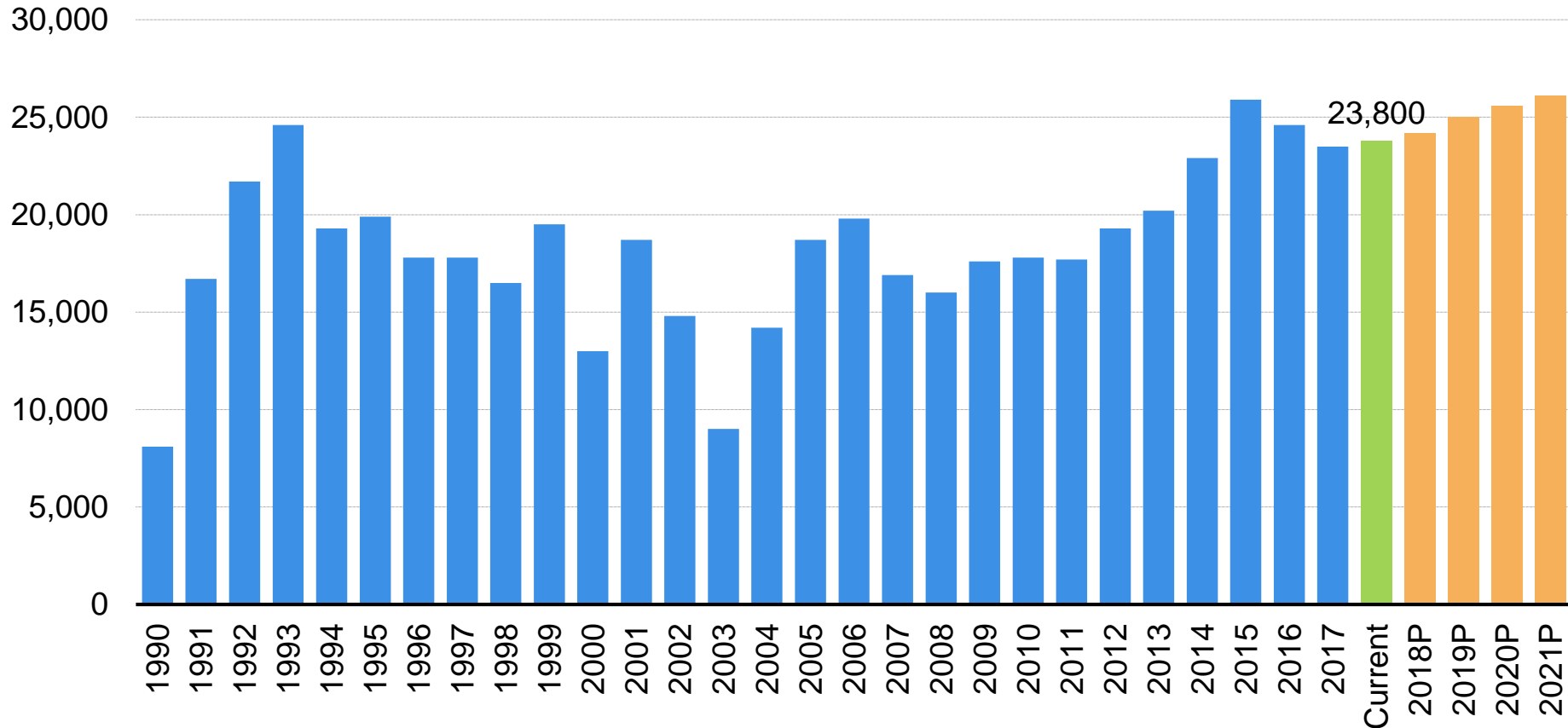
Population History & Projections	2010	2011	2012	2013	2014	2015	2016	2017	Current	2018P	2019P	2020P	2021P
Population Total	2,553,000	2,599,000	2,646,200	2,696,400	2,750,300	2,805,100	2,851,300	2,896,500	2,921,300	2,942,500	2,989,400	3,037,400	3,086,400
1-Year Change	43,700	46,000	47,200	50,200	53,900	54,800	46,200	45,200	45,700	46,000	46,900	48,000	49,000
1-Year Growth Rate	1.7%	1.8%	1.8%	1.9%	2.0%	2.0%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%



# Denver MSA: Household Growth

The Denver MSA added 23,800 new households over the past 12 months, a 2.1% annual increase. We projected annual household growth to gain momentum through 2021, averaging an addition of 25,225 households per year.

**Annual Average Household Growth: Denver, CO (1990 to 2021P)**



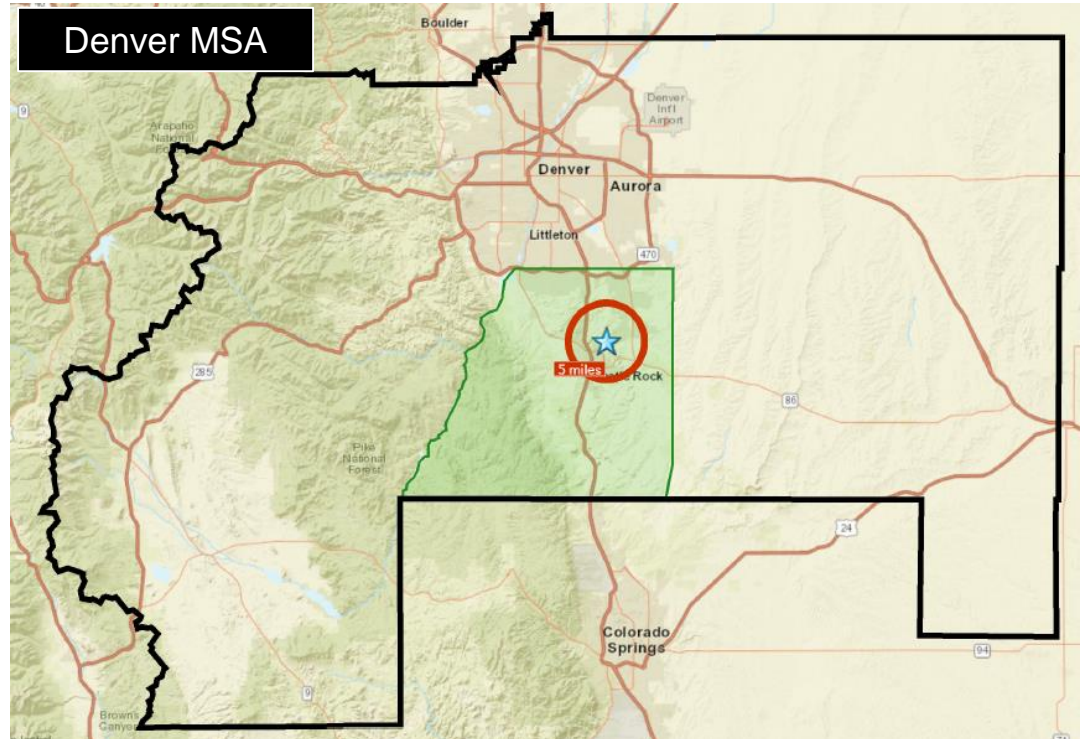
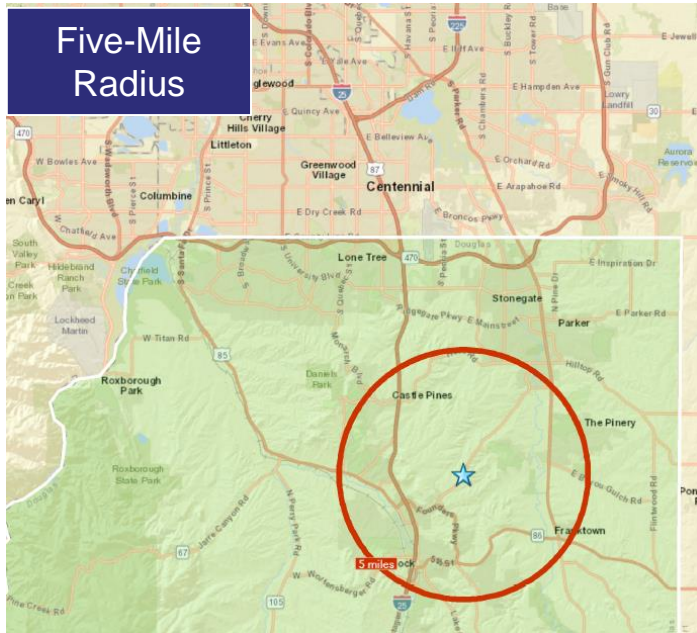
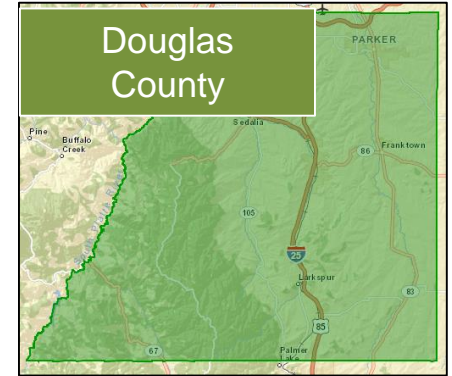
Sources: John Burns Real Estate Consulting, LLC; (Data as of January 2018, projections as of March 2018)

Household History & Projections	2010	2011	2012	2013	2014	2015	2016	2017	Current	2018P	2019P	2020P	2021P
Household Total	1,009,500	1,027,200	1,046,500	1,066,700	1,089,600	1,115,500	1,140,100	1,163,600	1,176,600	1,187,800	1,212,800	1,238,400	1,264,500
1-Year Change	17,800	17,700	19,300	20,200	22,900	25,900	24,600	23,500	23,800	24,200	25,000	25,600	26,100
1-Year Growth Rate	1.8%	1.8%	1.9%	1.9%	2.1%	2.4%	2.2%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%

# Demographic Trends - Market Definitions

For the following demographic exhibits, we define the areas as follows:

- Denver, MSA
- Douglas County
- Five-Mile Radius of Subject site

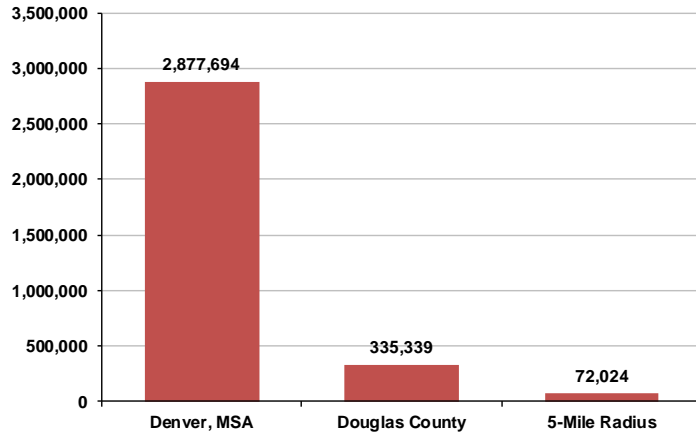


# Market Overview

The following provides a demographic comparison of the MSA, Douglas County, and a five-mile radius of the Subject.

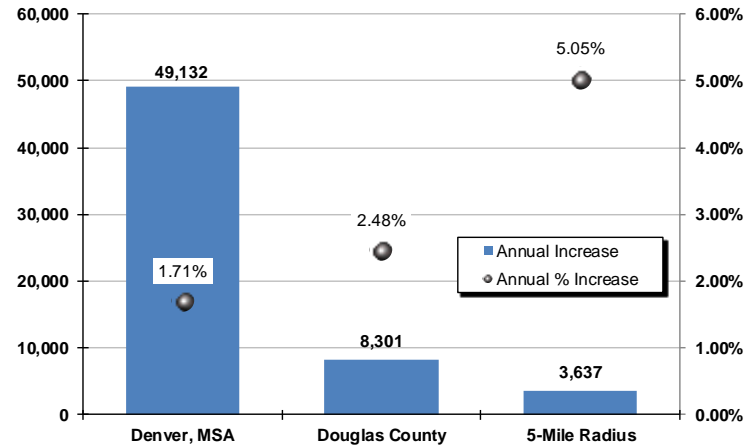
## EXISTING POPULATION/HOUSEHOLDS AND EXPECTED ANNUAL GROWTH BY AREA

**Population Comparison (2017)**



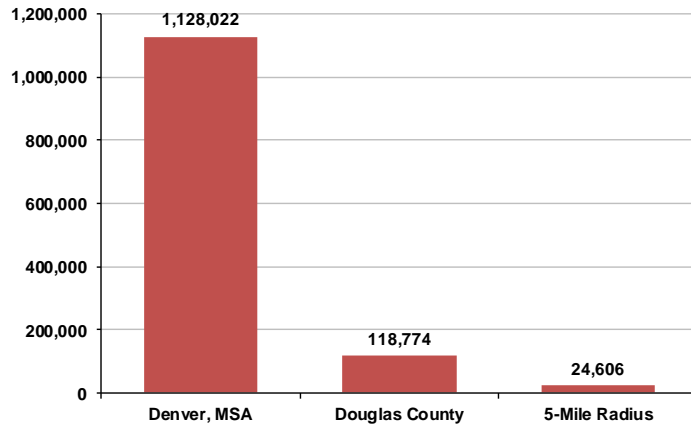
Sources: ESRI; John Burns Real Estate Consulting, LLC

**Expected Annual Population Growth (2017 to 2022)**



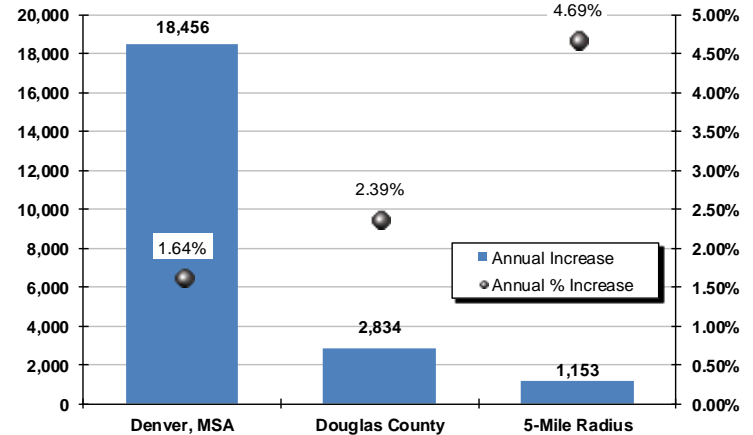
Sources: ESRI; John Burns Real Estate Consulting, LLC

**Household Comparison (2017)**



Sources: ESRI; John Burns Real Estate Consulting, LLC

**Expected Annual Household Growth (2017 to 2022)**

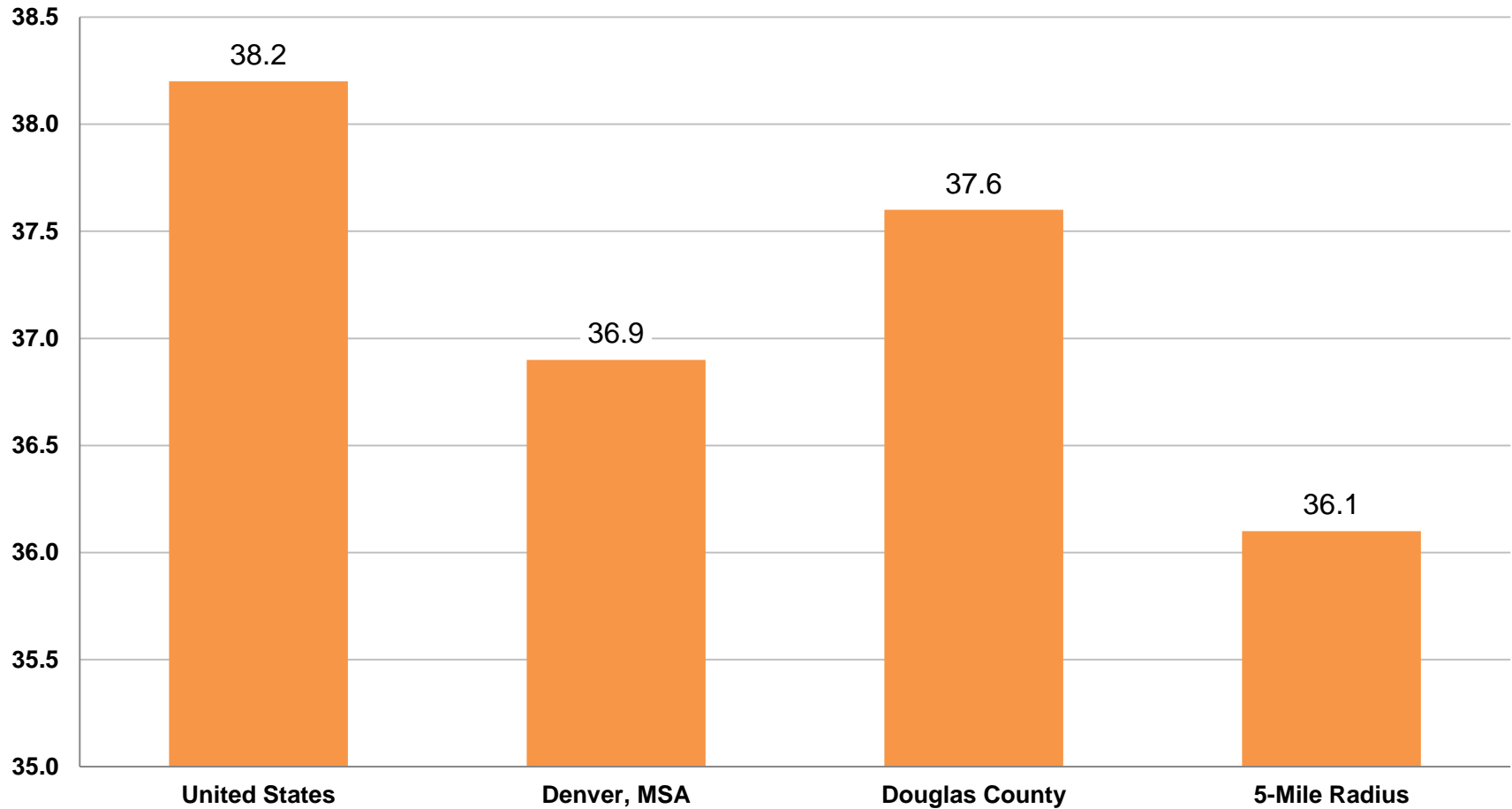


Sources: ESRI; John Burns Real Estate Consulting, LLC

# Median Age (2017)

The median age for the five-mile radius is 36.1 years, which is lower than Douglas County and the MSA.

**Median Age (2017)**

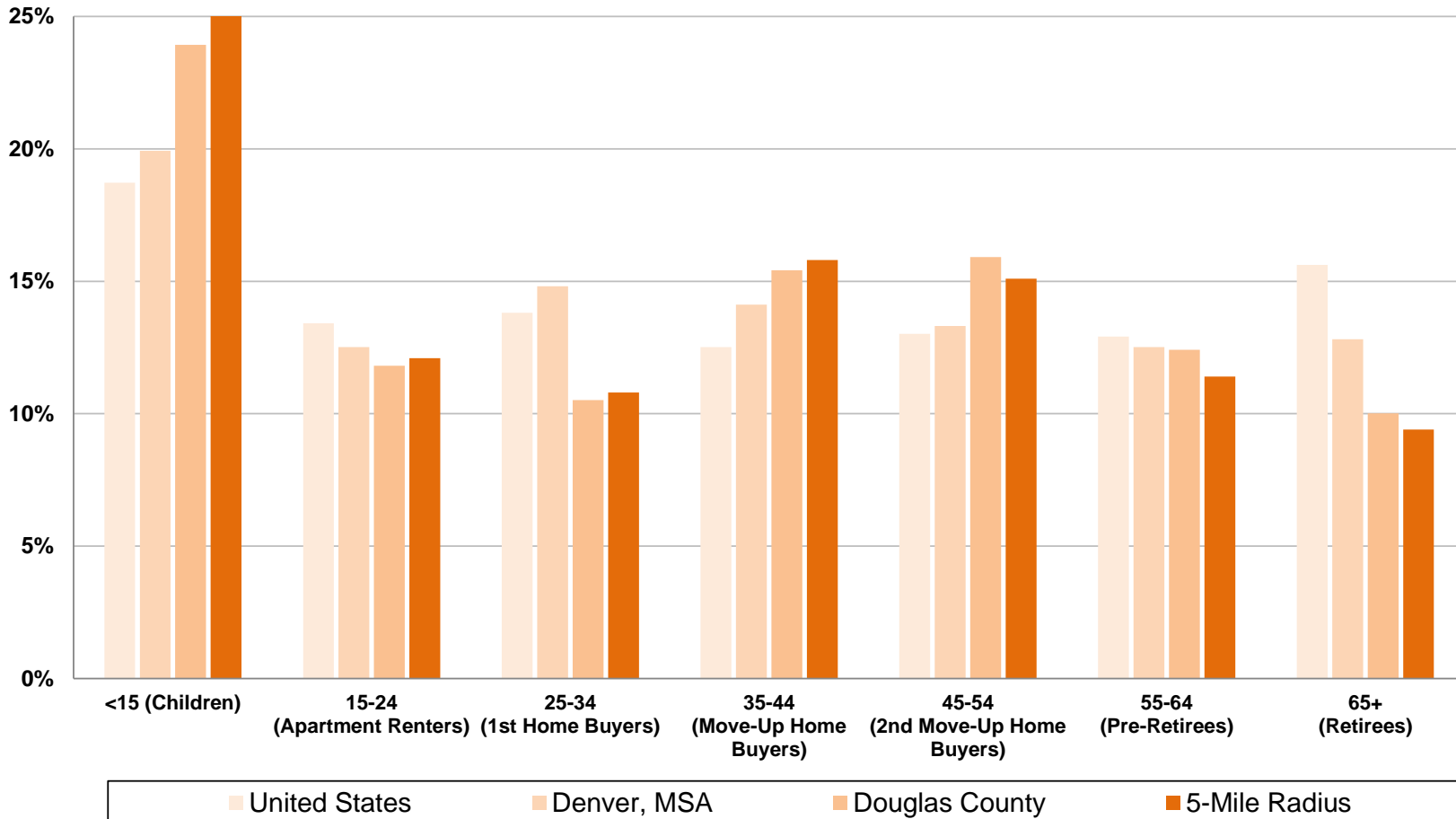


Sources: ESRI; John Burns Real Estate Consulting, LLC

# Population Distribution by Age (2017)

Within a five-mile radius, approximately 25.4% of the population is under the age of 15, which reflects a strong presence of young families. Also, 15.8% of the population in the Submarket is between 35 and 54 years of age (the move-up home buyers age group). The demographics suggest a significant presence of families.

**Population Distribution By Age (2017)**

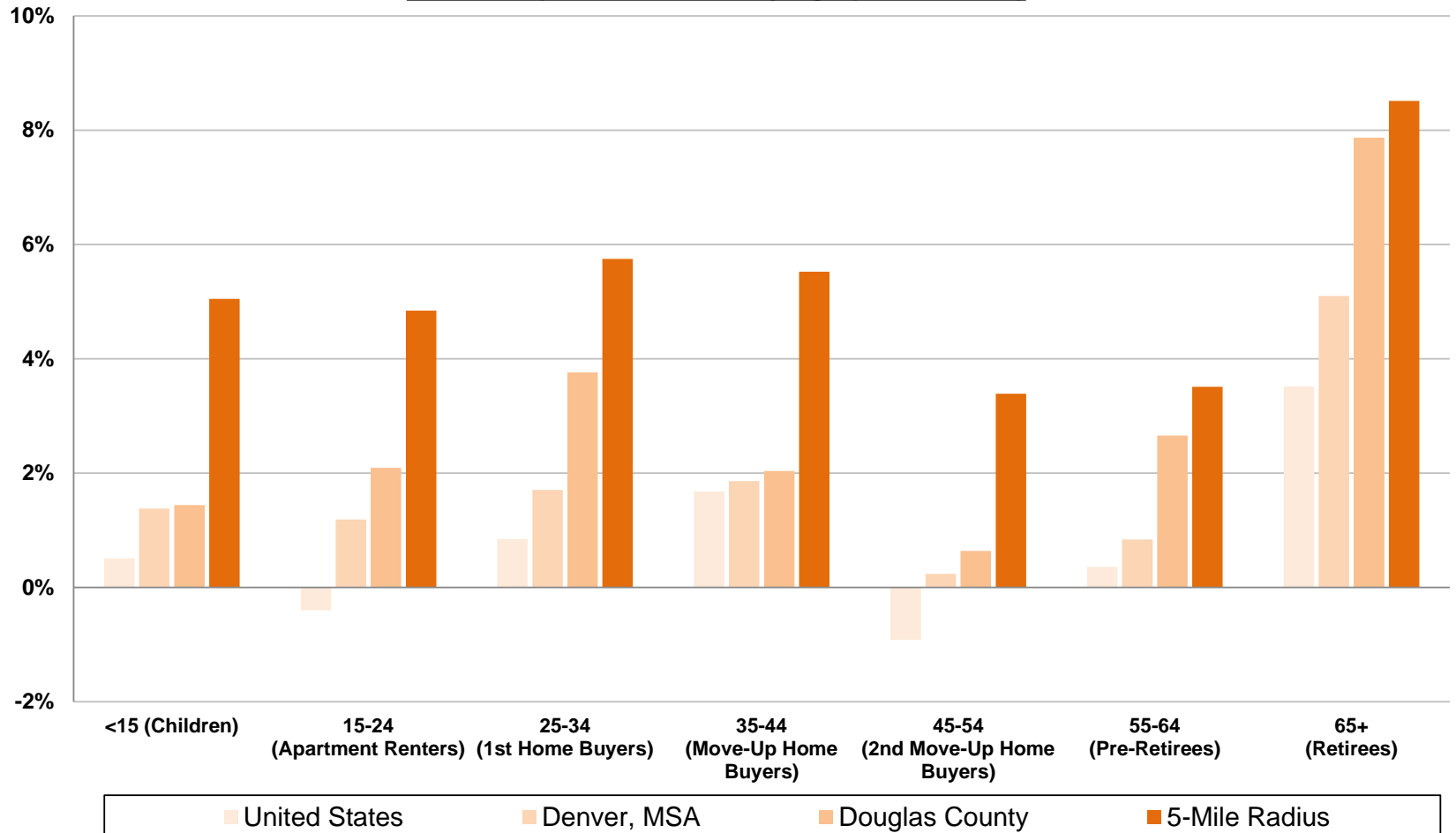


Sources: ESRI; John Burns Real Estate Consulting, LLC

# Population Growth by Age

The population over the age of 65 will be the fastest growing segment in each of the defined markets. The data suggest that within the five-mile radius there will also be notable growth in the 1st time home buyer (25-34 year olds) and Move-up home buyer (35-44) segments.

**Annual Population Growth By Age (2017 to 2022)**

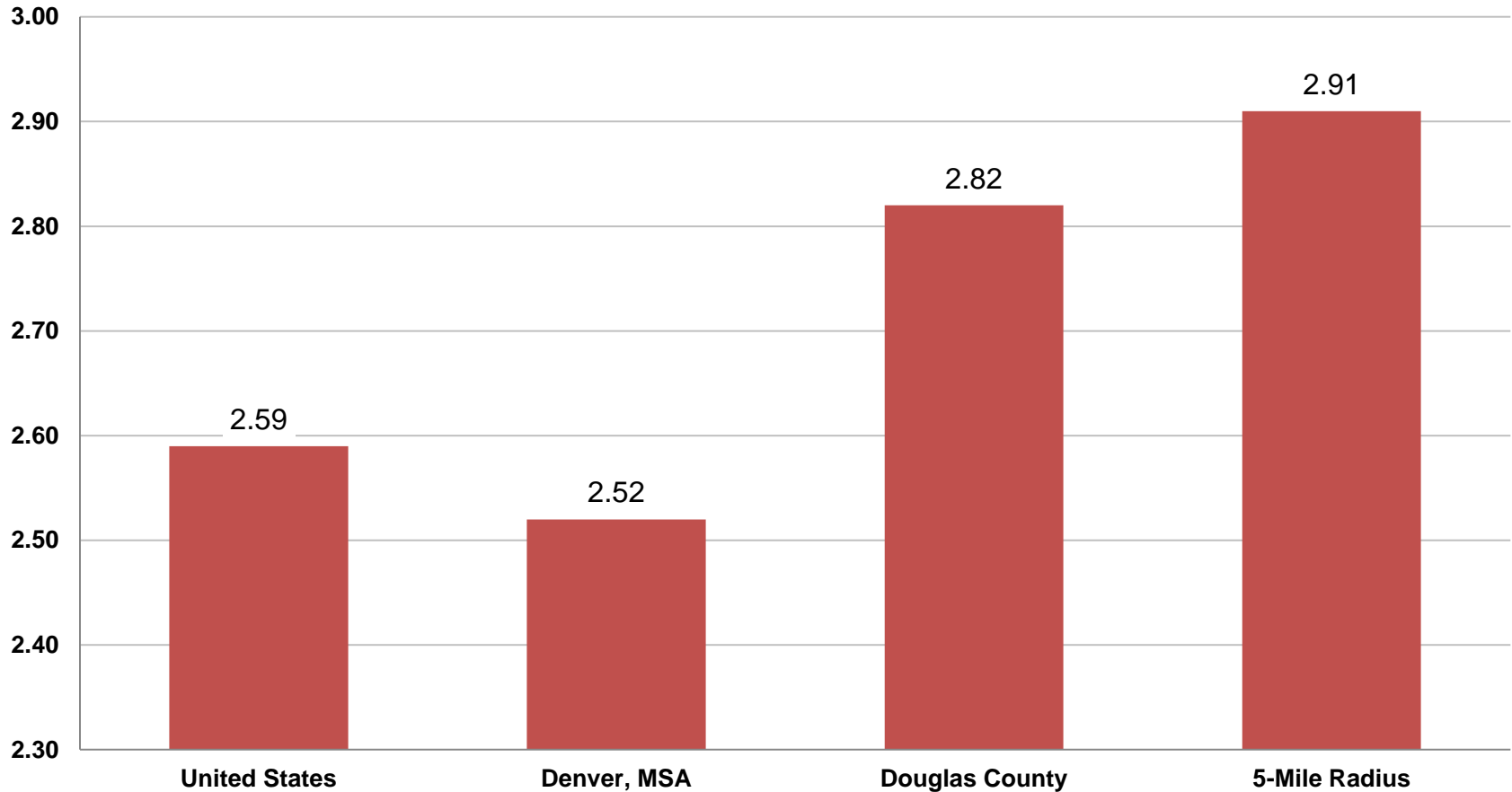


Sources: ESRI; John Burns Real Estate Consulting, LLC

# Average Household Size (2017)

The average household size within the defined five-mile radius is 2.91, slightly above Douglas County and significantly higher than the Denver MSA (2.52). The average household size demonstrates a significant presence of families.

**Average Household Size (2017)**

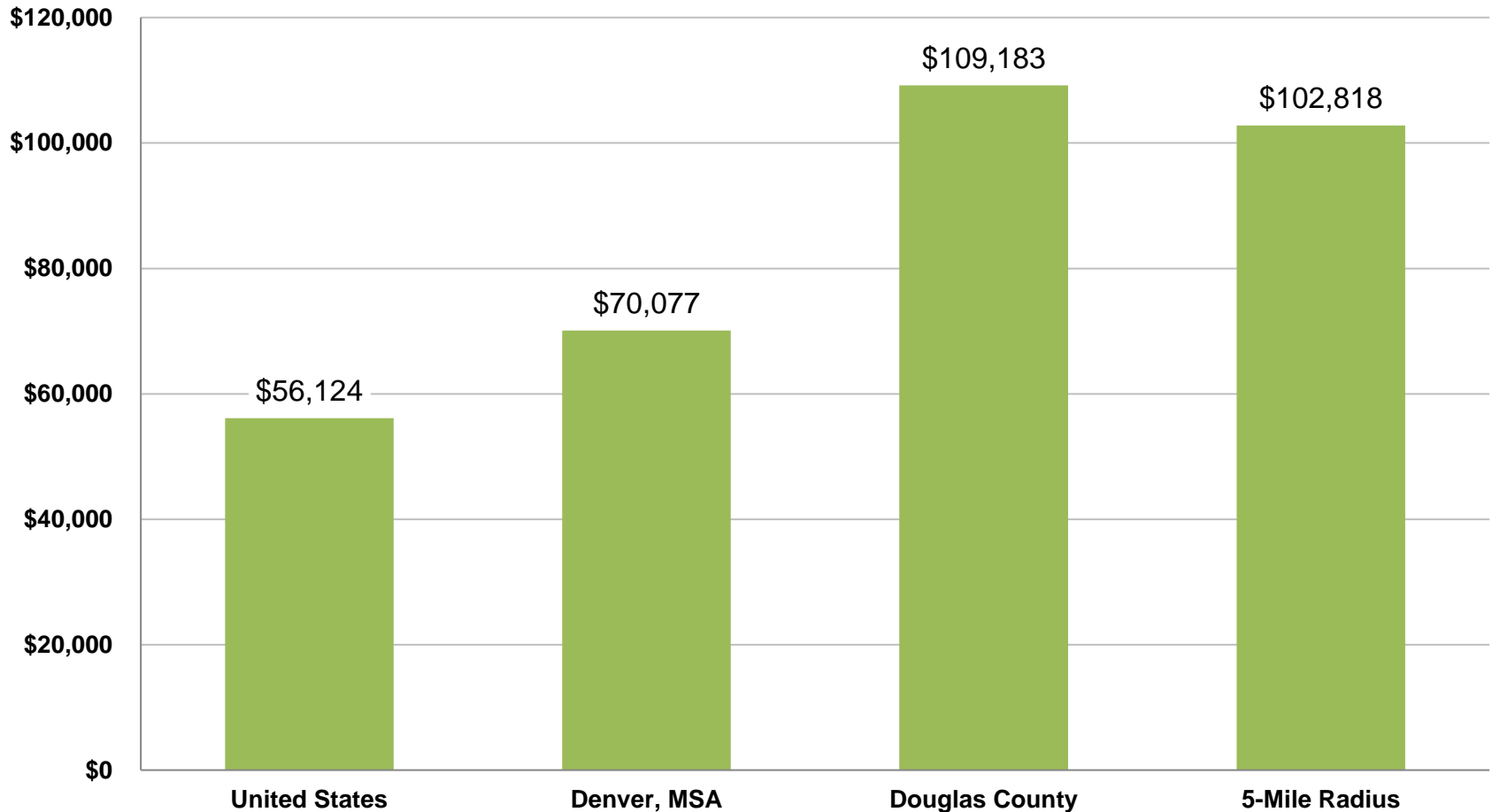


Sources: ESRI; John Burns Real Estate Consulting, LLC

## Median Income (2017)

The median household income in Douglas County was an estimated \$109,183 (per the U.S. Census) in 2017 compared to \$102,818 within a five-mile radius of the Subject. Douglas County and the five-mile radius have substantially higher median incomes compared to the MSA.

**Median Household Income (2017)**



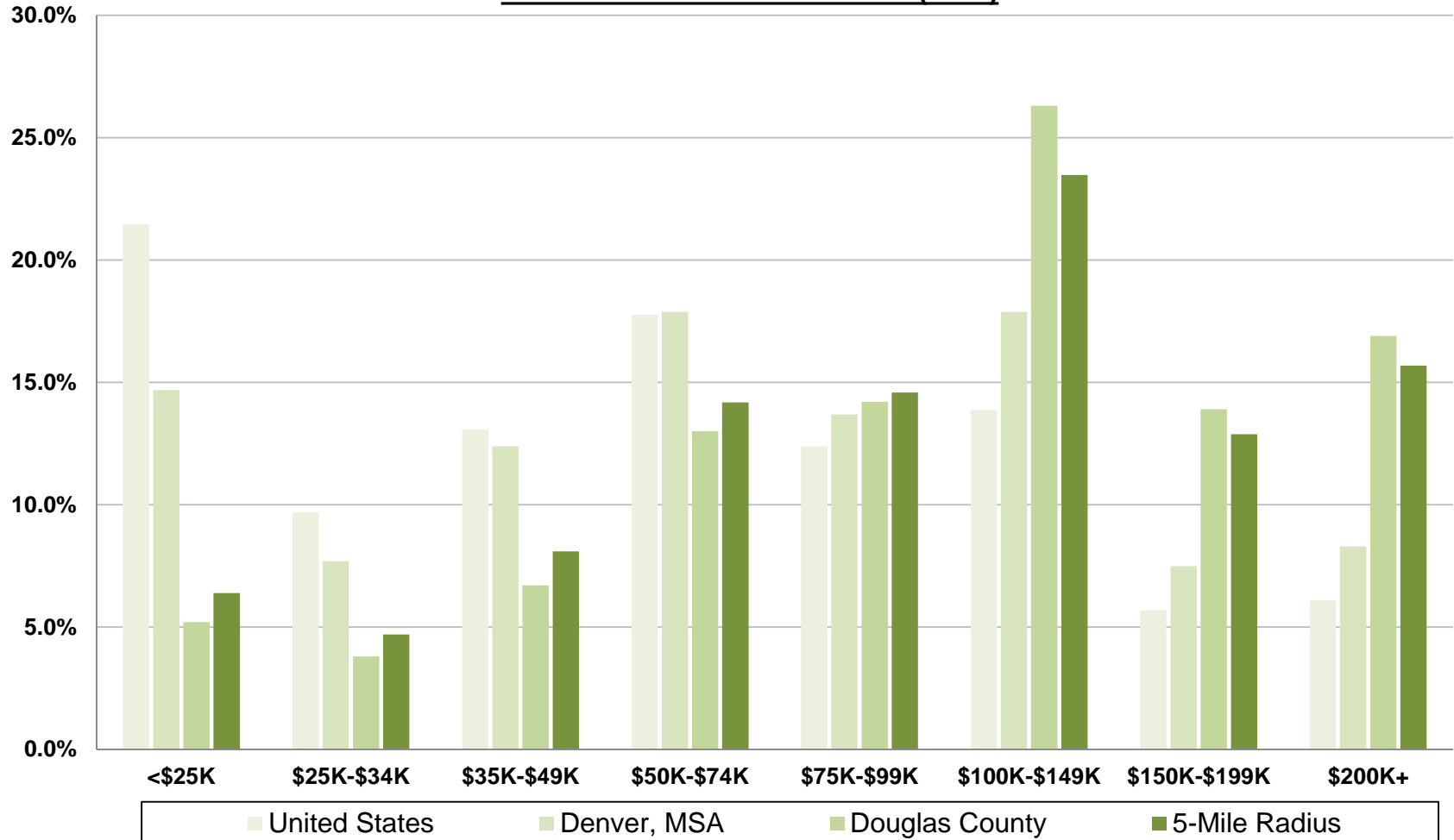
Sources: ESRI; John Burns Real Estate Consulting, LLC



# Household Income Distribution(2017)

Within the five-mile radius, households earning salaries less than \$50,000 compose less than 19% of the market area. Households with salaries of \$100,000 or greater capture over 52% of the competitive market area, with the largest category attributed to households earning \$100,000 to \$149,999, accounting for a quarter of the five-mile radius. This upper-income cohort represents a key source of potential new-home buyers at Canyons South.

**Household Income Distribution (2017)**

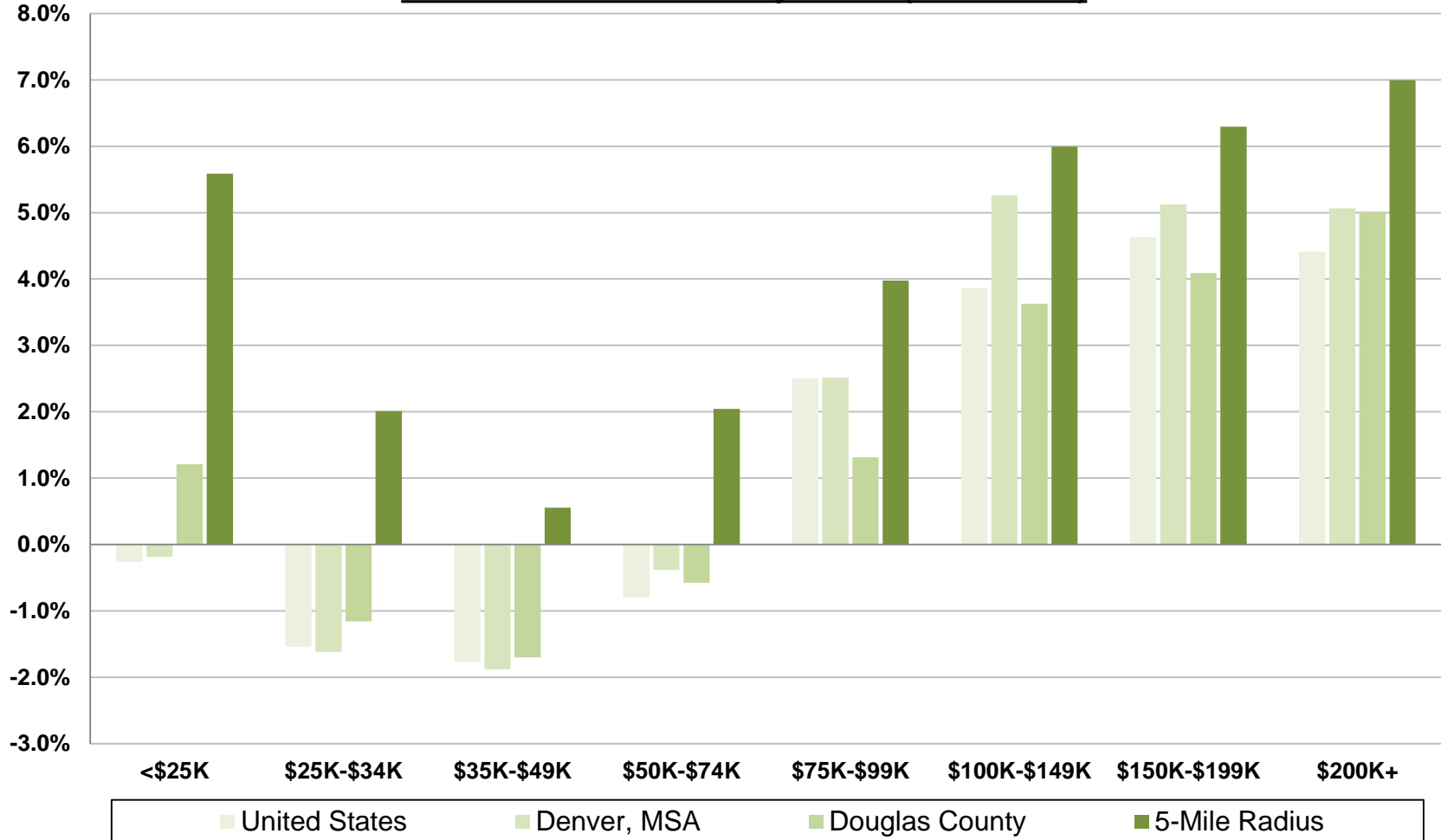


Sources: ESRI; John Burns Real Estate Consulting, LLC

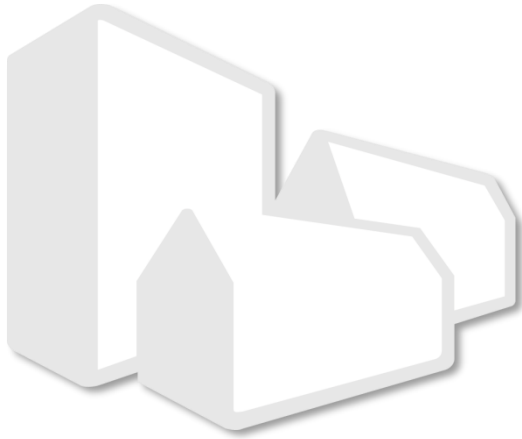
# Household Growth by Income

The highest projected household income growth segments in Douglas County and within a five-mile radius of the Subject are households earning \$200,000 or more. The growing segment earning over \$100,000 would be income-qualified to purchase real estate at the Subject property.

**Annual Household Growth by Income (2017 to 2022)**

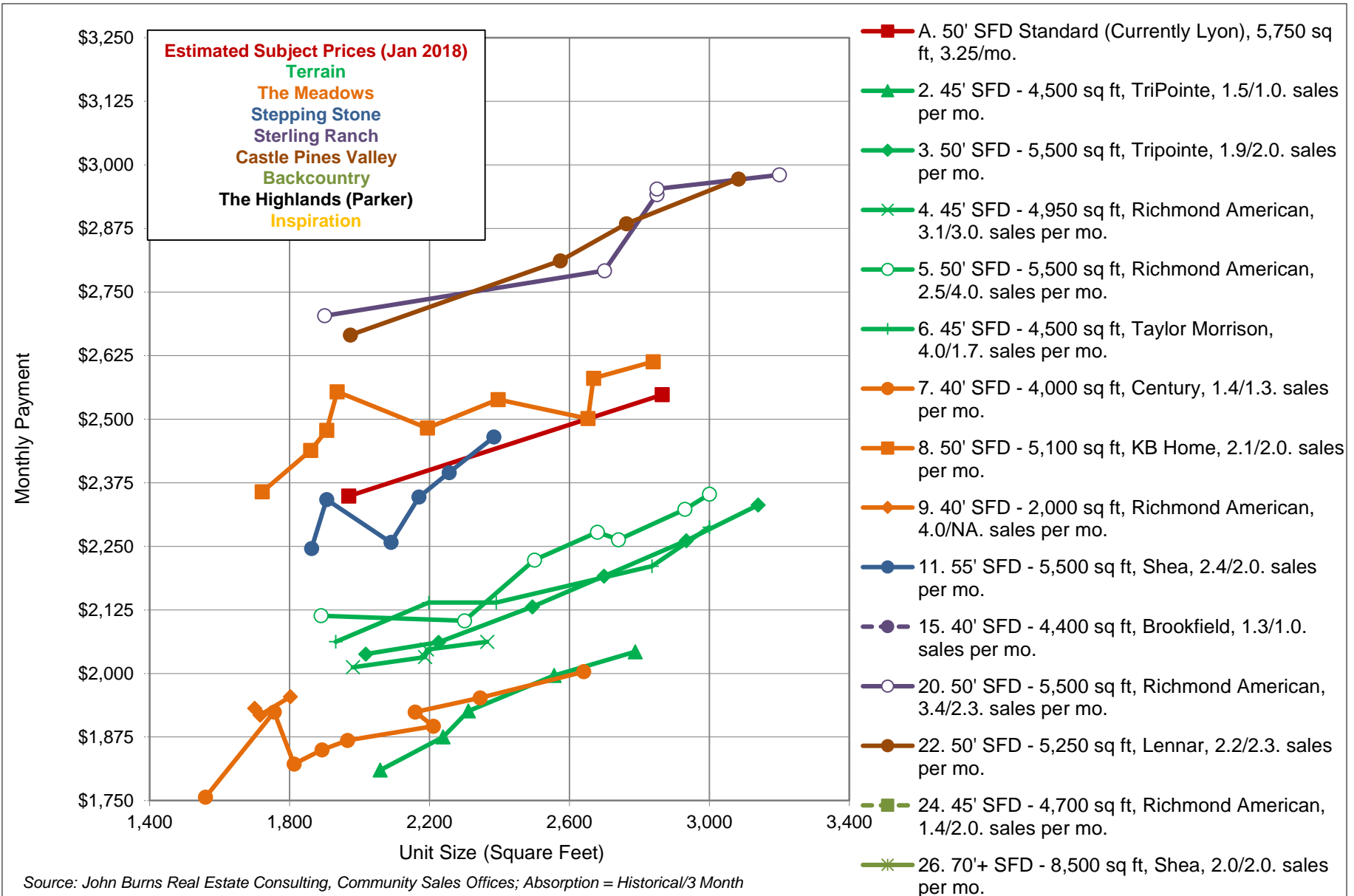


Sources: ESRI; John Burns Real Estate Consulting, LLC

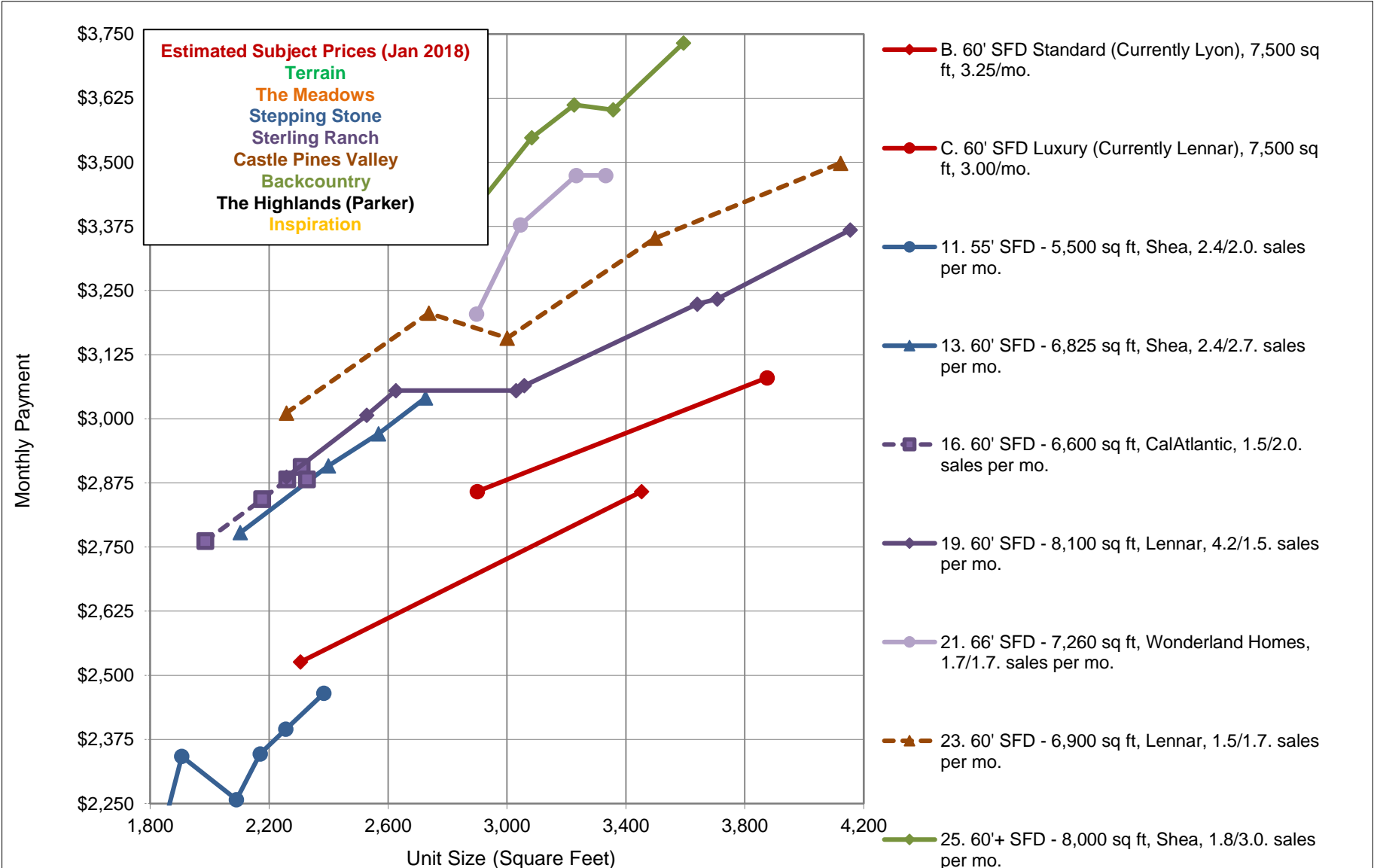


## Appendix A: Monthly Payment Positioning

# Monthly Pmt. Positioning: 50' Subject Products (Jan. 2018)

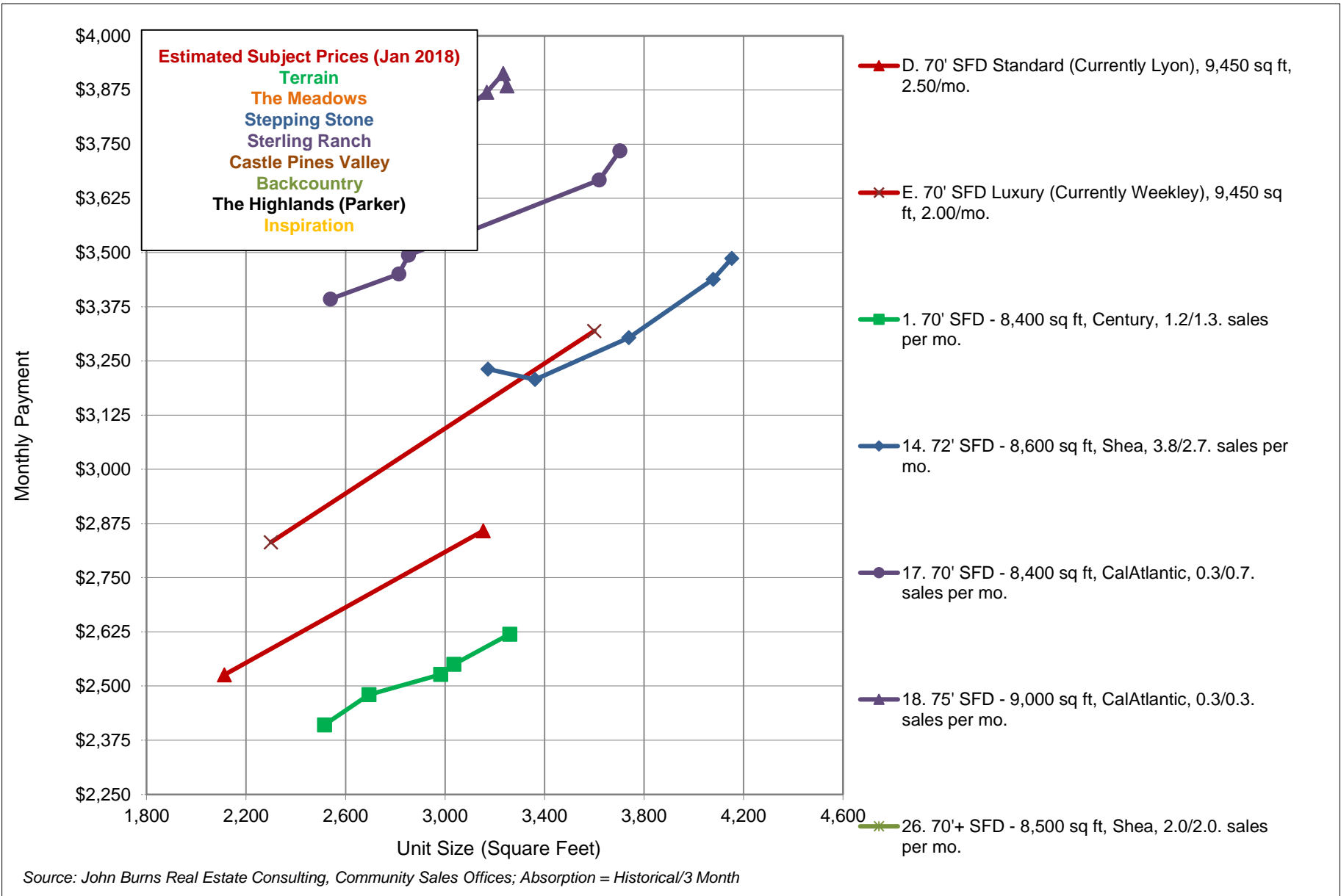


# Monthly Pmt. Positioning: 60' Subject Products (Jan. 2018)

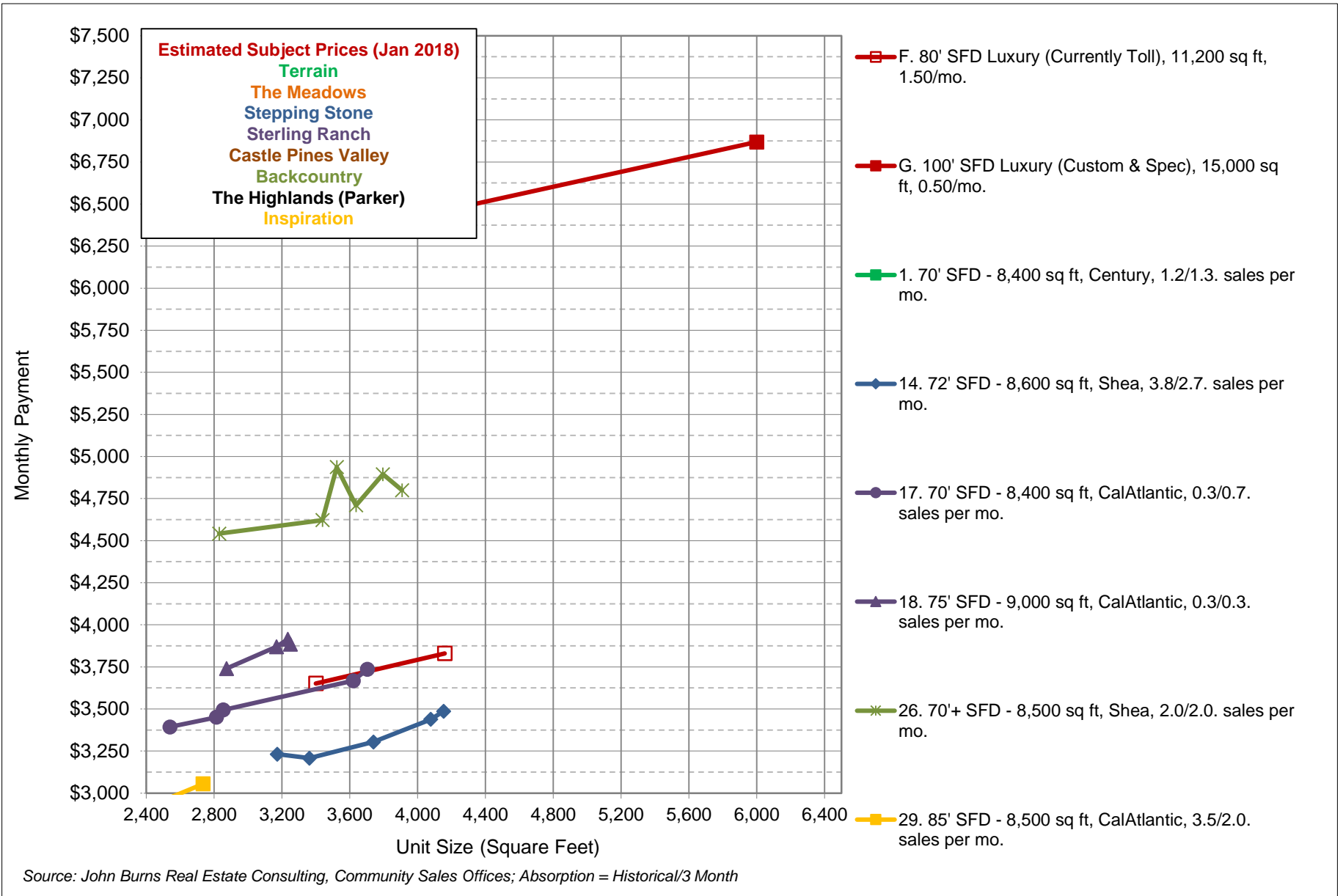


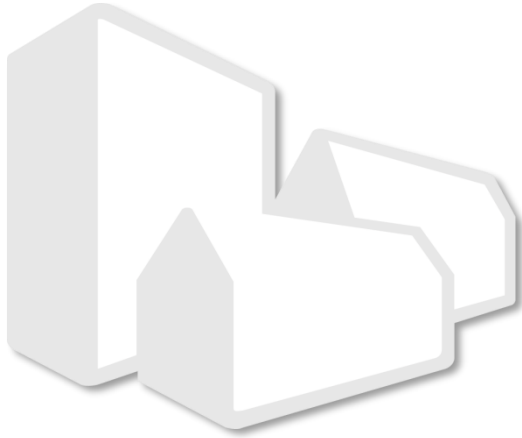
Source: John Burns Real Estate Consulting, Community Sales Offices; Absorption = Historical/3 Month

# Monthly Pmt. Positioning: 70' Subject Products (Jan. 2018)



# Monthly Pmt. Positioning: 80' and 100' Subject Products





## Appendix B: Comparables Detail



# Competitive Project Summary: Terrain

			SIZE					PLAN CONFIGURATION					TAX & HOA			PRICE					QUALIFY	
			SF	Level	Bed+	MBD	Bath	Pkg	Base	Addl	HOA	Base	Incentive	Net Base	Options	Premiums	Net Total	Base/SF	Total/SF	Total Pmt.	Income	
<b>1</b>	<b>Terrain</b>	<b>70' SFD</b>	<b>Century</b>																			
Product / Density:	SFD	3.1	2,515	1	4	3.0	3	1.00%	0.00%	\$61	\$464,950	(\$15,000)	\$449,950	\$25,000	\$30,000	\$504,950	\$179	\$201	\$2,410	\$93,304		
Configuration:	8,400	70' x 120'	2,694	2	3	2.5	3	1.00%	0.00%	\$61	\$479,950	(\$15,000)	\$464,950	\$25,000	\$30,000	\$519,950	\$173	\$193	\$2,480	\$96,006		
Open / Total Units:	11/1/2014	67	2,982	2	4	3.5	3	1.00%	0.00%	\$61	\$489,950	(\$15,000)	\$474,950	\$25,000	\$30,000	\$529,950	\$159	\$178	\$2,527	\$97,807		
Sold 3 Mo's/Total:	4	43	3,035	2	3	2.5	3	1.00%	0.00%	\$61	\$494,950	(\$15,000)	\$479,950	\$25,000	\$30,000	\$534,950	\$158	\$176	\$2,550	\$98,707		
Mo Rate:	1.3	1.2	3,260	2	4	3.5	3	1.00%	0.00%	\$61	\$509,950	(\$15,000)	\$494,950	\$25,000	\$30,000	\$549,950	\$152	\$169	\$2,620	\$101,409		
<b>Totals/Averages:</b>			<b>2,897</b>								<b>\$487,950</b>	<b>(\$15,000)</b>	<b>\$472,950</b>	<b>\$25,000</b>	<b>\$30,000</b>	<b>\$527,950</b>	<b>\$163</b>	<b>\$182</b>	<b>\$2,517</b>	<b>\$97,447</b>		
<b>2</b>	<b>Terrain</b>	<b>45' SFD</b>	<b>TriPointe</b>																			
Product / Density:	SFD	6.3	2,059	2	3	2.5	2	1.00%	0.00%	\$61	\$365,900	(\$5,000)	\$360,900	\$10,000	\$5,000	\$375,900	\$175	\$183	\$1,810	\$70,062		
Configuration:	4,500	45' x 100'	2,239	2	3	2.5	2	1.00%	0.00%	\$61	\$379,900	(\$5,000)	\$374,900	\$10,000	\$5,000	\$389,900	\$167	\$174	\$1,875	\$72,583		
Open / Total Units:	7/1/2017	157	2,311	2	3	2.5	2	1.00%	0.00%	\$61	\$390,900	(\$5,000)	\$385,900	\$10,000	\$5,000	\$400,900	\$167	\$173	\$1,926	\$74,565		
Sold 3 Mo's/Total:	3	8	2,556	2	4	3.5	2	1.00%	0.00%	\$61	\$405,900	(\$5,000)	\$400,900	\$10,000	\$5,000	\$415,900	\$157	\$163	\$1,996	\$77,266		
Mo Rate:	1.0	1.5	2,788	2	4	3.5	2	1.00%	0.00%	\$61	\$415,900	(\$5,000)	\$410,900	\$10,000	\$5,000	\$425,900	\$147	\$153	\$2,043	\$79,067		
<b>Totals/Averages:</b>			<b>2,391</b>								<b>\$391,700</b>	<b>(\$5,000)</b>	<b>\$386,700</b>	<b>\$10,000</b>	<b>\$5,000</b>	<b>\$401,700</b>	<b>\$162</b>	<b>\$168</b>	<b>\$1,930</b>	<b>\$74,709</b>		
<b>3</b>	<b>Terrain</b>	<b>50' SFD</b>	<b>Tripointe</b>																			
Product / Density:	SFD	4.0	2,018	1	2	2.5	2	1.00%	0.00%	\$61	\$399,900	(\$5,000)	\$394,900	\$20,000	\$10,000	\$424,900	\$196	\$211	\$2,038	\$78,887		
Configuration:	5500	50' x 110'	2,226	2	3	2.5	3T	1.00%	0.00%	\$61	\$404,900	(\$5,000)	\$399,900	\$20,000	\$10,000	\$429,900	\$180	\$193	\$2,061	\$79,787		
Open / Total Units:	9/1/2017	100	2,494	2	4	3.5	3T	1.00%	0.00%	\$61	\$419,900	(\$5,000)	\$414,900	\$20,000	\$10,000	\$444,900	\$166	\$178	\$2,131	\$82,489		
Sold 3 Mo's/Total:	6	6	2,699	3	4	3.5	3T	1.00%	0.00%	\$61	\$432,900	(\$5,000)	\$427,900	\$20,000	\$10,000	\$457,900	\$159	\$170	\$2,191	\$84,830		
Mo Rate:	2.0	1.9	2,934	2	3	4.0	3T	1.00%	0.00%	\$61	\$447,900	(\$5,000)	\$442,900	\$20,000	\$10,000	\$472,900	\$151	\$161	\$2,261	\$87,532		
			3,139	2	5	5.0	3T	1.00%	0.00%	\$61	\$462,900	(\$5,000)	\$457,900	\$20,000	\$10,000	\$487,900	\$146	\$155	\$2,331	\$90,233		
<b>Totals/Averages:</b>			<b>2,585</b>								<b>\$428,067</b>	<b>(\$5,000)</b>	<b>\$423,067</b>	<b>\$20,000</b>	<b>\$10,000</b>	<b>\$453,067</b>	<b>\$164</b>	<b>\$175</b>	<b>\$2,169</b>	<b>\$83,960</b>		
<b>4</b>	<b>Terrain</b>	<b>45' SFD</b>	<b>Richmond American</b>																			
Product / Density:	SFD	5.7	1,981	2	3	2.5	2	1.00%	0.00%	\$61	\$384,950	(\$11,549)	\$373,402	\$38,495	\$7,500	\$419,397	\$188	\$212	\$2,012	\$77,896		
Configuration:	4950	45' x 110'	2,187	2	3	2.5	2	1.00%	0.00%	\$61	\$388,950	(\$11,669)	\$377,282	\$38,895	\$7,500	\$423,677	\$173	\$194	\$2,032	\$78,667		
Open / Total Units:	7/25/2017	75	2,193	2	3	2.5	2	1.00%	0.00%	\$61	\$391,950	(\$11,759)	\$380,192	\$39,195	\$7,500	\$426,887	\$173	\$195	\$2,047	\$79,245		
Sold 3 Mo's/Total:	9	14	2,365	2	3	2.5	2	1.00%	0.00%	\$61	\$394,950	(\$11,849)	\$383,102	\$39,495	\$7,500	\$430,097	\$162	\$182	\$2,062	\$79,823		
Mo Rate:	3.0	3.1																				
<b>Totals/Averages:</b>			<b>2,182</b>								<b>\$390,200</b>	<b>(\$11,706)</b>	<b>\$378,494</b>	<b>\$39,020</b>	<b>\$7,500</b>	<b>\$425,014</b>	<b>\$174</b>	<b>\$195</b>	<b>\$2,038</b>	<b>\$78,908</b>		
<b>5</b>	<b>Terrain</b>	<b>50' SFD</b>	<b>Richmond American</b>																			
Product / Density:	SFD	5.1	1,890	1	3	2.0	2	1.00%	0.00%	\$61	\$402,950	(\$12,089)	\$390,862	\$40,295	\$10,000	\$441,157	\$207	\$233	\$2,114	\$81,815		
Configuration:	5500	50' x 110'	2,300	2	3	2.5	2	1.00%	0.00%	\$61	\$400,950	(\$12,029)	\$388,922	\$40,095	\$10,000	\$439,017	\$169	\$191	\$2,104	\$81,429		
Open / Total Units:	4/25/2017	60	2,500	2	4	2.5	2	1.00%	0.00%	\$61	\$424,950	(\$12,749)	\$412,202	\$42,495	\$10,000	\$464,697	\$165	\$186	\$2,223	\$86,054		
Sold 3 Mo's/Total:	12	19	2,680	2	3	2.5	2	1.00%	0.00%	\$61	\$435,950	(\$13,079)	\$422,872	\$43,595	\$10,000	\$476,467	\$158	\$178	\$2,278	\$88,174		
Mo Rate:	4.0	2.5	2,740	2	3	2.5	2	1.00%	0.00%	\$61	\$432,950	(\$12,989)	\$419,962	\$43,295	\$10,000	\$473,257	\$153	\$173	\$2,263	\$87,596		
			2,930	2	4	2.5	2	1.00%	0.00%	\$61	\$444,950	(\$13,349)	\$431,602	\$44,495	\$10,000	\$486,097	\$147	\$166	\$2,323	\$89,909		
			3,000	2	4	2.5	2	1.00%	0.00%	\$61	\$450,950	(\$13,529)	\$437,422	\$45,095	\$10,000	\$492,517	\$146	\$164	\$2,353	\$91,065		
<b>Totals/Averages:</b>			<b>2,577</b>								<b>\$427,664</b>	<b>(\$12,830)</b>	<b>\$414,834</b>	<b>\$42,766</b>	<b>\$10,000</b>	<b>\$467,601</b>	<b>\$161</b>	<b>\$181</b>	<b>\$2,237</b>	<b>\$86,578</b>		
<b>6</b>	<b>Terrain</b>	<b>45' SFD</b>	<b>Taylor Morrison</b>																			
Product / Density:	SFD	6.3	1,932	1	2	2.0	2	1.00%	0.00%	\$61	\$391,990	(\$7,000)	\$384,990	\$39,199	\$6,000	\$430,189	\$199	\$223	\$2,063	\$79,840		
Configuration:	4500	45' x 100'	2,198	2	3	2.5	3	1.00%	0.00%	\$61	\$406,990	(\$7,000)	\$399,990	\$40,699	\$6,000	\$446,689	\$182	\$203	\$2,139	\$82,811		
Open / Total Units:	4/1/2016	101	2,391	2	3	2.5	3	1.00%	0.00%	\$61	\$406,990	(\$7,000)	\$399,990	\$40,699	\$6,000	\$446,689	\$167	\$187	\$2,139	\$82,811		
Sold 3 Mo's/Total:	5	81	2,836	2	4	2.5	3	1.00%	0.00%	\$61	\$420,990	(\$7,000)	\$413,990	\$42,099	\$6,000	\$462,089	\$146	\$163	\$2,211	\$85,585		
Mo Rate:	1.7	4.0	3,000	2	4	2.5	3	1.00%	0.00%	\$61	\$435,990	(\$7,000)	\$428,990	\$43,599	\$6,000	\$478,589	\$143	\$160	\$2,288	\$88,557		
<b>Totals/Averages:</b>			<b>2,471</b>								<b>\$412,590</b>	<b>(\$7,000)</b>	<b>\$405,590</b>	<b>\$41,259</b>	<b>\$6,000</b>	<b>\$452,849</b>	<b>\$164</b>	<b>\$183</b>	<b>\$2,168</b>	<b>\$83,921</b>		

# Competitive Project Summary: The Meadows

	Mix	SIZE		PLAN CONFIGURATION					TAX & HOA			PRICE					QUALIFY			
		SF	Level	Bed	MBD	Bath	Pkg	Base	Addl	HOA	Base	Incentive	Net Base	Options	Premiums	Net Total	Base/SF	Total/SF	Total Pmt.	Income
<b>7</b>	<b>The Meadows</b>	<b>40' SFD</b>	<b>Century</b>																	
Product / Density:	SFD	7.1	1,560	2	3	2.5	2	1.00%	0.00%	\$68	\$342,950	(\$10,000)	\$332,950	\$15,000	\$15,000	\$362,950	\$213	\$233	\$1,757	\$68,001
Configuration:	4000	40' x 100'	1,756	1	3	2.0	2	1.00%	0.00%	\$68	\$378,950	(\$10,000)	\$368,950	\$15,000	\$15,000	\$398,950	\$210	\$227	\$1,924	\$74,484
Open / Total Units:	8/1/2017	98	1,813	2	4	2.5	2	1.00%	0.00%	\$68	\$356,950	(\$10,000)	\$346,950	\$15,000	\$15,000	\$376,950	\$191	\$208	\$1,822	\$70,522
Sold 3 Mo's/Total:	4	6	1,893	2	4	2.5	2	1.00%	0.00%	\$68	\$362,950	(\$10,000)	\$352,950	\$15,000	\$15,000	\$382,950	\$186	\$202	\$1,850	\$71,603
Mo Rate:	1.3	1.4	1,966	2	4	2.5	2	1.00%	0.00%	\$68	\$366,950	(\$10,000)	\$356,950	\$15,000	\$15,000	\$386,950	\$182	\$197	\$1,868	\$72,323
			2,211	2	4	2.5	2	1.00%	0.00%	\$68	\$372,950	(\$10,000)	\$362,950	\$15,000	\$15,000	\$392,950	\$164	\$178	\$1,896	\$73,404
			2,159	2	4	2.5	2	1.00%	0.00%	\$68	\$378,950	(\$10,000)	\$368,950	\$15,000	\$15,000	\$398,950	\$171	\$185	\$1,924	\$74,484
			2,345	2	4	2.5	2	1.00%	0.00%	\$68	\$384,950	(\$10,000)	\$374,950	\$15,000	\$15,000	\$404,950	\$160	\$173	\$1,952	\$75,565
			2,641	2	4	2.5	2	1.00%	0.00%	\$68	\$395,950	(\$10,000)	\$385,950	\$15,000	\$15,000	\$415,950	\$146	\$157	\$2,003	\$77,546
<b>Totals/Averages:</b>			<b>2,038</b>								<b>\$371,283</b>	<b>(\$10,000)</b>	<b>\$361,283</b>	<b>\$15,000</b>	<b>\$15,000</b>	<b>\$391,283</b>	<b>\$177</b>	<b>\$192</b>	<b>\$1,889</b>	<b>\$73,103</b>
<b>8</b>	<b>The Meadows</b>	<b>50' SFD</b>	<b>KB Home</b>																	
Product / Density:	SFD	5.6	1,722	2	3	2.5	2	1.00%	0.00%	\$68	\$417,995	\$0	\$417,995	\$60,000	\$14,000	\$491,995	\$243	\$286	\$2,357	\$91,242
Configuration:	5100	50' x 110'	1,860	1	3	2.0	2	1.00%	0.00%	\$68	\$435,495	\$0	\$435,495	\$60,000	\$14,000	\$509,495	\$234	\$274	\$2,439	\$94,394
Open / Total Units:	3/1/2017	160	1,906	1	2	2.0	2	1.00%	0.00%	\$68	\$443,995	\$0	\$443,995	\$60,000	\$14,000	\$517,995	\$233	\$272	\$2,478	\$95,925
Sold 3 Mo's/Total:	6	20	1,936	1	2	2.5	2	1.00%	0.00%	\$68	\$460,335	\$0	\$460,335	\$60,000	\$14,000	\$534,335	\$238	\$276	\$2,554	\$98,867
Mo Rate:	2.0	2.1	2,194	2	3	2.5	2	1.00%	0.00%	\$68	\$444,995	\$0	\$444,995	\$60,000	\$14,000	\$518,995	\$203	\$237	\$2,483	\$96,105
			2,396	2	3	2.5	2	1.00%	0.00%	\$68	\$456,995	\$0	\$456,995	\$60,000	\$14,000	\$530,995	\$191	\$222	\$2,539	\$98,266
			2,653	1	2	2.5	2	1.00%	0.00%	\$68	\$448,995	\$0	\$448,995	\$60,000	\$14,000	\$522,995	\$169	\$197	\$2,501	\$96,825
			2,669	2	4	2.5	2	1.00%	0.00%	\$68	\$465,995	\$0	\$465,995	\$60,000	\$14,000	\$539,995	\$175	\$202	\$2,580	\$99,887
			2,839	2	4	2.5	2	1.00%	0.00%	\$68	\$472,995	\$0	\$472,995	\$60,000	\$14,000	\$546,995	\$167	\$193	\$2,613	\$101,148
<b>Totals/Averages:</b>			<b>2,242</b>								<b>\$449,755</b>	<b>\$0</b>	<b>\$449,755</b>	<b>\$60,000</b>	<b>\$14,000</b>	<b>\$523,755</b>	<b>\$201</b>	<b>\$234</b>	<b>\$2,505</b>	<b>\$96,962</b>
<b>9</b>	<b>The Meadows</b>	<b>40' SFD</b>	<b>Richmond American</b>																	
Product/Density:	SFD	14.2	1,700	3	2	2.5	2	1.00%	0.00%	\$100	\$392,950	(\$26,789)	\$366,162	\$22,500	\$5,000	\$393,662	\$215	\$232	\$1,932	\$74,771
Configuration:	2000	40' x 50'	1,716	3	2	2.5	2	1.00%	0.00%	\$100	\$389,950	(\$26,699)	\$363,252	\$22,500	\$5,000	\$390,752	\$212	\$228	\$1,918	\$74,246
Open / Total Units:	11/15/2017	149	1,802	3	2	2.5	2	1.00%	0.00%	\$100	\$397,950	(\$26,939)	\$371,012	\$22,500	\$5,000	\$398,512	\$206	\$221	\$1,954	\$75,644
Sold 3 Mo's/Total:	NA	3																		
Mo Rate:	NA	4.0																		
<b>Totals/Averages:</b>			<b>1,739</b>								<b>\$393,617</b>	<b>(\$26,809)</b>	<b>\$366,808</b>	<b>\$22,500</b>	<b>\$5,000</b>	<b>\$394,308</b>	<b>\$211</b>	<b>\$227</b>	<b>\$1,935</b>	<b>\$74,887</b>
<b>10</b>	<b>The Meadows</b>	<b>Patio Homes</b>	<b>CalAtlantic</b>																	
Product / Density:	SFD	5.7	1,714	1	3	3.0	2	1.00%	0.00%	\$223	\$574,216	(\$42,500)	\$531,716	\$0	\$15,000	\$546,716	\$310	\$319	\$2,767	\$107,097
Configuration:	5000	50' x 100'	2,125	1	3	3.5	2	1.00%	0.00%	\$223	\$579,739	(\$42,500)	\$537,239	\$0	\$15,000	\$552,239	\$253	\$260	\$2,792	\$108,092
Open / Total Units:	12/1/2015	69	2,144	1	4	3.5	2	1.00%	0.00%	\$223	\$563,427	(\$42,500)	\$520,927	\$0	\$15,000	\$535,927	\$243	\$250	\$2,716	\$105,154
Sold 3 Mo's/Total:	8	62																		
Mo Rate:	2.7	2.5																		
<b>Totals/Averages:</b>			<b>1,994</b>								<b>\$572,461</b>	<b>(\$42,500)</b>	<b>\$529,961</b>	<b>\$0</b>	<b>\$15,000</b>	<b>\$544,961</b>	<b>\$266</b>	<b>\$273</b>	<b>\$2,759</b>	<b>\$106,781</b>

# Competitive Project Summary: Stepping Stone

			SIZE		PLAN CONFIGURATION					TAX & HOA			PRICE					QUALIFY				
			Mix	SF	Level	Bed+	MBD	Bath	Pkg	Base	Add'l	HOA	Base	Incentive	Net Base	Options	Premiums	Net Total	Base/SF	Total/SF	Total Pmt.	Income
<b>11</b>	<b>Stepping Stone</b>	<b>55' SFD</b>			<b>Shea</b>																	
Product / Density:	SFD	5.1	1,863	2	3	2.5	2	1.20%	0.00%	\$128	\$409,400	(\$5,000)	\$404,400	\$30,000	\$5,000	\$439,400	\$217	\$236	\$2,246	\$86,927		
Configuration:	5500	55' x 100'	1,906	2	3	2.5	2	1.20%	0.00%	\$128	\$429,400	(\$5,000)	\$424,400	\$30,000	\$5,000	\$459,400	\$223	\$241	\$2,342	\$90,658		
Open / Total Units:	5/1/2013	192	2,090	2	3	2.5	2	1.20%	0.00%	\$128	\$411,900	(\$5,000)	\$406,900	\$30,000	\$5,000	\$441,900	\$195	\$211	\$2,258	\$87,393		
Sold 3 Mo's/Total:	6	135	2,170	2	3	2.5	2	1.20%	0.00%	\$128	\$430,400	(\$5,000)	\$425,400	\$30,000	\$5,000	\$460,400	\$196	\$212	\$2,347	\$90,844		
Mo Rate:	2.0	2.4	2,256	2	3	2.5	2	1.20%	0.00%	\$128	\$440,400	(\$5,000)	\$435,400	\$30,000	\$5,000	\$470,400	\$193	\$209	\$2,395	\$92,710		
			2,384	2	4	2.5	2	1.20%	0.00%	\$128	\$454,900	(\$5,000)	\$449,900	\$30,000	\$5,000	\$484,900	\$189	\$203	\$2,465	\$95,415		
<b>Totals/Averages:</b>			<b>2,112</b>								<b>\$429,400</b>	<b>(\$5,000)</b>	<b>\$424,400</b>	<b>\$30,000</b>	<b>\$5,000</b>	<b>\$459,400</b>	<b>\$201</b>	<b>\$218</b>	<b>\$2,342</b>	<b>\$90,658</b>		
<b>12</b>	<b>Stepping Stone</b>	<b>65' SFD</b>			<b>Shea</b>																	
Product / Density:	SFD	3.5	2,488	1	3	2.5	3	1.20%	0.00%	\$128	\$506,400	(\$5,000)	\$501,400	\$40,000	\$17,500	\$558,900	\$202	\$225	\$2,822	\$109,220		
Configuration:	8125	65' x 125'	2,524	2	3	3.5	3T	1.20%	0.00%	\$128	\$491,400	(\$5,000)	\$486,400	\$40,000	\$17,500	\$543,900	\$193	\$215	\$2,749	\$106,422		
Open / Total Units:	5/1/2013	138	2,834	2	5	4.0	3	1.20%	0.00%	\$128	\$515,900	(\$5,000)	\$510,900	\$40,000	\$17,500	\$568,400	\$180	\$201	\$2,867	\$110,992		
Sold 3 Mo's/Total:	5	137	3,110	2	5	4.5	3	1.20%	0.00%	\$128	\$537,900	(\$5,000)	\$532,900	\$40,000	\$17,500	\$590,400	\$171	\$190	\$2,973	\$115,097		
Mo Rate:	1.7	2.5																				
<b>Totals/Averages:</b>			<b>2,739</b>								<b>\$512,900</b>	<b>(\$5,000)</b>	<b>\$507,900</b>	<b>\$40,000</b>	<b>\$17,500</b>	<b>\$565,400</b>	<b>\$185</b>	<b>\$206</b>	<b>\$2,853</b>	<b>\$110,433</b>		
<b>13</b>	<b>Stepping Stone</b>	<b>60' SFD</b>			<b>Shea</b>																	
Product / Density:	SFD	4.1	2,103	1	2	2.5	3T	1.20%	0.00%	\$128	\$489,900	(\$5,000)	\$484,900	\$55,000	\$10,000	\$549,900	\$231	\$261	\$2,778	\$107,541		
Configuration:	6825	60' x 105'	2,399	1	2	2.5	3	1.20%	0.00%	\$128	\$516,900	(\$5,000)	\$511,900	\$55,000	\$10,000	\$576,900	\$213	\$240	\$2,908	\$112,578		
Open / Total Units:	2/1/2016	60	2,568	1	2	2.5	3	1.20%	0.00%	\$128	\$529,900	(\$5,000)	\$524,900	\$55,000	\$10,000	\$589,900	\$204	\$230	\$2,971	\$115,003		
Sold 3 Mo's/Total:	8	53	2,726	1	2	2.5	3	1.20%	0.00%	\$128	\$544,400	(\$5,000)	\$539,400	\$55,000	\$10,000	\$604,400	\$198	\$222	\$3,041	\$117,708		
Mo Rate:	2.7	2.4																				
<b>Totals/Averages:</b>			<b>2,449</b>								<b>\$520,275</b>	<b>(\$5,000)</b>	<b>\$515,275</b>	<b>\$55,000</b>	<b>\$10,000</b>	<b>\$580,275</b>	<b>\$210</b>	<b>\$237</b>	<b>\$2,925</b>	<b>\$113,208</b>		
<b>14</b>	<b>Stepping Stone</b>	<b>72' SFD</b>			<b>Shea</b>																	
Product / Density:	SFD	3.3	3,172	1	3	3.3	3	1.20%	0.00%	\$128	\$586,900	(\$5,000)	\$581,900	\$50,000	\$12,000	\$643,900	\$183	\$203	\$3,231	\$125,077		
Configuration:	8600	72' x 119'	3,362	2	4	4.3	3	1.20%	0.00%	\$128	\$581,900	(\$5,000)	\$576,900	\$50,000	\$12,000	\$638,900	\$172	\$190	\$3,207	\$124,144		
Open / Total Units:	3/1/2017	119	3,739	2	4	4.5	4T	1.20%	0.00%	\$128	\$601,900	(\$5,000)	\$596,900	\$50,000	\$12,000	\$658,900	\$160	\$176	\$3,303	\$127,876		
Sold 3 Mo's/Total:	8	35	4,078	2	4	4.0	3	1.20%	0.00%	\$128	\$629,900	(\$5,000)	\$624,900	\$50,000	\$12,000	\$686,900	\$153	\$168	\$3,438	\$133,099		
Mo Rate:	2.7	3.8	4,153	2	5	5.3	4	1.20%	0.00%	\$128	\$639,900	(\$5,000)	\$634,900	\$50,000	\$12,000	\$696,900	\$153	\$168	\$3,487	\$134,965		
<b>Totals/Averages:</b>			<b>3,701</b>								<b>\$608,100</b>	<b>(\$5,000)</b>	<b>\$603,100</b>	<b>\$50,000</b>	<b>\$12,000</b>	<b>\$665,100</b>	<b>\$163</b>	<b>\$180</b>	<b>\$3,333</b>	<b>\$129,032</b>		

# Competitive Project Summary: Sterling Ranch

		SIZE		PLAN CONFIGURATION					TAX & HOA			PRICE					QUALIFY				
		SF	Level	Bed+	MBD	Bath	Pkg	Base	Addl	HOA	Base	Incentive	Net Base	Options	Premiums	Net Total	Base/SF	Total/SF	Total Pmt.	Income	
<b>15 Sterling Ranch</b>	<b>40' SFD</b>			<b>Brookfield</b>																	
Product / Density:	SFD	6.4		1,786	2	2	2.5	2	1.20%	0.00%	\$0	\$514,880	(\$3,500)	\$511,380	\$11,000	\$16,200	\$636,522	\$286	\$356	\$3,068	\$118,746
Configuration:	4400	40' x 110'		1,994	2	2	2.5	2	1.20%	0.00%	\$0	\$521,880	(\$3,500)	\$518,380	\$11,000	\$16,200	\$653,749	\$260	\$328	\$3,151	\$121,960
Open / Total Units:	6/10/2017			22	2	2	2.0	2	1.20%	0.00%	\$0	\$522,880	(\$3,500)	\$519,380	\$11,000	\$16,200	\$653,749	\$260	\$327	\$3,151	\$121,960
Sold 3 Mo's/Total:	3			8	2	2	2.5	2	1.20%	0.00%	\$0	\$529,880	(\$3,500)	\$526,380	\$11,000	\$16,200	\$653,749	\$256	\$318	\$3,151	\$121,960
Mo Rate:	1.0	1.3		2,159	2	2	2.5	2	1.20%	0.00%	\$0	\$533,880	(\$3,500)	\$530,380	\$11,000	\$16,200	\$653,749	\$246	\$303	\$3,151	\$121,960
<b>Totals/Averages:</b>				<b>1,999</b>								<b>\$524,680</b>	<b>(\$3,500)</b>	<b>\$521,180</b>	<b>\$11,000</b>	<b>\$16,200</b>	<b>\$650,304</b>	<b>\$261</b>	<b>\$325</b>	<b>\$3,134</b>	<b>\$121,317</b>
<b>16 Sterling Ranch</b>	<b>60' SFD</b>			<b>CalAtlantic</b>																	
Product / Density:	SFD	4.3		1,986	1	3	2.5	2	1.20%	0.00%	\$0	\$543,990	(\$35,000)	\$508,990	\$64,000	\$0	\$572,990	\$256	\$289	\$2,761	\$106,894
Configuration:	6600	60' x 110'		2,177	1	2	2.5	2	1.20%	0.00%	\$0	\$560,990	(\$35,000)	\$525,990	\$64,000	\$0	\$589,990	\$242	\$271	\$2,843	\$110,065
Open / Total Units:	6/15/2017			60	2	2	2.5	3	1.20%	0.00%	\$0	\$568,990	(\$35,000)	\$533,990	\$64,000	\$0	\$597,990	\$236	\$264	\$2,882	\$111,558
Sold 3 Mo's/Total:	6			9	2	2	2.5	3	1.20%	0.00%	\$0	\$573,990	(\$35,000)	\$538,990	\$64,000	\$0	\$602,990	\$233	\$261	\$2,906	\$112,490
Mo Rate:	2.0	1.5		2,328	1	2	2.5	3	1.20%	0.00%	\$0	\$568,990	(\$35,000)	\$533,990	\$64,000	\$0	\$597,990	\$229	\$257	\$2,882	\$111,558
<b>Totals/Averages:</b>				<b>2,212</b>								<b>\$563,390</b>	<b>(\$35,000)</b>	<b>\$528,390</b>	<b>\$64,000</b>	<b>\$0</b>	<b>\$592,390</b>	<b>\$239</b>	<b>\$268</b>	<b>\$2,855</b>	<b>\$110,513</b>
<b>17 Sterling Ranch</b>	<b>70' SFD</b>			<b>CalAtlantic</b>																	
Product / Density:	SFD	3.4		2,539	1	3	2.5	3	1.20%	0.00%	\$0	\$633,990	(\$35,000)	\$598,990	\$90,000	\$15,000	\$703,990	\$236	\$277	\$3,393	\$131,332
Configuration:	8400	70' x 120'		2,814	1	3	2.5	3	1.20%	0.00%	\$0	\$645,990	(\$35,000)	\$610,990	\$90,000	\$15,000	\$715,990	\$217	\$254	\$3,451	\$133,571
Open / Total Units:	6/15/2017			6	3	3	3.5	3	1.20%	0.00%	\$0	\$654,990	(\$35,000)	\$619,990	\$90,000	\$15,000	\$724,990	\$217	\$254	\$3,494	\$135,250
Sold 3 Mo's/Total:	2			2	4	4	4.5	3	1.20%	0.00%	\$0	\$690,990	(\$35,000)	\$655,990	\$90,000	\$15,000	\$760,990	\$181	\$210	\$3,667	\$141,966
Mo Rate:	0.7	0.3		3,703	2	4	4.5	3	1.20%	0.00%	\$0	\$704,990	(\$35,000)	\$669,990	\$90,000	\$15,000	\$774,990	\$181	\$209	\$3,735	\$144,578
<b>Totals/Averages:</b>				<b>3,106</b>								<b>\$666,190</b>	<b>(\$35,000)</b>	<b>\$631,190</b>	<b>\$90,000</b>	<b>\$15,000</b>	<b>\$736,190</b>	<b>\$203</b>	<b>\$237</b>	<b>\$3,548</b>	<b>\$137,339</b>
<b>18 Sterling Ranch</b>	<b>75' SFD</b>			<b>CalAtlantic</b>																	
Product / Density:	SFD	3.1		2,873	1	2	2.5	3	1.20%	0.00%	\$0	\$690,990	(\$35,000)	\$655,990	\$100,000	\$20,000	\$775,990	\$228	\$270	\$3,740	\$144,764
Configuration:	9000	75' x 120'		3,168	1	3	3.5	3	1.20%	0.00%	\$0	\$717,990	(\$35,000)	\$682,990	\$100,000	\$20,000	\$802,990	\$216	\$253	\$3,870	\$149,801
Open / Total Units:	6/15/2017			9	3	3	3.5	3	1.20%	0.00%	\$0	\$726,990	(\$35,000)	\$691,990	\$100,000	\$20,000	\$811,990	\$214	\$251	\$3,913	\$151,480
Sold 3 Mo's/Total:	1			2	3	3	3.5	3	1.20%	0.00%	\$0	\$720,990	(\$35,000)	\$685,990	\$100,000	\$20,000	\$805,990	\$211	\$248	\$3,884	\$150,361
Mo Rate:	0.3	0.3		3,249	1	3	3.5	3	1.20%	0.00%	\$0	\$720,990	(\$35,000)	\$685,990	\$100,000	\$20,000	\$805,990	\$211	\$248	\$3,884	\$150,361
<b>Totals/Averages:</b>				<b>3,131</b>								<b>\$714,240</b>	<b>(\$35,000)</b>	<b>\$679,240</b>	<b>\$100,000</b>	<b>\$20,000</b>	<b>\$799,240</b>	<b>\$217</b>	<b>\$255</b>	<b>\$3,852</b>	<b>\$149,102</b>
<b>19 Sterling Ranch</b>	<b>60' SFD</b>			<b>Lennar</b>																	
Product / Density:	SFD	3.5		2,258	1	4	3.0	3	1.20%	0.00%	\$0	\$573,900	(\$5,000)	\$568,900	\$20,000	\$10,000	\$598,900	\$252	\$265	\$2,886	\$111,727
Configuration:	8100	60' x 135'		2,528	1	4	3.0	3	1.20%	0.00%	\$0	\$598,900	(\$5,000)	\$593,900	\$20,000	\$10,000	\$623,900	\$235	\$247	\$3,007	\$116,391
Open / Total Units:	7/1/2017			41	4	4	3.0	3	1.20%	0.00%	\$0	\$608,900	(\$5,000)	\$603,900	\$20,000	\$10,000	\$633,900	\$230	\$241	\$3,055	\$118,257
Sold 3 Mo's/Total:	4.5			22	4	4	3.0	3	1.20%	0.00%	\$0	\$608,900	(\$5,000)	\$603,900	\$20,000	\$10,000	\$633,900	\$199	\$209	\$3,055	\$118,257
Mo Rate:	1.5	4.2		3,058	2	4	3.0	3	1.20%	0.00%	\$0	\$610,900	(\$5,000)	\$605,900	\$20,000	\$10,000	\$635,900	\$198	\$208	\$3,065	\$118,630
				3,640	2	4	3.5	3	1.20%	0.00%	\$0	\$643,900	(\$5,000)	\$638,900	\$20,000	\$10,000	\$668,900	\$176	\$184	\$3,224	\$124,786
				3,707	2	4	3.5	3	1.20%	0.00%	\$0	\$645,900	(\$5,000)	\$640,900	\$20,000	\$10,000	\$670,900	\$173	\$181	\$3,233	\$125,159
				4,155	2	6	4.5	3	1.20%	0.00%	\$0	\$673,900	(\$5,000)	\$668,900	\$20,000	\$10,000	\$698,900	\$161	\$168	\$3,368	\$130,383
<b>Totals/Averages:</b>				<b>3,125</b>								<b>\$620,650</b>	<b>(\$5,000)</b>	<b>\$615,650</b>	<b>\$20,000</b>	<b>\$10,000</b>	<b>\$645,650</b>	<b>\$197</b>	<b>\$207</b>	<b>\$3,112</b>	<b>\$120,449</b>

# Competitive Project Summary: Sterling Ranch

	SIZE		PLAN CONFIGURATION					TAX & HOA			PRICE					QUALIFY				
	SF	Level	Bed+	MBD	Bath	Pkg	Base	Add'l	HOA	Base	Incentive	Net Base	Options	Premiums	Net Total	Base/SF	Total/SF	Total Pmt.	Income	
<b>20 Sterling Ranch</b>	<b>50' SFD</b>		<b>Richmond American</b>																	
Product / Density:	SFD	5.1	1,900	1	2	2.0	2	1.20%	0.00%	\$0	\$499,950	(\$35,000)	\$464,950	\$74,993	\$21,000	\$560,943	\$245	\$295	\$2,703	\$104,646
Configuration:	5500	50' x 110'	2,700	2	4	2.5	2	1.20%	0.00%	\$0	\$515,950	(\$35,000)	\$480,950	\$77,393	\$21,000	\$579,343	\$178	\$215	\$2,792	\$108,079
Open / Total Units:	11/1/2016	148	2,850	2	3	2.5	2	1.20%	0.00%	\$0	\$542,950	(\$35,000)	\$507,950	\$81,443	\$21,000	\$610,393	\$178	\$214	\$2,942	\$113,871
Sold 3 Mo's/Total:	7	45	2,850	2	3	2.5	2	1.20%	0.00%	\$0	\$544,950	(\$35,000)	\$509,950	\$81,743	\$21,000	\$612,693	\$179	\$215	\$2,953	\$114,300
Mo Rate:	2.3	3.4	3,200	2	4	2.5	3T	1.20%	0.00%	\$0	\$549,950	(\$35,000)	\$514,950	\$82,493	\$21,000	\$618,443	\$161	\$193	\$2,980	\$115,373
<b>Totals/Averages:</b>			<b>2,700</b>								<b>\$530,750</b>	<b>(\$35,000)</b>	<b>\$495,750</b>	<b>\$79,613</b>	<b>\$21,000</b>	<b>\$596,363</b>	<b>\$184</b>	<b>\$221</b>	<b>\$2,874</b>	<b>\$111,254</b>
<b>21 Sterling Ranch</b>	<b>66' SFD</b>		<b>Wonderland Homes</b>																	
Product / Density:	SFD	3.9	2,898	2	3	2.5	3T	1.20%	0.00%	\$0	\$597,900	(\$3,000)	\$594,900	\$55,000	\$15,000	\$664,900	\$205	\$229	\$3,204	\$124,040
Configuration:	7260	66' x 110'	3,045	2	4	3.5	3	1.20%	0.00%	\$0	\$633,900	(\$3,000)	\$630,900	\$55,000	\$15,000	\$700,900	\$207	\$230	\$3,378	\$130,756
Open / Total Units:	7/1/2017	39	3,233	2	3	3.5	3T	1.20%	0.00%	\$0	\$653,900	(\$3,000)	\$650,900	\$55,000	\$15,000	\$720,900	\$201	\$223	\$3,474	\$134,487
Sold 3 Mo's/Total:	5	9	3,332	2	4	3.5	3T	1.20%	0.00%	\$0	\$653,900	(\$3,000)	\$650,900	\$55,000	\$15,000	\$720,900	\$195	\$216	\$3,474	\$134,487
Mo Rate:	1.7	1.7																		
<b>Totals/Averages:</b>			<b>3,127</b>								<b>\$634,900</b>	<b>(\$3,000)</b>	<b>\$631,900</b>	<b>\$55,000</b>	<b>\$15,000</b>	<b>\$701,900</b>	<b>\$202</b>	<b>\$224</b>	<b>\$3,383</b>	<b>\$130,943</b>

# Competitive Project Summary: Castle Pines Valley

	SIZE	PLAN CONFIGURATION	TAX & HOA			PRICE					QUALIFY										
			SF	Level	Bed+	MBD	Bath	Pkg	Base	Addl	HOA	Base	Incentive	Net Base	Options	Premiums	Net Total	Base/SF	Total/SF	Total Pmt.	Income
<b>22 Castle Pines Valley 50' SFD</b>		<b>Lennar</b>																			
Product / Density:	SFD	5.4	1,974	1	3	2.0	2	1.26%	0.00%	\$0	\$534,900	(\$5,000)	\$529,900	\$12,500	\$5,000	\$547,400	\$268	\$277	\$2,665	\$103,179	
Configuration:	5250	50' X 105'	2,574	2	4	3.5	2	1.26%	0.00%	\$0	\$564,900	(\$5,000)	\$559,900	\$12,500	\$5,000	\$577,400	\$218	\$224	\$2,812	\$108,834	
Open / Total Units:	9/1/2017	94	2,763	2	5	4.0	2	1.26%	0.00%	\$0	\$579,900	(\$5,000)	\$574,900	\$12,500	\$5,000	\$592,400	\$208	\$214	\$2,885	\$111,661	
Sold 3 Mo's/Total:	7	7	3,083	2	5	3.5	2	1.26%	0.00%	\$0	\$597,900	(\$5,000)	\$592,900	\$12,500	\$5,000	\$610,400	\$192	\$198	\$2,972	\$115,054	
Mo Rate:	2.3	2.2																			
<b>Totals/Averages:</b>			<b>2,599</b>								<b>\$569,400</b>	<b>(\$5,000)</b>	<b>\$564,400</b>	<b>\$12,500</b>	<b>\$5,000</b>	<b>\$581,900</b>	<b>\$217</b>	<b>\$224</b>	<b>\$2,833</b>	<b>\$109,682</b>	
<b>23 Castle Pines Valley 60' SFD</b>		<b>Lennar</b>																			
Product / Density:	SFD	4.1	2,258	1	4	3.0	2	1.26%	0.00%	\$0	\$584,900	(\$5,000)	\$579,900	\$28,500	\$10,000	\$618,400	\$257	\$274	\$3,011	\$116,562	
Configuration:	6900	60' x 115'	2,737	1	3	3.0	3	1.26%	0.00%	\$0	\$624,900	(\$5,000)	\$619,900	\$28,500	\$10,000	\$658,400	\$226	\$241	\$3,206	\$124,102	
Open / Total Units:	9/1/2017	81	3,001	2	5	4.0	3	1.26%	0.00%	\$0	\$614,900	(\$5,000)	\$609,900	\$28,500	\$10,000	\$648,400	\$203	\$216	\$3,157	\$122,217	
Sold 3 Mo's/Total:	5	5	3,498	2	5	4.5	3	1.26%	0.00%	\$0	\$654,900	(\$5,000)	\$649,900	\$28,500	\$10,000	\$688,400	\$186	\$197	\$3,352	\$129,756	
Mo Rate:	1.7	1.5	4,122	2	6	4.5	3	1.26%	0.00%	\$0	\$684,900	(\$5,000)	\$679,900	\$28,500	\$10,000	\$718,400	\$165	\$174	\$3,498	\$135,411	
<b>Totals/Averages:</b>			<b>3,123</b>								<b>\$632,900</b>	<b>(\$5,000)</b>	<b>\$627,900</b>	<b>\$28,500</b>	<b>\$10,000</b>	<b>\$666,400</b>	<b>\$201</b>	<b>\$213</b>	<b>\$3,245</b>	<b>\$125,610</b>	

# Competitive Project Summary: Backcountry at Highlands

			SIZE					PLAN CONFIGURATION					TAX & HOA			PRICE					QUALITY
			SF	Level	Bed+	MBD	Bath	Pkg	Base	Add'l	HOA	Base	Incentive	Net Base	Options	Premiums	Net Total	Base/SF	Total/SF	Total Pmt.	Income
<b>24</b>	<b>Backcountry</b>	<b>45' SFD</b>	<b>Richmond American</b>																		
Product / Density:	SFD	6.0	2,840	1	4	4.0	2	1.10%	0.00%	\$298	\$585,950	(\$17,579)	\$568,372	\$52,736	\$25,000	\$646,107	\$200	\$228	\$3,358	\$129,985	
Configuration:	4700	45' X 105'	3,040	1	4	3.0	2	1.10%	0.00%	\$298	\$603,950	(\$18,119)	\$585,832	\$54,356	\$25,000	\$665,187	\$193	\$219	\$3,448	\$133,483	
Open / Total Units:	8/1/2017	54	3,150	1	3	3.0	2	1.10%	0.00%	\$298	\$600,950	(\$18,029)	\$582,922	\$54,086	\$25,000	\$662,007	\$185	\$210	\$3,433	\$132,900	
Sold 3 Mo's/Total:	6	6																			
Mo Rate:	2.0	1.4																			
<b>Totals/Averages:</b>			<b>3,010</b>								<b>\$596,950</b>	<b>(\$17,909)</b>	<b>\$579,042</b>	<b>\$53,726</b>	<b>\$25,000</b>	<b>\$657,767</b>	<b>\$192</b>	<b>\$219</b>	<b>\$3,413</b>	<b>\$132,123</b>	
<b>25</b>	<b>Backcountry</b>	<b>60'+ SFD</b>	<b>Shea</b>																		
Product / Density:	SFD	3.5	2,604	1	3	2.5	3T	1.10%	0.00%	\$298	\$590,200	(\$10,000)	\$580,200	\$50,000	\$30,000	\$660,200	\$223	\$254	\$3,425	\$132,569	
Configuration:	8,000	8,000	2,875	2	4	3.5	3	1.10%	0.00%	\$298	\$584,200	(\$10,000)	\$574,200	\$50,000	\$30,000	\$654,200	\$200	\$228	\$3,396	\$131,469	
Open / Total Units:	12/1/2013	120	3,083	2	5	4.0	3T	1.10%	0.00%	\$298	\$616,200	(\$10,000)	\$606,200	\$50,000	\$30,000	\$686,200	\$197	\$223	\$3,548	\$137,336	
Sold 3 Mo's/Total:	9	88	3,226	2	4	3.5	3T	1.10%	0.00%	\$298	\$629,700	(\$10,000)	\$619,700	\$50,000	\$30,000	\$699,700	\$192	\$217	\$3,612	\$139,811	
Mo Rate:	3.0	1.8	3,357	2	5	4.5	3	1.10%	0.00%	\$298	\$627,700	(\$10,000)	\$617,700	\$50,000	\$30,000	\$697,700	\$184	\$208	\$3,602	\$139,444	
			3,594	2	5	4.5	3	1.10%	0.00%	\$298	\$655,200	(\$10,000)	\$645,200	\$50,000	\$30,000	\$725,200	\$180	\$202	\$3,733	\$144,485	
<b>Totals/Averages:</b>			<b>3,123</b>								<b>\$617,200</b>	<b>(\$10,000)</b>	<b>\$607,200</b>	<b>\$50,000</b>	<b>\$30,000</b>	<b>\$687,200</b>	<b>\$194</b>	<b>\$220</b>	<b>\$3,553</b>	<b>\$137,519</b>	
<b>26</b>	<b>Backcountry</b>	<b>70'+ SFD</b>	<b>Shea</b>																		
Product / Density:	SFD	3.3	2,830	1	2	2.5	3T	1.10%	0.00%	\$298	\$696,000	(\$10,000)	\$686,000	\$150,000	\$60,000	\$896,000	\$242	\$317	\$4,541	\$175,798	
Configuration:	8,500	8,500	3,439	2	4	3.0	3	1.10%	0.00%	\$298	\$713,000	(\$10,000)	\$703,000	\$150,000	\$60,000	\$913,000	\$204	\$265	\$4,622	\$178,915	
Open / Total Units:	6/10/2017	30	3,523	2	3	4.5	3	1.10%	0.00%	\$298	\$779,500	(\$10,000)	\$769,500	\$150,000	\$60,000	\$979,500	\$218	\$278	\$4,937	\$191,106	
Sold 3 Mo's/Total:	8	12	3,637	2	4	4.5	3T	1.10%	0.00%	\$298	\$731,500	(\$10,000)	\$721,500	\$150,000	\$60,000	\$931,500	\$198	\$256	\$4,710	\$182,306	
Mo Rate:	2.0	2.0	3,795	2	4	4.5	2	1.10%	0.00%	\$298	\$770,500	(\$10,000)	\$760,500	\$150,000	\$60,000	\$970,500	\$200	\$256	\$4,894	\$189,456	
			3,908	2	5	4.5	3	1.10%	0.00%	\$298	\$750,500	(\$10,000)	\$740,500	\$150,000	\$60,000	\$950,500	\$189	\$243	\$4,800	\$185,789	
<b>Totals/Averages:</b>			<b>3,522</b>								<b>\$740,167</b>	<b>(\$10,000)</b>	<b>\$730,167</b>	<b>\$150,000</b>	<b>\$60,000</b>	<b>\$940,167</b>	<b>\$207</b>	<b>\$267</b>	<b>\$4,751</b>	<b>\$183,895</b>	
<b>27</b>	<b>Backcountry</b>	<b>55'+ SFD</b>	<b>Shea</b>																		
Product / Density:	SFD	4.0	2,221	1	2	2.5	2	1.10%	0.45%	\$298	\$583,000	(\$10,000)	\$573,000	\$116,600	\$45,000	\$734,600	\$258	\$331	\$4,053	\$156,872	
Configuration:	7,000	7,000	2,320	1	2	2.5	2	1.10%	0.45%	\$298	\$611,400	(\$10,000)	\$601,400	\$122,280	\$45,000	\$768,680	\$259	\$331	\$4,227	\$163,615	
Open / Total Units:	1/1/2016	90	3,415	1	4	3.5	2	1.10%	0.45%	\$298	\$641,400	(\$10,000)	\$631,400	\$128,280	\$45,000	\$804,680	\$185	\$236	\$4,411	\$170,737	
Sold 3 Mo's/Total:	7	58																			
Mo Rate:	2.3	2.5																			
<b>Totals/Averages:</b>			<b>2,652</b>								<b>\$611,933</b>	<b>(\$10,000)</b>	<b>\$601,933</b>	<b>\$122,387</b>	<b>\$45,000</b>	<b>\$769,320</b>	<b>\$227</b>	<b>\$290</b>	<b>\$4,230</b>	<b>\$163,741</b>	

# Competitive Project Summary: The Highlands & Inspiration

	SIZE	PLAN CONFIGURATION	TAX & HOA	PRICE										QUALIFY							
				SF	Level	Bed+	MBD	Bath	Pkg	Base	Add'l	HOA	Base		Incentive	Net Base	Options	Premiums	Net Total	Base/SF	Total/SF
<b>28</b>	<b>The Highlands</b>	<b>76'+ SFD</b>	<b>Toll Brothers</b>																		
Product / Density:	SFD	3.2	3,405	1	3	2.5	3	1.10%	0.00%	\$115	\$575,995	\$0	\$575,995	\$125,000	\$65,000	\$765,995	\$169	\$225	\$3,743	\$144,880	
Configuration:	8,740	76' X 115'	3,573	2	4	3.0	3	1.10%	0.00%	\$115	\$584,995	\$0	\$584,995	\$125,000	\$65,000	\$774,995	\$164	\$217	\$3,785	\$146,530	
Open / Total Units:	5/1/2014	54	3,630	2	4	3.0	3	1.10%	0.00%	\$115	\$587,995	\$0	\$587,995	\$125,000	\$65,000	\$777,995	\$162	\$214	\$3,800	\$147,080	
Sold 3 Mo's/Total:	5	68	3,798	2	4	3.5	3	1.10%	0.00%	\$115	\$594,995	\$0	\$594,995	\$125,000	\$65,000	\$784,995	\$157	\$207	\$3,833	\$148,364	
Mo Rate:	1.7	1.6	3,999	2	4	3.5	3	1.10%	0.00%	\$115	\$617,995	\$0	\$617,995	\$125,000	\$65,000	\$807,995	\$155	\$202	\$3,942	\$152,580	
<b>Totals/Averages:</b>			<b>3,759</b>								<b>\$594,495</b>	<b>\$0</b>	<b>\$594,495</b>	<b>\$125,000</b>	<b>\$65,000</b>	<b>\$784,495</b>	<b>\$158</b>	<b>\$209</b>	<b>\$3,830</b>	<b>\$148,272</b>	
<b>29</b>	<b>Inspiration</b>	<b>85' SFD</b>	<b>CalAtlantic</b>																		
Product / Density:	SFD	3.3	1,856	1	3	2.0	2	1.05%	0.00%	\$86	\$433,975	(\$7,500)	\$426,475	\$75,000	\$25,000	\$526,475	\$230	\$284	\$2,557	\$98,998	
Configuration:	8500	85' x 100'	1,991	1	3	2.0	2	1.05%	0.00%	\$86	\$443,975	(\$7,500)	\$436,475	\$75,000	\$25,000	\$536,475	\$219	\$269	\$2,604	\$100,815	
Open / Total Units:	12/1/2015	110	2,185	1	3	2.5	2	1.05%	0.00%	\$86	\$457,975	(\$7,500)	\$450,475	\$75,000	\$25,000	\$550,475	\$206	\$252	\$2,670	\$103,359	
Sold 3 Mo's/Total:	6	85	2,316	1	3	2.5	3	1.05%	0.00%	\$86	\$499,975	(\$7,500)	\$492,475	\$75,000	\$25,000	\$592,475	\$213	\$256	\$2,867	\$110,991	
Mo Rate:	2.0	3.5	2,393	1	3	3.5	3	1.05%	0.00%	\$86	\$506,975	(\$7,500)	\$499,475	\$75,000	\$25,000	\$599,475	\$209	\$251	\$2,900	\$112,263	
			2,489	1	3	3.5	3	1.05%	0.00%	\$86	\$517,975	(\$7,500)	\$510,475	\$75,000	\$25,000	\$610,475	\$205	\$245	\$2,952	\$114,262	
			2,735	1	3	3.5	3	1.05%	0.00%	\$86	\$539,975	(\$7,500)	\$532,475	\$75,000	\$25,000	\$632,475	\$195	\$231	\$3,055	\$118,260	
<b>Totals/Averages:</b>			<b>2,281</b>								<b>\$485,832</b>	<b>(\$7,500)</b>	<b>\$478,332</b>	<b>\$75,000</b>	<b>\$25,000</b>	<b>\$578,332</b>	<b>\$210</b>	<b>\$254</b>	<b>\$2,801</b>	<b>\$108,421</b>	





## Appendix B: Limiting Conditions

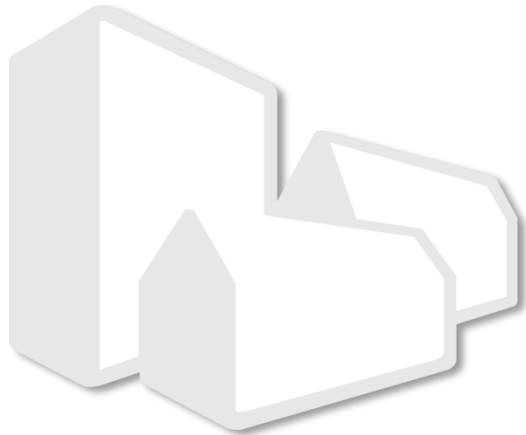
The conclusions and presented in this report are based on our analysis of the information available to us from our own research and from the client as of the date of this report. We assume that the information is correct and reliable and that we have been informed about any issues that would affect project marketability or success potential.

Our conclusions and are based on current and expected performance of the national, and/or local economy and real estate market. Given that economic conditions can change and real estate markets are cyclical, it is critical to monitor the economy and real estate market continuously, and to revisit key project assumptions periodically to ensure that they are still justified.

The future is difficult to predict, particularly given that the economy and housing markets can be cyclical, as well as subject to changing consumer and market psychology. There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and the differences may be material. We do not express any form of assurance on the achievability of any pricing or absorption estimates or reasonableness of the underlying assumptions.

In general, for projects out in the future, we are assuming “normal” real estate market conditions, and not a condition of either prolonged “boom” or “bust” market conditions. We do assume that economic, employment, and household growth will occur more or less in accordance with current expectations. We are not taking into account major shifts in the level of consumer confidence; in the ability of developers to secure needed project entitlements; in the cost of development or construction; in tax laws that favor or disfavor real estate markets; or in the availability and/or cost of capital and mortgage financing for real estate developers, owners and buyers. Should there be such major shifts affecting real estate markets, this analysis should be updated, with the conclusions summarized herein reviewed and reevaluated under a potential range of build-out scenarios reflecting changed market conditions.

We have no responsibility to update our product analysis for events and circumstances occurring after the date of our report. This analysis represents just one resource that the client should consider when assessing this development opportunity.



## Contact Us

### **BOCA RATON**

1900 Glades Road  
Suite 240  
Boca Raton, FL 33431  
(561) 998-5814

### **CHARLOTTE**

9935-D Rea Road  
Suite 273  
Charlotte, NC 28277  
(704) 989-1190

### **CHICAGO**

100 Illinois Street  
Suite 200  
St. Charles, IL 60174  
(847) 812-3925

### **COLORADO**

1630-A 30th Street  
Suite 475  
Boulder, CO 80301  
(720) 328-1530

### **DALLAS**

5220 Spring Valley Road  
Suite LL39  
Dallas, TX 75254  
(214) 389-9003

### **FORT MYERS**

10600 Chevrolet Way  
Suite 220  
Estero, FL 33928  
(239) 300-5057

### **HOUSTON**

5909 West Loop South  
Suite 590  
Bellaire, TX 77401  
(713) 906-3829

### **IRVINE**

9140 Irvine Center Drive  
Suite 200  
Irvine, CA 92618  
(949) 870-1200

### **NEW ENGLAND**

155 Fleet Street  
Suite 11  
Portsmouth, NH 03801  
(603) 235-5760

### **SACRAMENTO**

7844 Madison Avenue  
Suite 145  
Fair Oaks, CA 95628  
(949) 870-1227

### **SAN DIEGO**

4250 Executive Square  
Suite 540  
La Jolla, CA 92037  
(858) 281-7200

### **WASHINGTON D.C.**

11710 Plaza America Drive  
Suite 2000  
Reston, VA, 20190  
(703) 447-7171

### **WISCONSIN**

2300 Riverside Drive  
Suite 124  
Green Bay, WI 54301  
(920) 373-6727

### **OTHER OFFICES**

(949) 870-1200  
Phoenix, AZ  
New Hartford, NY  
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**APPENDIX B**  
**FINANCIAL FORECAST**

**CROWFOOT VALLEY RANCH  
METROPOLITAN DISTRICT NO. 2**

**FORECASTED SURPLUS CASH BALANCES  
AND  
CASH RECEIPTS AND DISBURSEMENTS**

**JUNE 13, 2018**

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**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
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## **ACCOUNTANT'S REPORT**

The Board of Directors of  
Crowfoot Valley Ranch Metropolitan District No. 2  
Douglas County, Colorado

Management is responsible for the accompanying forecasted surplus cash balances and cash receipts and disbursements of Crowfoot Valley Ranch Metropolitan District No. 2 (the "District") for the General Fund and Debt Service Fund using the cash basis of accounting for the calendar years ending 2018 through 2048 (the "forecast") and the related summary of significant forecast assumptions and accounting policies in accordance with the cash basis of accounting, and for determining that the cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement of the forecast in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants ("AICPA"). We did not audit or review the forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the forecast. Furthermore, because events and circumstances frequently do not occur as expected, even if the development of residential units occurs with slower build-out, there will usually be differences between the forecasted and actual results, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying presentation of projected surplus cash balances and cash receipts and disbursements of the District for the Debt Service Fund for the calendar years ending 2018 through 2048, under the hypothetical assumptions in Note 13, assuming that the development of residential units occurs with slower build-out, is not a part of the forecast and is presented for additional analysis only, and should not be used for any other purpose. Such projection has not been subjected to the procedures applied in the compilation of the forecast, and we express no assurance of any kind on it.

As discussed in Note 3, the forecast and the projection are presented on the cash basis of accounting, whereas the historical financial statements for the forecast period and the projection period are expected to be presented in conformity with generally accepted accounting principles on the accrual basis for government wide statements and the modified accrual basis for individual fund financial statements for all funds of the District by fund type.

Guidelines for presentation of a forecast and a projection established by the AICPA require disclosure of the differences resulting from the use of a different basis of accounting in the forecast and the projection than that expected to be used in the historical financial statements for the period. Accordingly, if the AICPA presentation guidelines were followed, the titles in the forecast and the projection would indicate that the presentation reflects the following: surplus cash balances and the cash received and disbursed rather than net position or fund balances and the revenue and expenses or expenditures that would be recognized under generally accepted accounting principles based on the accrual basis and the modified accrual basis of accounting.

We are not independent with respect to the District.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
June 13, 2018



**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
GENERAL AND DEBT SERVICE FUNDS ONLY  
**SUMMARY - GENERAL FUND**  
FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048

Collection Year	Assessed Value (See Page 9)	Mill Levy			Cash Receipts				Cash Disbursements				Cash Balances		Collection Year
		General Fund		Total	Net Property Taxes 98.00%	Specific Ownership Taxes 6.00%	Developer Advances (To Page 10)	Total Cash Receipts	Administrative Costs 2.0%	Fire Protection 98.0%	Developer Advance Repayments (See Page 10)	Total Cash Disbursements	Annual Surplus Cash (Deficit)	Cumulative Surplus Cash Balances	
		Operations	Fire Protection												
2018	618,910	77.388	7.462	84.850	51,727	5,173	-	56,900	50,574	4,526	-	55,100	1,800	1,800	2018
2019	618,910	22.111	7.462	84.850	17,937	1,076	65,000	84,013	75,000	4,526	-	79,526	4,487	6,287	2019
2020	630,522	22.111	7.462	84.850	18,273	1,096	62,000	81,370	76,500	4,611	-	81,111	259	6,546	2020
2021	3,261,661	22.111	7.462	84.850	94,528	5,672	2,000	102,200	78,030	23,852	-	101,882	318	6,864	2021
2022	11,153,551	22.111	7.462	84.850	323,247	19,395	-	342,642	79,591	81,563	159,840	320,994	21,648	28,512	2022
2023	20,532,571	6.761	7.462	69.500	286,194	17,172	-	303,366	81,182	150,150	-	231,332	72,034	100,545	2023
2024	29,523,759	2.761	7.462	65.500	295,785	17,747	-	313,532	82,806	215,900	-	298,706	14,826	115,371	2024
2025	36,296,141	2.261	7.462	65.000	345,849	20,751	-	366,600	84,462	265,425	-	349,887	16,713	132,084	2025
2026	41,986,143	1.761	7.462	64.500	379,493	22,770	-	402,263	86,151	307,035	-	393,186	9,077	141,161	2026
2027	45,635,539	1.761	7.462	64.500	412,479	24,749	-	437,227	87,874	333,722	-	421,596	15,631	156,792	2027
2028	49,669,789	1.761	7.462	64.500	448,942	26,937	-	475,879	89,632	363,223	-	452,855	23,024	179,816	2028
2029	52,219,198	1.761	7.462	64.500	471,985	28,319	-	500,304	91,425	381,866	-	473,291	27,013	206,829	2029
2030	54,882,693	1.761	7.462	64.500	496,059	29,764	-	525,823	93,253	401,344	-	494,597	31,226	238,055	2030
2031	55,227,954	1.761	7.462	64.500	499,180	29,951	-	529,131	95,118	403,869	-	498,987	30,144	268,199	2031
2032	56,332,513	1.761	7.462	64.500	509,164	30,550	-	539,713	97,020	411,946	-	508,967	30,747	298,946	2032
2033	56,332,513	1.761	7.462	64.500	509,164	30,550	-	539,713	98,961	411,946	-	510,907	28,806	327,753	2033
2034	57,459,163	1.761	7.462	64.500	519,347	31,161	-	550,508	100,940	420,185	-	521,125	29,383	357,135	2034
2035	57,459,163	1.761	7.462	64.500	519,347	31,161	-	550,508	102,959	420,185	-	523,144	27,364	384,499	2035
2036	58,608,346	1.761	7.462	64.500	529,734	31,784	-	561,518	105,018	428,589	-	533,607	27,911	412,410	2036
2037	58,608,346	1.761	7.462	64.500	529,734	31,784	-	561,518	107,118	428,589	-	535,707	25,811	438,221	2037
2038	59,780,513	1.761	7.462	64.500	540,329	32,420	-	572,748	109,261	437,161	-	546,421	26,327	464,548	2038
2039	59,780,513	1.761	7.462	64.500	540,329	32,420	-	572,748	111,446	437,161	-	548,607	24,142	488,689	2039
2040	60,976,124	1.761	7.462	64.500	551,135	33,068	-	584,203	113,675	445,904	-	559,579	24,625	513,314	2040
2041	60,976,124	1.761	7.462	64.500	551,135	33,068	-	584,203	115,948	445,904	-	561,852	22,351	535,665	2041
2042	62,195,646	1.761	7.462	64.500	562,158	33,729	-	595,887	118,267	454,822	-	573,089	22,798	558,463	2042
2043	62,195,646	1.761	7.462	64.500	562,158	33,729	-	595,887	120,633	454,822	-	575,455	20,433	578,896	2043
2044	63,439,559	1.761	7.462	64.500	573,401	34,404	-	607,805	123,045	463,918	-	586,964	20,841	599,737	2044
2045	63,439,559	1.761	7.462	64.500	573,401	34,404	-	607,805	125,506	463,918	-	589,425	18,380	618,117	2045
2046	64,708,350	1.761	7.462	64.500	584,869	35,092	-	619,961	128,016	473,197	-	601,213	18,748	636,865	2046
2047	64,708,350	1.761	7.462	64.500	584,869	35,092	-	619,961	130,577	473,197	-	603,773	16,188	653,053	2047
2048	66,002,517	1.761	7.462	64.500	596,566	35,794	-	632,360	133,188	482,661	-	615,849	16,511	669,564	2048
					13,478,518	810,780	129,000	14,418,298	3,093,180	10,495,714	159,840	13,748,734	669,564		

This financial information should be read only in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Accountant's Report.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
GENERAL AND DEBT SERVICE FUNDS ONLY  
**SUMMARY - DEBT SERVICE FUND**  
FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048

Collection Year	Assessed Value (See Page 9)	Mill Levy	Cash Receipts				Total Cash Receipts (To Page 5)
			Net Property Taxes 98.00%	Specific Ownership Taxes 6.00%	Facilities Fees (See Page 8)	Deposit to Surplus Fund (See Page 11)	
			2018	618,910	0.000	-	
2019	618,910	55.277	33,527	2,012	-	-	35,539
2020	630,522	55.277	34,156	2,049	438,000	-	474,206
2021	3,261,661	55.277	176,689	10,601	576,000	-	763,290
2022	11,153,551	55.277	604,204	36,252	576,000	-	1,216,456
2023	20,532,571	55.277	1,112,279	66,737	441,000	-	1,620,016
2024	29,523,759	55.277	1,599,345	95,961	306,000	-	2,001,306
2025	36,296,141	55.277	1,966,215	117,973	180,000	-	2,264,188
2026	41,986,143	55.277	2,274,451	136,467	156,000	-	2,566,918
2027	45,635,539	55.277	2,472,144	148,329	126,000	-	2,746,472
2028	49,669,789	55.277	2,690,685	161,441	93,000	-	2,945,126
2029	52,219,198	55.277	2,828,790	169,727	12,000	-	3,010,518
2030	54,882,693	55.277	2,973,076	178,385	-	-	3,151,460
2031	55,227,954	55.277	2,991,779	179,507	-	-	3,171,286
2032	56,332,513	55.277	3,051,614	183,097	-	-	3,234,711
2033	56,332,513	55.277	3,051,614	183,097	-	-	3,234,711
2034	57,459,163	55.277	3,112,647	186,759	-	-	3,299,406
2035	57,459,163	55.277	3,112,647	186,759	-	-	3,299,406
2036	58,608,346	55.277	3,174,900	190,494	-	-	3,365,394
2037	58,608,346	55.277	3,174,900	190,494	-	-	3,365,394
2038	59,780,513	55.277	3,238,398	194,304	-	-	3,432,702
2039	59,780,513	55.277	3,238,398	194,304	-	-	3,432,702
2040	60,976,124	55.277	3,303,166	198,190	-	-	3,501,356
2041	60,976,124	55.277	3,303,166	198,190	-	-	3,501,356
2042	62,195,646	55.277	3,369,229	202,154	-	-	3,571,383
2043	62,195,646	55.277	3,369,229	202,154	-	-	3,571,383
2044	63,439,559	55.277	3,436,614	206,197	-	-	3,642,810
2045	63,439,559	55.277	3,436,614	206,197	-	-	3,642,810
2046	64,708,350	55.277	3,505,346	210,321	-	-	3,715,667
2047	64,708,350	55.277	3,505,346	210,321	-	-	3,715,667
2048	66,002,517	55.277	3,575,453	214,527	-	-	3,789,980
			77,716,618	4,662,997	2,904,000	2,854,000	88,137,615

This financial information should be read only in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Accountant's Report.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
GENERAL AND DEBT SERVICE FUNDS ONLY  
**SUMMARY - DEBT SERVICE FUND**  
FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048

Collection Year	Total Cash Receipts (See Page 4)	Cash Disbursements						Total Cash Disbursements	Cash Balances		Collection Year	
		Net Debt Service on 2018A Bonds \$31,945,000 (See Page 11)	2018A Surplus Fund			Senior Debt Coverage at Cap 55.277	Cumulative Cash Available for Sub Bonds		Net Debt Service on 2018B Bonds \$3,260,000 (See Page 12)	Total Cash		Cumulative
			Transfer to (Release from)	Cumulative Surplus Balance	Maximum Balance \$6,389,000							
2018	2,854,000	-	2,854,000	2,854,000	6,389,000		-	-	2,854,000	-	-	2018
2019	35,539	-	35,539	2,889,539	6,389,000		-	-	35,539	-	-	2019
2020	474,206	-	474,206	3,363,745	6,389,000		-	-	474,206	-	-	2020
2021	763,290	846,513	(83,222)	3,280,522	6,389,000	22.2%	-	-	763,290	-	-	2021
2022	1,216,456	1,824,819	(608,362)	2,672,160	6,389,000	35.1%	-	-	1,216,456	-	-	2022
2023	1,620,016	1,824,819	(204,803)	2,467,357	6,389,000	64.7%	-	-	1,620,016	-	-	2023
2024	2,001,306	1,824,819	176,487	2,643,844	6,389,000	93.0%	-	-	2,001,306	-	-	2024
2025	2,264,188	1,824,819	439,369	3,083,213	6,389,000	114.3%	-	-	2,264,188	-	-	2025
2026	2,566,918	1,849,819	717,099	3,800,312	6,389,000	130.5%	-	-	2,566,918	-	-	2026
2027	2,746,472	2,013,413	733,060	4,533,372	6,389,000	130.3%	-	-	2,746,472	-	-	2027
2028	2,945,126	2,192,725	752,401	5,285,773	6,389,000	130.2%	-	-	2,945,126	-	-	2028
2029	3,010,518	2,306,350	704,168	5,989,941	6,389,000	130.2%	-	-	3,010,518	-	-	2029
2030	3,151,460	2,422,381	399,059	6,389,000	6,389,000	130.2%	330,020	330,020	3,151,460	-	-	2030
2031	3,171,286	2,435,256	-	6,389,000	6,389,000	130.4%	736,029	736,029	3,171,286	-	-	2031
2032	3,234,711	2,485,319	-	6,389,000	6,389,000	130.3%	749,393	749,393	3,234,711	-	-	2032
2033	3,234,711	2,485,319	-	6,389,000	6,389,000	130.3%	749,393	749,393	3,234,711	-	-	2033
2034	3,299,406	2,537,788	-	6,389,000	6,389,000	130.2%	761,618	761,618	3,299,406	-	-	2034
2035	3,299,406	2,534,631	-	6,389,000	6,389,000	130.3%	764,774	764,774	3,299,406	-	-	2035
2036	3,365,394	2,588,663	-	6,389,000	6,389,000	130.2%	776,731	776,731	3,365,394	-	-	2036
2037	3,365,394	2,586,506	-	6,389,000	6,389,000	130.3%	778,887	778,887	3,365,394	-	-	2037
2038	3,432,702	2,635,975	-	6,389,000	6,389,000	130.4%	796,727	796,727	3,432,702	-	-	2038
2039	3,432,702	2,638,975	-	6,389,000	6,389,000	130.2%	793,727	793,727	3,432,702	-	-	2039
2040	3,501,356	2,691,063	-	6,389,000	6,389,000	130.3%	810,293	810,293	3,501,356	-	-	2040
2041	3,501,356	2,690,675	-	6,389,000	6,389,000	130.3%	810,681	810,681	3,501,356	-	-	2041
2042	3,571,383	2,745,400	-	6,389,000	6,389,000	130.2%	825,983	825,983	3,571,383	-	-	2042
2043	3,571,383	2,746,788	-	6,389,000	6,389,000	130.2%	824,595	824,595	3,571,383	-	-	2043
2044	3,642,810	2,797,425	-	6,389,000	6,389,000	130.4%	845,385	845,385	3,642,810	-	-	2044
2045	3,642,810	2,799,150	-	6,389,000	6,389,000	130.3%	843,660	843,660	3,642,810	-	-	2045
2046	3,715,667	2,854,263	-	6,389,000	6,389,000	130.3%	861,404	861,404	3,715,667	-	-	2046
2047	3,715,667	2,854,313	-	6,389,000	6,389,000	130.3%	861,354	861,354	3,715,667	-	-	2047
2048	3,789,980	6,011,888	(6,389,000)	-	-	63.1%	4,167,092	4,145,526	3,768,414	21,566	21,566	2048
	88,137,615	70,049,869	-				18,087,746	18,066,180	88,116,049	21,566		

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**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
GENERAL AND DEBT SERVICE FUNDS ONLY  
**SCHEDULE OF ESTIMATED ASSESSED VALUATION**  
FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048

		<b>Residential Development</b>															
		50' SFD Standard (Lyon)				60' SFD Standard (Lyon)				60' SFD Luxury (Lennar)				70' SFD Standard (Lyon)			
Construction Year	Collection Year	Number of Residential Units Completed	Vacant Land 10%	Est. Market Value per Unit \$509,800	Annual Market Value of New Units	Number of Residential Units Completed	Vacant Land 10%	Est. Market Value per Unit \$560,500	Annual Market Value of New Units	Number of Residential Units Completed	Vacant Land 10%	Est. Market Value per Unit \$618,200	Annual Market Value of New Units	Number of Residential Units Completed	Vacant Land 10%	Est. Market Value per Unit \$560,500	Annual Market Value of New Units
Inflation at 2.0% beginning in 2023		2.0%				2.0%				2.0%				2.0%			
2016	2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2017	2019	-	-	509,800	-	-	-	560,500	-	-	-	618,200	-	-	-	560,500	-
2018	2020	-	-	509,800	-	-	-	560,500	-	-	-	618,200	-	-	-	560,500	-
2019	2021	-	1,376,460	534,777	-	-	1,513,350	588,013	-	-	1,854,600	648,508	-	-	1,457,300	588,013	-
2020	2022	27	611,760	552,500	14,917,500	27	672,600	607,500	16,402,500	30	370,920	670,000	20,100,000	26	224,200	607,500	15,795,000
2021	2023	39	-	560,788	21,870,732	39	-	616,613	24,047,907	36	-	680,050	24,481,800	30	-	616,613	18,498,390
2022	2024	39	-	563,591	21,980,049	39	-	619,696	24,168,144	36	(2,163,700)	683,450	24,604,200	30	(896,800)	619,696	18,590,880
2023	2025	39	(1,682,340)	574,863	22,419,650	39	(168,150)	632,090	24,651,507	1	(61,820)	697,119	697,119	14	(784,700)	632,090	8,849,259
2024	2026	6	(305,880)	586,360	3,518,160	36	(2,017,800)	644,732	23,210,342	-	-	711,061	-	-	-	644,732	-
2025	2027	-	-	598,087	-	-	-	657,626	-	-	-	725,283	-	-	-	657,626	-
2026	2028	-	-	610,049	-	-	-	670,779	-	-	-	739,788	-	-	-	670,779	-
2027	2029	-	-	622,250	-	-	-	684,194	-	-	-	754,584	-	-	-	684,194	-
2028	2030	-	-	634,695	-	-	-	697,878	-	-	-	769,676	-	-	-	697,878	-
2029	2031	-	-	647,389	-	-	-	711,836	-	-	-	785,069	-	-	-	711,836	-
2030	2032	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2031	2033	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2032	2034	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2033	2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2034	2036	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2035	2037	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2036	2038	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2037	2039	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2038	2040	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2039	2041	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2040	2042	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2041	2043	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2042	2044	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2043	2045	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2044	2046	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2045	2047	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2046	2048	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		150	-		84,706,091	180	-		112,480,400	103	-		69,883,119	100	-		61,733,529

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**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
GENERAL AND DEBT SERVICE FUNDS ONLY  
**SCHEDULE OF ESTIMATED ASSESSED VALUATION**  
FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048

		<b>Residential Development</b>											
		70' SFD Luxury (Weekley and TBD)				80' SFD Luxury (Toll & Spec)				100' SFD Luxury (Custom & Spec)			
Construction Year	Collection Year	Number of Residential Units Completed	Vacant Land 10%	Est. Market Value per Unit \$640,400	Annual Market Value of New Units	Number of Residential Units Completed	Vacant Land 10%	Est. Market Value per Unit \$778,900	Annual Market Value of New Units	Number of Residential Units Completed	Vacant Land 10%	Est. Market Value per Unit \$1,384,100	Annual Market Value of New Units
Inflation at 2.0% beginning in 2022				2.0%				2.0%				2.0%	
2016	2018	-	-	-	-	-	-	-	-	-	-	-	-
2017	2019	-	-	640,400	-	-	-	778,900	-	-	-	1,384,100	-
2018	2020	-	-	640,400	-	-	-	778,900	-	-	-	1,384,100	-
2019	2021	-	1,088,680	671,739	-	-	1,090,460	817,024	-	-	692,050	1,451,885	-
2020	2022	17	448,280	694,000	11,798,000	14	311,560	844,100	11,817,400	5	138,410	1,500,000	7,500,000
2021	2023	24	-	704,410	16,905,840	18	-	856,762	15,421,716	6	-	1,522,500	9,135,000
2022	2024	24	384,240	707,932	16,990,368	18	-	861,045	15,498,810	6	-	1,530,113	9,180,678
2023	2025	30	384,240	722,091	21,662,719	18	-	878,266	15,808,786	6	-	1,560,715	9,364,292
2024	2026	36	-	736,532	26,515,168	18	-	895,831	16,124,962	6	-	1,591,930	9,551,577
2025	2027	36	-	751,263	27,045,472	18	(623,120)	913,748	16,447,461	6	-	1,623,768	9,742,609
2026	2028	36	-	766,288	27,586,381	10	(778,900)	932,023	9,320,228	6	-	1,656,244	9,937,461
2027	2029	36	(704,440)	781,614	28,138,109	-	-	950,663	-	6	-	1,689,368	10,136,210
2028	2030	25	(1,601,000)	797,246	19,931,160	-	-	969,677	-	6	(276,820)	1,723,156	10,338,935
2029	2031	-	-	813,191	-	-	-	989,070	-	4	(553,640)	1,757,619	7,030,475
2030	2032	-	-	-	-	-	-	-	-	-	-	-	-
2031	2033	-	-	-	-	-	-	-	-	-	-	-	-
2032	2034	-	-	-	-	-	-	-	-	-	-	-	-
2033	2035	-	-	-	-	-	-	-	-	-	-	-	-
2034	2036	-	-	-	-	-	-	-	-	-	-	-	-
2035	2037	-	-	-	-	-	-	-	-	-	-	-	-
2036	2038	-	-	-	-	-	-	-	-	-	-	-	-
2037	2039	-	-	-	-	-	-	-	-	-	-	-	-
2038	2040	-	-	-	-	-	-	-	-	-	-	-	-
2039	2041	-	-	-	-	-	-	-	-	-	-	-	-
2040	2042	-	-	-	-	-	-	-	-	-	-	-	-
2041	2043	-	-	-	-	-	-	-	-	-	-	-	-
2042	2044	-	-	-	-	-	-	-	-	-	-	-	-
2043	2045	-	-	-	-	-	-	-	-	-	-	-	-
2044	2046	-	-	-	-	-	-	-	-	-	-	-	-
2045	2047	-	-	-	-	-	-	-	-	-	-	-	-
2046	2048	-	-	-	-	-	-	-	-	-	-	-	-
		264	-		196,573,217	114	-		100,439,363	57	-		91,917,237

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**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
GENERAL AND DEBT SERVICE FUNDS ONLY  
**SCHEDULE OF ESTIMATED ASSESSED VALUATION**  
FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048

		Residential Development							
Construction Year	Collection Year	TOTAL RESIDENTIAL UNITS		Existing Actual Valuation	Est. Biennial Revaluation per State Statute @ 2.0%	Cumulative Market Value of New Residences	Estimated Residential Assessment Ratio	RESIDENTIAL ASSESSED VALUATION (To Page 9)	FACILITIES FEES AT \$3,000 PER UNIT (To Page 4)
		Total Number of Units Completed	Annual Value of New Residential Units						
2016	2018	-	-	563,529		563,529	7.20%	40,570	-
2017	2019	-	-	-		563,529	7.20%	40,570	-
2018	2020	-	-	-	11,271	574,800	7.20%	41,386	438,000
2019	2021	-	-	-		574,800	7.20%	41,386	576,000
2020	2022	146	98,330,400	-	11,496	98,916,696	7.20%	7,122,002	576,000
2021	2023	192	130,361,385	-		229,278,081	7.20%	16,508,022	441,000
2022	2024	192	131,013,129	-	4,585,562	364,876,771	7.20%	26,271,128	306,000
2023	2025	147	103,453,332	-		468,330,103	7.20%	33,719,767	180,000
2024	2026	102	78,920,210	-	9,366,602	556,616,915	7.20%	40,076,418	156,000
2025	2027	60	53,235,542	-		609,852,457	7.20%	43,909,377	126,000
2026	2028	52	46,844,070	-	12,197,049	668,893,576	7.20%	48,160,337	93,000
2027	2029	42	38,274,319	-		707,167,895	7.20%	50,916,088	12,000
2028	2030	31	30,270,095	-	14,143,358	751,581,348	7.20%	54,113,857	-
2029	2031	4	7,030,475	-		758,611,823	7.20%	54,620,051	-
2030	2032	-	-	-	15,172,236	773,784,060	7.20%	55,712,452	-
2031	2033	-	-	-		773,784,060	7.20%	55,712,452	-
2032	2034	-	-	-	15,475,681	789,259,741	7.20%	56,826,701	-
2033	2035	-	-	-		789,259,741	7.20%	56,826,701	-
2034	2036	-	-	-	15,785,195	805,044,936	7.20%	57,963,235	-
2035	2037	-	-	-		805,044,936	7.20%	57,963,235	-
2036	2038	-	-	-	16,100,899	821,145,835	7.20%	59,122,500	-
2037	2039	-	-	-		821,145,835	7.20%	59,122,500	-
2038	2040	-	-	-	16,422,917	837,568,751	7.20%	60,304,950	-
2039	2041	-	-	-		837,568,751	7.20%	60,304,950	-
2040	2042	-	-	-	16,751,375	854,320,126	7.20%	61,511,049	-
2041	2043	-	-	-		854,320,126	7.20%	61,511,049	-
2042	2044	-	-	-	17,086,403	871,406,529	7.20%	62,741,270	-
2043	2045	-	-	-		871,406,529	7.20%	62,741,270	-
2044	2046	-	-	-	17,428,131	888,834,659	7.20%	63,996,095	-
2045	2047	-	-	-		888,834,659	7.20%	63,996,095	-
2046	2048	-	-	-	17,776,693	906,611,353	7.20%	65,276,017	-
		968	717,732,957	563,529	188,314,866				2,904,000

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FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048

Construction Year	Collection Year	Platted and Improved Land			Estimated Land Assessment Ratio	LAND ASSESSED VALUATION	STATE ASSESSED VALUATION 2.0%	RESIDENTIAL ASSESSED VALUATION (See Page 8)	TOTAL ASSESSED VALUATION (To Pages 3 & 4)	Collection Year
		Annual Actual Adjustment to Vacant Land	Existing Actual Valuation	Cumulative Market Value of Vacant Land						
2016	2018	-	132,891	132,891	29.00%	38,540	539,800	40,570	618,910	2018
2017	2019	-	-	132,891	29.00%	38,540	539,800	40,570	618,910	2019
2018	2020	-	-	132,891	29.00%	38,540	550,596	41,386	630,522	2020
2019	2021	9,072,900	-	9,205,791	29.00%	2,669,679	550,596	41,386	3,261,661	2021
2020	2022	2,777,730	(18,206)	11,965,315	29.00%	3,469,941	561,608	7,122,002	11,153,551	2022
2021	2023	-	(24,137)	11,941,178	29.00%	3,462,942	561,608	16,508,022	20,532,571	2023
2022	2024	(2,676,260)	(24,258)	9,240,660	29.00%	2,679,791	572,840	26,271,128	29,523,759	2024
2023	2025	(2,312,770)	(19,155)	6,908,735	29.00%	2,003,533	572,840	33,719,767	36,296,141	2025
2024	2026	(2,323,680)	(14,612)	4,570,443	29.00%	1,325,428	584,297	40,076,418	41,986,143	2026
2025	2027	(623,120)	(9,857)	3,937,466	29.00%	1,141,865	584,297	43,909,377	45,635,539	2027
2026	2028	(778,900)	(8,673)	3,149,893	29.00%	913,469	595,983	48,160,337	49,669,789	2028
2027	2029	(704,440)	(7,087)	2,438,366	29.00%	707,126	595,983	50,916,088	52,219,198	2029
2028	2030	(1,877,820)	(5,605)	554,942	29.00%	160,933	607,902	54,113,857	54,882,693	2030
2029	2031	(553,640)	(1,302)	-	29.00%	-	607,902	54,620,051	55,227,954	2031
2030	2032	-	-	-	29.00%	-	620,061	55,712,452	56,332,513	2032
2031	2033	-	-	-	29.00%	-	620,061	55,712,452	56,332,513	2033
2032	2034	-	-	-	29.00%	-	632,462	56,826,701	57,459,163	2034
2033	2035	-	-	-	29.00%	-	632,462	56,826,701	57,459,163	2035
2034	2036	-	-	-	29.00%	-	645,111	57,963,235	58,608,346	2036
2035	2037	-	-	-	29.00%	-	645,111	57,963,235	58,608,346	2037
2036	2038	-	-	-	29.00%	-	658,013	59,122,500	59,780,513	2038
2037	2039	-	-	-	29.00%	-	658,013	59,122,500	59,780,513	2039
2038	2040	-	-	-	29.00%	-	671,173	60,304,950	60,976,124	2040
2039	2041	-	-	-	29.00%	-	671,173	60,304,950	60,976,124	2041
2040	2042	-	-	-	29.00%	-	684,597	61,511,049	62,195,646	2042
2041	2043	-	-	-	29.00%	-	684,597	61,511,049	62,195,646	2043
2042	2044	-	-	-	29.00%	-	698,289	62,741,270	63,439,559	2044
2043	2045	-	-	-	29.00%	-	698,289	62,741,270	63,439,559	2045
2044	2046	-	-	-	29.00%	-	712,255	63,996,095	64,708,350	2046
2045	2047	-	-	-	29.00%	-	712,255	63,996,095	64,708,350	2047
2046	2048	-	-	-	29.00%	-	726,500	65,276,017	66,002,517	2048
		-	-	-		-	-	-	-	

This financial information should be read only in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Accountant's Report.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
GENERAL AND DEBT SERVICE FUNDS ONLY  
**SCHEDULE OF ESTIMATED DEVELOPER ADVANCES**  
FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048

Year	DEVELOPER ADVANCES - GENERAL FUND						
	Annual Developer Advances - O & M Costs (See Page 3)	Annual Developer Advance Repayments - From Surplus Cash	Cumulative Outstanding Developer Advances	Interest Accrued on Outstanding Advances at Simple 8.00%	Annual Interest Repayments From Surplus Cash	Cumulative Outstanding Interest	Cumulative Outstanding Developer Advances Including Interest
2018	-	-	-	-	-	-	-
2019	65,000	-	65,000	2,600	-	2,600	67,600
2020	62,000	-	127,000	7,680	-	10,280	137,280
2021	2,000	-	129,000	10,240	-	20,520	149,520
2022	-	(129,000)	-	10,320	(30,840)	-	-
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	-	-	-	-	-	-	-
	129,000	(129,000)		30,840	(30,840)		
				Total Repayments	159,840		

This financial information should be read only in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Accountant's Report.



**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
GENERAL AND DEBT SERVICE FUNDS ONLY  
**SCHEDULE OF ESTIMATED 2018A SENIOR BONDS DEBT SERVICE REQUIREMENTS**  
FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048

<b>2018A Senior Bond Issue</b>		
<b>Dated:</b>	<b>June 19, 2018</b>	<b>\$31,945,000</b>
<b>Issued:</b>	<b>June 19, 2018</b>	
<b>Interest Rate:</b>	<b>5.625%-5.75%</b>	
Principal payments due on December 1		

Year	Principal	Coupon	Interest	Total 2018A Senior Bonds Debt Service	Reduce By Capitalized Interest Fund	Net 2018A Senior Bonds Debt Service (To Page 5)	Bond Principal Outstanding	Year
2018	-	5.625%	821,168	821,168	(821,168)	-	31,945,000	2018
2019	-	5.625%	1,824,819	1,824,819	(1,824,819)	-	31,945,000	2019
2020	-	5.625%	1,824,819	1,824,819	(1,824,819)	-	31,945,000	2020
2021	-	5.625%	1,824,819	1,824,819	(978,306)	846,513	31,945,000	2021
2022	-	5.625%	1,824,819	1,824,819	-	1,824,819	31,945,000	2022
2023	-	5.625%	1,824,819	1,824,819	-	1,824,819	31,945,000	2023
2024	-	5.625%	1,824,819	1,824,819	-	1,824,819	31,945,000	2024
2025	-	5.625%	1,824,819	1,824,819	-	1,824,819	31,945,000	2025
2026	25,000	5.625%	1,824,819	1,849,819	-	1,849,819	31,920,000	2026
2027	190,000	5.625%	1,823,413	2,013,413	-	2,013,413	31,730,000	2027
2028	380,000	5.625%	1,812,725	2,192,725	-	2,192,725	31,350,000	2028
2029	515,000	5.625%	1,791,350	2,306,350	-	2,306,350	30,835,000	2029
2030	660,000	5.625%	1,762,381	2,422,381	-	2,422,381	30,175,000	2030
2031	710,000	5.625%	1,725,256	2,435,256	-	2,435,256	29,465,000	2031
2032	800,000	5.625%	1,685,319	2,485,319	-	2,485,319	28,665,000	2032
2033	845,000	5.625%	1,640,319	2,485,319	-	2,485,319	27,820,000	2033
2034	945,000	5.625%	1,592,788	2,537,788	-	2,537,788	26,875,000	2034
2035	995,000	5.625%	1,539,631	2,534,631	-	2,534,631	25,880,000	2035
2036	1,105,000	5.625%	1,483,663	2,588,663	-	2,588,663	24,775,000	2036
2037	1,165,000	5.625%	1,421,506	2,586,506	-	2,586,506	23,610,000	2037
2038	1,280,000	5.625%	1,355,975	2,635,975	-	2,635,975	22,330,000	2038
2039	1,355,000	5.750%	1,283,975	2,638,975	-	2,638,975	20,975,000	2039
2040	1,485,000	5.750%	1,206,063	2,691,063	-	2,691,063	19,490,000	2040
2041	1,570,000	5.750%	1,120,675	2,690,675	-	2,690,675	17,920,000	2041
2042	1,715,000	5.750%	1,030,400	2,745,400	-	2,745,400	16,205,000	2042
2043	1,815,000	5.750%	931,788	2,746,788	-	2,746,788	14,390,000	2043
2044	1,970,000	5.750%	827,425	2,797,425	-	2,797,425	12,420,000	2044
2045	2,085,000	5.750%	714,150	2,799,150	-	2,799,150	10,335,000	2045
2046	2,260,000	5.750%	594,263	2,854,263	-	2,854,263	8,075,000	2046
2047	2,390,000	5.750%	464,313	2,854,313	-	2,854,313	5,685,000	2047
2048	5,685,000	5.750%	326,888	6,011,888	-	6,011,888	-	2048
	<b>31,945,000</b>		<b>43,553,981</b>	<b>75,498,981</b>	<b>(5,449,112)</b>	<b>70,049,869</b>		

<b>USE OF PROCEEDS:</b>	
Project Fund	22,765,988
Capitalized Interest	5,449,112
Deposit to 2018A Surplus Fund	2,854,000
Underwriter's discount	638,900
Issuance Costs	223,162
Contingency	13,838
	<b>31,945,000</b>

This financial information should be read only in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Accountant's Report.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
GENERAL AND DEBT SERVICE FUNDS ONLY  
**SCHEDULE OF ESTIMATED 2018B SUBORDINATE BONDS DEBT SERVICE REQUIREMENTS**  
FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048

<b><u>2018B Subordinate Bond Issue</u></b> Dated: June 19, 2018 <span style="float: right;">\$3,260,000</span> Issued: June 19, 2018 Interest Rate: 8.000% compounded annually Principal payments due on December 15							
Year	Bond Principal		Bond Interest			Total 2018B Subordinate Bonds Debt Service Payments	Year
	Principal Payments	Outstanding Balance	Interest Accrued on Outstanding Principal and Unpaid Interest	Interest Payments	Cumulative Unpaid Interest		
						(To Page 5)	
2018	-	3,260,000	127,502	-	127,502	-	2018
2019	-	3,260,000	271,000	-	398,502	-	2019
2020	-	3,260,000	292,680	-	691,183	-	2020
2021	-	3,260,000	316,095	-	1,007,277	-	2021
2022	-	3,260,000	341,382	-	1,348,659	-	2022
2023	-	3,260,000	368,693	-	1,717,352	-	2023
2024	-	3,260,000	398,188	-	2,115,540	-	2024
2025	-	3,260,000	430,043	-	2,545,584	-	2025
2026	-	3,260,000	464,447	-	3,010,030	-	2026
2027	-	3,260,000	501,602	-	3,511,633	-	2027
2028	-	3,260,000	541,731	-	4,053,363	-	2028
2029	-	3,260,000	585,069	-	4,638,432	-	2029
2030	-	3,260,000	631,875	330,020	4,940,287	330,020	2030
2031	-	3,260,000	656,023	736,029	4,860,281	736,029	2031
2032	-	3,260,000	649,622	749,393	4,760,511	749,393	2032
2033	-	3,260,000	641,641	749,393	4,652,759	749,393	2033
2034	-	3,260,000	633,021	761,618	4,524,161	761,618	2034
2035	-	3,260,000	622,733	764,774	4,382,120	764,774	2035
2036	-	3,260,000	611,370	776,731	4,216,758	776,731	2036
2037	-	3,260,000	598,141	778,887	4,036,011	778,887	2037
2038	-	3,260,000	583,681	796,727	3,822,965	796,727	2038
2039	-	3,260,000	566,637	793,727	3,595,876	793,727	2039
2040	-	3,260,000	548,470	810,293	3,334,053	810,293	2040
2041	-	3,260,000	527,524	810,681	3,050,897	810,681	2041
2042	-	3,260,000	504,872	825,983	2,729,786	825,983	2042
2043	-	3,260,000	479,183	824,595	2,384,373	824,595	2043
2044	-	3,260,000	451,550	845,385	1,990,538	845,385	2044
2045	-	3,260,000	420,043	843,660	1,566,921	843,660	2045
2046	-	3,260,000	386,154	861,404	1,091,670	861,404	2046
2047	-	3,260,000	348,134	861,354	578,450	861,354	2047
2048	3,260,000	-	307,076	885,526	-	4,145,526	2048
	3,260,000		14,806,180	14,806,180		18,066,180	

<b><u>USES OF FUNDS</u></b>	
Project Fund	3,162,200
Underwriter Discount	97,800
	3,260,000

This financial information should be read only in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Accountant's Report.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS**  
**AND ACCOUNTING POLICIES**  
**JUNE 13, 2018**

**NOTE 1) NATURE AND LIMITATION OF FORECAST**

This forecast of financial information is for the purpose of a financial analysis of the proposed issuance of Limited Tax General Obligation Bonds, Series 2018A (the “2018A Senior Bonds”) and of Subordinate Limited Tax General Obligation Bonds, Series 2018B (the “2018B Subordinate Bonds,” and together with the 2018A Senior Bonds, the “Bonds”) of Crowfoot Valley Ranch Metropolitan District No. 2 (the “District”), located in Douglas County (the “County”), Colorado. The forecast displays how the proposed Bonds will be repaid from the forecasted cash receipts and disbursements of the District under the following assumptions.

This financial forecast presents, to the best knowledge and belief of the Board of Directors of the District (collectively, “Management”), the District’s expected cash position and results of cash receipts and disbursements for the forecast period for the General Fund and Debt Service Fund. Accordingly, the forecast reflects Management’s judgment, as of June 13, 2018, the date of this forecast, of the expected conditions within the District and the District’s expected course of action.

The assumptions disclosed herein are those that Management believes are significant to the forecast; however, they are not all-inclusive. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Certain assumptions are based on general environmental factors that are beyond any entity’s ability to predict, such as the rate of inflation. Assumptions relating to market values of the residential properties, the build-out schedule of such properties, and the rate of inflation on such properties are particularly sensitive as they relate to the forecast. A small variation in these assumptions could have a large effect on the forecasted results. There is a high probability that the forecasted assessed values derived from these assumptions will vary from the actual future assessed values.

The forecast is expressed in terms of 2018 dollars, with adjustments for inflation. The market values per unit for residential properties are forecasted to increase 4.9% in 2019, 3.3% in 2020, 1.5% in 2021, 0.5% in 2022 and 2% compounded annually, starting in 2023, through build-out, as projected in the Market Study (see Note 4). After the residential properties are constructed, the market values of the constructed properties are added to the cumulative market value of developed properties. Such cumulative market values are forecasted to increase 2% biennially pursuant to the reassessment of property required by State statute. Administrative Costs are forecasted to increase by 2% annually.

The two separate Indentures of Trust authorizing the issuance of the 2018A Senior Bonds (the “2018A Senior Indenture”) and the 2018B Subordinate Bonds (the “2018B Subordinate Indenture”) and together with the 2018A Senior Indenture, the “Indentures”) are discussed in this Summary of Significant Forecast Assumptions and Accounting Policies. Any reference to the Indentures herein is a summarization only. The full Indentures are available to the investors of the Bonds and will prevail in the event of a conflict between the Indentures and the forecast.

Certain capitalized terms in this forecast may not be defined herein. The reader of this forecast should refer to the Indentures for such definitions.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS**  
**AND ACCOUNTING POLICIES**  
**JUNE 13, 2018**

**NOTE 2) DEVELOPER**

The Development is a project of HT Canyons South, LP, a Delaware limited partnership, acting through its subsidiaries HT Canyons South Development LP, a Delaware limited partnership, and HT Canyons South Land LP, a Delaware limited partnership (collectively, the “Developer”). HT Canyons South, LP is a joint venture of and is owned by a subsidiary of Hines Interests Limited Partnership (“Hines”) as general partner and TREZ Capital (“TREZ”), as limited partner. The Developer is member-managed by Hines pursuant to an operating agreement entered into between Hines and TREZ. In addition, the Developer has engaged Hines as development manager for the Development pursuant to a Development Management Agreement. Certain members of Management are associated with or related to the Developers.

The Developer has prepared the residential construction schedule based upon their knowledge and experience in developing other residential properties. The residential construction schedule is an estimation of absorption and provides assumptions regarding market values for the planned residential development, and was independently assessed by the Market Study.

**NOTE 3) BASIS OF ACCOUNTING**

The basis of accounting for this forecast is the cash basis, which is a basis of accounting that is different from that required by the generally accepted accounting principles under which the District will prepare its financial statements.

**NOTE 4) MARKET STUDY**

The District has retained John Burns Real Estate Consulting, La Jolla, California (“JBREC”) to prepare a market forecast of product, pricing and absorption for the Development dated May 30, 2018 (the “Market Study”). The primary purpose of the Market Study is to assess the parameters of the Development, including proposed land uses in light of area market trends in order to provide absorption and projected market value per residential unit for residential property within the Development. The Market Study also provides estimated rates of increases in the market values of residential units each year. The assumptions used in the forecast are consistent with those discussed in the Market Study.

**NOTE 5) PROPERTY TAXES**

The primary source of revenue or cash receipts will be ad valorem property taxes. Property taxes are levied by the Board of Directors of the District. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is expressed in terms of mills. A mill is equal to 1/10 of one cent per dollar of assessed valuation. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS**  
**AND ACCOUNTING POLICIES**  
**JUNE 13, 2018**

**NOTE 5) PROPERTY TAXES** (continued)

Pursuant to the Senior Indenture, the District has covenanted to impose a Senior Required Mill Levy each year in an amount which, if imposed by the District for collection in the succeeding calendar year, would generate Senior Property Tax Revenues sufficient to pay the 2018A Senior Bonds (less any amount thereof for which amounts are then on deposit in the Senior Bond Fund and, solely to the extent provided in the Senior Indenture, the 2018A Surplus Fund), but not in excess of 50 mills (subject to adjustment as set forth in the 2018A Senior Indenture), and for so long as the amount on deposit in the 2018A Surplus Fund is less than the Maximum Surplus Amount, equal to 50 mills (subject to adjustment as set forth in the 2018A Senior Indenture), or such lesser amount which, if imposed by the District for collection in the succeeding calendar year, would generate Senior Property Tax Revenues (A) sufficient to pay the 2018A Senior Bonds and to fully fund the 2018A Surplus Fund to the Maximum Surplus Amount, or (B) which, when combined with moneys then on deposit in the Senior Bond Fund and the 2018A Surplus Fund, will pay the 2018A Senior Bonds in full in the year such levy is collected.

Pursuant to the Subordinate Indenture, the District has covenanted to impose a Subordinate Required Mill Levy each year in an amount equal to (i) 50 mills (subject to adjustment as set forth in the 2018B Subordinate Indenture), less the "Senior Obligation Mill Levy" (which is defined as the sum of the Senior Required Mill Levy required to be imposed by the District in accordance with the 2018A Senior Indenture and any other ad valorem property tax levy required to be imposed by the District for the payment of Senior Obligations or (ii) such lesser amount which, if imposed by the District for collection in the succeeding calendar year, would generate Subordinate Property Tax Revenues which, when combined with moneys then on deposit in the Subordinate Bond Fund, will pay the 2018B Subordinate Bonds in full in the year such levy is collected. The Subordinate Required Mill Levy will equal zero at any time that: (i) the payment of the 2018A Senior Bonds and any other Senior Obligations requires the imposition of at least 50 mills (subject to adjustment as set forth in the Indentures); and (ii) at any time that there is on deposit in the Surplus Fund less than the Maximum Surplus Amount.

In the event that the method of calculating assessed valuation is changed after December 16, 2008, the minimum mill levy of 50 mills and the maximum mill levy of 50 mills will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith 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 to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation. The adjusted minimum and maximum mill levy for tax collection year 2018 is 55.277.

The Gallagher Amendment to the Colorado Constitution states that residential assessed values Statewide must be approximately 45% of total assessed values. When the market values of residential property increase faster than the values of nonresidential property, the residential assessment ratio must decline to keep the 45 percent/55 percent ratio.

According to information prepared by the Colorado Legislative Council Staff, Economics Section, as set forth in the Focus Colorado: Economic and Revenue Forecast issued on December 20, 2017, the residential assessment ratio is forecasted to decline again in 2019 (for tax collection year 2020) to 6.11%. The forecasts of the Legislative Council Staff are estimates only, do not have the force of law, and may or may not occur as forecasted.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS**  
**AND ACCOUNTING POLICIES**  
**JUNE 13, 2018**

**NOTE 5) PROPERTY TAXES** (continued)

The forecast includes the residential assessment ratio of 7.20% beginning with the 2018 tax collection year throughout the term of the forecast period, since it is assumed that in the event the residential assessment ratio changes in the future, Management will increase or decrease the mill levy (as authorized under the District's Service Plan and the Indentures), 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.

Land value for property platted and improved is forecasted to increase in value as such platting and completion of infrastructure occurs at 10% of the total estimated market value of the completed residence. The land value is subsequently reduced during the year in which the residence is expected to be completed. The assessment ratio for such platted and improved vacant lots is 29% until residential construction commences.

The assessed valuation for the District is dependent upon the build-out schedule of the residential properties within the District. The forecasted development build-out schedule and conversion to assessed valuation is presented as a Schedule of Estimated Assessed Valuation.

The property taxes resultant from the above mill levy and assessed valuation have been reduced for the County Treasurer's 1.5% fee for collection of the taxes and further reduced by 0.5% to allow for uncollectible taxes.

**NOTE 6) SPECIFIC OWNERSHIP TAXES**

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The forecast assumes that the District's share will be equal to approximately 6% of the net property taxes collected by both the General Fund and the Debt Service Fund.

The portion of the specific ownership tax which is collected as a result of the Senior Required Mill Levy is pledged to payment of the 2018A Senior Bonds and the portion collected as a result of the Subordinate Required Mill Levy is pledged to payment of the 2018B Subordinate Bonds.

**NOTE 7) FIRE SERVICE**

The Town of Castle Rock (the "Town"), Crowfoot Valley Metropolitan District No. 1 and the District are parties to an intergovernmental agreement, pursuant to which the Town agrees to provide certain fire protection and emergency response facilities and services to the Districts and their residents. In order to finance such fire protection and emergency services, the Districts agree to levy, certify and collect a fire protection mill levy of 6.75 mills on all taxable property of the Districts, subject to adjustment for changes in assessed valuation, and to pledge all tax revenues from the fire protection mill levy to the Town. The District certified a mill levy of 7.462 mills for fire protection for tax collection year 2018, the net collection of such will be paid to the Town. Revenues collected as a result of such mill levy are not available for or pledged to the payment of the Bonds.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS**  
**AND ACCOUNTING POLICIES**  
**JUNE 13, 2018**

**NOTE 8) FACILITIES FEES**

Capital Fees are pledged to the payment of the Bonds and are generally defined to mean all fees, rates, tolls, penalties, and charges of a capital nature (excluding periodic, recurring service charges) imposed by the District at the time of issuance of the Bonds or thereafter, including Facilities Fees. The District is expected to adopt a Facilities Fee Resolution prior to the issuance of the Bonds. Capital Fees do not include Excluded Fees, which are defined in the Indentures as any fee imposed by the District solely for the purpose of funding operation and maintenance expenses.

The Facilities Fee Resolution will impose a one-time fee in the amount of \$3,000 for each single-family or multi-family dwelling unit located within the District. The Facilities Fees are payable at the time a building permit is issued by the County for any dwelling unit. Facilities Fees are pledged to the payment of the Bonds.

**NOTE 9) INTEREST INCOME**

Interest income associated with cash balances has not been considered in this forecast.

**NOTE 10) GENERAL AND ADMINISTRATIVE COSTS**

General and Administrative costs include the services necessary to maintain the administrative viability of the District such as management, legal, accounting and audit, election, insurance, banking, meeting expense, and other administrative costs.

**NOTE 11) DEVELOPER ADVANCES**

The Developer has agreed to advance moneys to the District for the payment of administrative expenses. The District will reimburse such advances, together with interest thereon at 8% per annum, subject to annual appropriation and budget approval by the District. The expected advances, accrued interest and repayments of such advances and interest are displayed in the forecast on the Schedule of Estimated Developer Advances.

**NOTE 12) DEBT SERVICE**

The District anticipates issuing the 2018A Senior Bonds and the 2018B Subordinate Bonds on June 19, 2018, in the respective amounts of \$31,945,000 and \$3,260,000.

Proceeds from the sale of the 2018A Senior Bonds will be used to: (i) finance or reimburse the costs of public improvements related to the Development; (ii) fund capitalized interest on the 2018A Senior Bonds; (iii) make an initial deposit to the 2018A Surplus Fund; and (iv) pay the costs of issuance of the Bonds.

Proceeds from the sale of the 2018B Subordinate Bonds will be used to: (i) finance or reimburse the cost of public improvements related to the Development; and (ii) pay certain other costs of issuance of the 2018B Subordinate Bonds.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS**  
**AND ACCOUNTING POLICIES**  
**JUNE 13, 2018**

**NOTE 12) DEBT SERVICE** (continued)

The 2018A Senior Bonds are assumed to bear interest at rates ranging from 5.625% to 5.75% and are payable semi-annually on June 1 and December 1, beginning on December 1, 2018. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2026. The 2018A Senior Bonds mature on December 1, 2048.

The 2018B Subordinate Bonds are assumed to be issued at the rate of 8% per annum and are payable annually on December 15, beginning December 15, 2018, from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2048. The 2018B Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the 2018B Subordinate Bonds compounds annually at the rate then borne by the 2018B Subordinate Bonds on each December 15. In the event any amounts due and owing on the 2018B Subordinate Bonds remain outstanding on December 15, 2058, such amounts shall be deemed discharged and shall no longer be due and outstanding.

The 2018A Senior Bonds are payable solely from and to the extent of the Senior Pledged Revenue, defined generally in the 2018A Senior Indenture as the following, net of any costs of collection:

- a) all Senior Property Tax Revenues (generally defined as revenues resulting from the imposition of the Senior Required Mill Levy);
- b) all Senior Specific Ownership Tax Revenues, resulting from the imposition of the Senior Required Mill Levy;
- c) all Capital Fees; and
- d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

The 2018A Senior Bonds are additionally secured by the 2018A Surplus Fund, which will initially be partially funded with proceeds of the 2018A Senior Bonds, and will also be funded with excess Senior Pledged Revenue, if any, to the Maximum Surplus Amount of \$6,389,000, and by capitalized interest which will be funded with proceeds of the 2018A Senior Bonds.

Amounts on deposit in the 2018A Surplus Fund (if any) on the final maturity date of the 2018A Senior Bonds shall be applied to the payment of the 2018A Senior Bonds. The availability of such amount shall be taken into account in calculating the Senior Required Mill Levy required to be imposed in December 2047.

The 2018B Subordinate Bonds are payable solely from and to the extent of the Subordinate Pledged Revenue, which is defined generally in the 2018B Subordinate Indenture as the following, net costs of collection:

- a) all Subordinate Property Tax Revenues (generally defined as revenues resulting from the imposition of the Subordinate Required Mill Levy);



**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS**  
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**JUNE 13, 2018**

**NOTE 12) DEBT SERVICE** (continued)

- b) all Subordinate Specific Ownership Tax Revenues, resulting from the imposition of the Subordinate Required Mill Levy;
- c) all Subordinate Capital Fee Revenue; and
- d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

Subordinate Capital Fee Revenue is defined as any revenue from Capital Fees remaining after deduction of any amount thereof used, paid, pledged, or otherwise applied to the payment of any Senior Obligations.

While the forecast combines the mill levies and flow of funds generated from the Senior Required Mill Levy and the Subordinate Required Mill Levy, the Indentures separate property taxes and specific ownership taxes generated by each mill levy. Receipts generated from the Senior Required Mill Levy are pledged to the repayment of the 2018A Senior Bonds and receipts generated from the Subordinate Required Mill Levy are pledged to the repayment of the 2018B Subordinate Bonds. In no event is Subordinate Pledged Revenue required to be deposited to the Senior Bond Fund or to be applied to debt service on the 2018A Senior Bonds.

Assumptions related to debt principal amounts, bond interest rates, issuance costs, capitalized interest amounts, and other related debt service costs for the proposed 2018A Senior Bonds and 2018B Subordinate Bonds have been provided to Management by D.A. Davidson & Co., the underwriter of the proposed bond issuance of the District.

**NOTE 13) PROJECTION OF HYPOTHETICAL ASSUMPTIONS WITH SLOWER BUILD-OUT**

For purposes of analyzing the repayment of the Bonds, the District projected cash receipts and disbursements of the District's Debt Service Fund only, as displayed on Pages A1 through A8, at a slower build-out rate than is expected by the Developer. The Developer believes these slower build-out projections are based on improbable assumptions. The slower build-out hypothetical assumes a build-out schedule that is slowed to the point at which available funds (including the Surplus Fund) and the imposition of the maximum mill levy of 55.277 mills are needed to pay debt service on the 2018A Senior Bonds. The results of the analysis using these assumptions are as follows:

The build-out schedule could be slowed to 55% of the reasonably expected schedule as displayed in the forecast and the 2018A Senior Bonds could still be repaid. For purposes of the projection, the referenced percentage has been applied to each year of the build-out schedule in the forecast. The resulting number of residential units has been subsequently duplicated each year in the projection until the total number of residential units are reached for each type of residential property.

The build-out has been slowed for mathematical purposes (resulting in an improbable build-out scenario) and may not be reflective of actual build-out.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS**  
**AND ACCOUNTING POLICIES**  
**JUNE 13, 2018**

**NOTE 13) PROJECTION OF HYPOTHETICAL ASSUMPTIONS WITH SLOWER BUILD-OUT**  
(continued)

None of the principal of, and only a portion of the interest on, the 2018B Subordinate Bonds can be repaid with the slower build-out.

The projection anticipates that the Surplus Fund will be drawn upon in years 2021 through 2025 to meet debt service requirements on the 2018A Senior Bonds.

The General Fund is not displayed in this projection. As a result of slower build-out and reduced revenues from property taxes, the Developer would be required to contribute or advance additional funds to the District to pay for administrative costs.

This information should be read in connection with the accompanying Accountant's Report and forecast of financial information.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
**UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 13**  
**DEBT SERVICE FUND ONLY**  
**SUMMARY**  
**FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048**

Collection Year	Assessed Value (See Page A6)	Mill Levy	Cash Receipts				Total Cash Receipts (To Page A2)
			Net Property Taxes 98.00%	Specific Ownership Taxes 6.00%	Facilities Fees (See Page A5)	Deposit to Surplus Fund (See Page A7)	
			2018	618,910	0.000	-	
2019	618,910	55.277	33,527	2,012	-	-	35,539
2020	630,522	55.277	34,156	2,049	243,000	-	279,206
2021	2,096,702	55.277	113,581	6,815	315,000	-	435,396
2022	6,459,135	55.277	349,901	20,994	315,000	-	685,895
2023	11,574,792	55.277	627,023	37,621	327,000	-	991,645
2024	16,983,676	55.277	920,031	55,202	336,000	-	1,311,232
2025	22,491,263	55.277	1,218,385	73,103	294,000	-	1,585,488
2026	28,369,406	55.277	1,536,812	92,209	228,000	-	1,857,021
2027	33,105,487	55.277	1,793,373	107,602	189,000	-	2,089,975
2028	37,660,122	55.277	2,040,104	122,406	153,000	-	2,315,510
2029	41,088,360	55.277	2,225,816	133,549	99,000	-	2,458,365
2030	44,717,748	55.277	2,422,426	145,346	99,000	-	2,666,771
2031	46,978,913	55.277	2,544,916	152,695	87,000	-	2,784,611
2032	50,120,020	55.277	2,715,075	162,904	69,000	-	2,946,979
2033	52,040,858	55.277	2,819,129	169,148	69,000	-	3,057,277
2034	54,716,133	55.277	2,964,053	177,843	45,000	-	3,186,896
2035	56,244,832	55.277	3,046,865	182,812	9,000	-	3,238,677
2036	58,333,996	55.277	3,160,038	189,602	9,000	-	3,358,640
2037	58,761,235	55.277	3,183,182	190,991	9,000	-	3,383,173
2038	60,369,817	55.277	3,270,321	196,219	9,000	-	3,475,540
2039	60,814,316	55.277	3,294,400	197,664	-	-	3,492,064
2040	62,361,161	55.277	3,378,195	202,692	-	-	3,580,887
2041	62,361,161	55.277	3,378,195	202,692	-	-	3,580,887
2042	63,608,384	55.277	3,445,759	206,746	-	-	3,652,505
2043	63,608,384	55.277	3,445,759	206,746	-	-	3,652,505
2044	64,880,552	55.277	3,514,674	210,880	-	-	3,725,555
2045	64,880,552	55.277	3,514,674	210,880	-	-	3,725,555
2046	66,178,163	55.277	3,584,968	215,098	-	-	3,800,066
2047	66,178,163	55.277	3,584,968	215,098	-	-	3,800,066
2048	67,501,726	55.277	3,656,667	219,400	-	-	3,876,067
			71,816,973	4,309,018	2,904,000	2,854,000	81,883,991

This financial information should be read only in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Accountant's Report.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
**UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 13**  
**DEBT SERVICE FUND ONLY**  
**SUMMARY**  
**FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048**

Collection Year	Total Cash Receipts (See Page A1)	Cash Disbursements						Total Cash Disbursements	Cash Balances		Collection Year	
		Net Debt Service on 2018A Bonds \$31,945,000 (See Page A7)	2018A Surplus Fund			Senior Debt Coverage at Cap 55.277	Cumulative Cash Available for Sub Bonds		Net Debt Service on 2018B Bonds \$3,260,000 (See Page A8)	Annual Surplus Cash (Deficit)		Cumulative Surplus Cash Balances
			Transfer to (Release from)	Cumulative Surplus Balance	Maximum Balance \$6,389,000							
2018	2,854,000	-	2,854,000	2,854,000	6,389,000		-	-	2,854,000	-	-	2018
2019	35,539	-	35,539	2,889,539	6,389,000		-	-	35,539	-	-	2019
2020	279,206	-	279,206	3,168,745	6,389,000		-	-	279,206	-	-	2020
2021	435,396	846,513	(411,116)	2,757,628	6,389,000	14.2%	-	-	435,396	-	-	2021
2022	685,895	1,824,819	(1,138,924)	1,618,704	6,389,000	20.3%	-	-	685,895	-	-	2022
2023	991,645	1,824,819	(833,174)	785,530	6,389,000	36.5%	-	-	991,645	-	-	2023
2024	1,311,232	1,824,819	(513,586)	271,944	6,389,000	53.5%	-	-	1,311,232	-	-	2024
2025	1,585,488	1,824,819	(239,331)	32,613	6,389,000	70.9%	-	-	1,585,488	-	-	2025
2026	1,857,021	1,849,819	7,202	39,815	6,389,000	88.2%	-	-	1,857,021	-	-	2026
2027	2,089,975	2,013,413	76,562	116,377	6,389,000	94.5%	-	-	2,089,975	-	-	2027
2028	2,315,510	2,192,725	122,785	239,162	6,389,000	98.7%	-	-	2,315,510	-	-	2028
2029	2,458,365	2,306,350	152,015	391,178	6,389,000	102.4%	-	-	2,458,365	-	-	2029
2030	2,666,771	2,422,381	244,390	635,568	6,389,000	106.1%	-	-	2,666,771	-	-	2030
2031	2,784,611	2,435,256	349,355	984,923	6,389,000	110.9%	-	-	2,784,611	-	-	2031
2032	2,946,979	2,485,319	461,660	1,446,583	6,389,000	115.9%	-	-	2,946,979	-	-	2032
2033	3,057,277	2,485,319	571,958	2,018,541	6,389,000	120.4%	-	-	3,057,277	-	-	2033
2034	3,186,896	2,537,788	649,108	2,667,650	6,389,000	123.9%	-	-	3,186,896	-	-	2034
2035	3,238,677	2,534,631	704,045	3,371,695	6,389,000	127.6%	-	-	3,238,677	-	-	2035
2036	3,358,640	2,588,663	769,978	4,141,673	6,389,000	129.5%	-	-	3,358,640	-	-	2036
2037	3,383,173	2,586,506	796,667	4,938,339	6,389,000	130.6%	-	-	3,383,173	-	-	2037
2038	3,475,540	2,635,975	839,565	5,777,905	6,389,000	131.7%	-	-	3,475,540	-	-	2038
2039	3,492,064	2,638,975	611,095	6,389,000	6,389,000	132.5%	241,994	241,994	3,492,064	-	-	2039
2040	3,580,887	2,691,063	-	6,389,000	6,389,000	133.2%	889,824	889,824	3,580,887	-	-	2040
2041	3,580,887	2,690,675	-	6,389,000	6,389,000	133.2%	890,212	890,212	3,580,887	-	-	2041
2042	3,652,505	2,745,400	-	6,389,000	6,389,000	133.2%	907,105	907,105	3,652,505	-	-	2042
2043	3,652,505	2,746,788	-	6,389,000	6,389,000	133.1%	905,717	905,717	3,652,505	-	-	2043
2044	3,725,555	2,797,425	-	6,389,000	6,389,000	133.3%	928,130	928,130	3,725,555	-	-	2044
2045	3,725,555	2,799,150	-	6,389,000	6,389,000	133.2%	926,405	926,405	3,725,555	-	-	2045
2046	3,800,066	2,854,263	-	6,389,000	6,389,000	133.3%	945,803	945,803	3,800,066	-	-	2046
2047	3,800,066	2,854,313	-	6,389,000	6,389,000	133.3%	945,753	945,753	3,800,066	-	-	2047
2048	3,876,067	6,011,888	(6,389,000)	-	-	64.5%	4,253,180	4,253,180	3,876,067	-	-	2048
	81,883,991	70,049,869	-				11,834,122	11,834,122	81,883,991	-		

This financial information should be read only in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Accountant's Report.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
**UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 13**  
**DEBT SERVICE FUND ONLY**  
**SCHEDULE OF ESTIMATED ASSESSED VALUATION**  
**FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048**

		<b>Residential Development</b>															
		50' SFD Standard (Lyon)				60' SFD Standard (Lyon)				60' SFD Luxury (Lennar)				70' SFD Standard (Lyon)			
Construction Year	Collection Year	Number of Residential Units Completed	Vacant Land 10%	Est. Market Value per Unit \$509,800	Annual Market Value of New Units	Number of Residential Units Completed	Vacant Land 10%	Est. Market Value per Unit \$560,500	Annual Market Value of New Units	Number of Residential Units Completed	Vacant Land 10%	Est. Market Value per Unit \$618,200	Annual Market Value of New Units	Number of Residential Units Completed	Vacant Land 10%	Est. Market Value per Unit \$560,500	Annual Market Value of New Units
Inflation at 2.0% beginning in 2022		2.0%				2.0%				2.0%				2.0%			
2016	2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2017	2019	-	-	509,800	-	-	-	560,500	-	-	-	618,200	-	-	-	560,500	-
2018	2020	-	-	509,800	-	-	-	560,500	-	-	-	618,200	-	-	-	560,500	-
2019	2021	-	764,700	534,777	-	-	840,750	588,013	-	-	1,050,940	648,508	-	-	784,700	588,013	-
2020	2022	15	305,880	552,500	8,287,500	15	336,300	607,500	9,112,500	17	185,460	670,000	11,390,000	14	168,150	607,500	8,505,000
2021	2023	21	-	560,788	11,776,548	21	-	616,613	12,948,873	20	-	680,050	13,601,000	17	-	616,613	10,482,421
2022	2024	21	-	563,591	11,835,411	21	-	619,696	13,013,616	20	-	683,450	13,669,000	17	-	619,696	10,534,832
2023	2025	21	-	574,863	12,072,119	21	-	632,090	13,273,888	20	-	697,119	13,942,380	17	-	632,090	10,745,529
2024	2026	21	-	586,360	12,313,562	21	-	644,732	13,539,366	20	(865,480)	711,061	14,221,228	17	-	644,732	10,960,439
2025	2027	21	-	598,087	12,559,833	21	-	657,626	13,810,153	6	(370,920)	725,283	4,351,696	17	(896,800)	657,626	11,179,648
2026	2028	21	(611,760)	610,049	12,811,029	21	-	670,779	14,086,356	-	-	739,788	-	1	(56,050)	670,779	670,779
2027	2029	9	(458,820)	622,250	5,600,250	21	(168,150)	684,194	14,368,084	-	-	754,584	-	-	-	684,194	-
2028	2030	-	-	634,695	-	18	(1,008,900)	697,878	12,561,810	-	-	769,676	-	-	-	697,878	-
2029	2031	-	-	647,389	-	-	-	711,836	-	-	-	785,069	-	-	-	711,836	-
2030	2032	-	-	660,337	-	-	-	726,073	-	-	-	800,771	-	-	-	726,073	-
2031	2033	-	-	673,543	-	-	-	740,594	-	-	-	816,786	-	-	-	740,594	-
2032	2034	-	-	687,014	-	-	-	755,406	-	-	-	833,122	-	-	-	755,406	-
2033	2035	-	-	700,755	-	-	-	770,514	-	-	-	849,784	-	-	-	770,514	-
2034	2036	-	-	714,770	-	-	-	785,924	-	-	-	866,780	-	-	-	785,924	-
2035	2037	-	-	729,065	-	-	-	801,643	-	-	-	884,115	-	-	-	801,643	-
2036	2038	-	-	743,646	-	-	-	817,676	-	-	-	901,798	-	-	-	817,676	-
2037	2039	-	-	758,519	-	-	-	834,029	-	-	-	919,834	-	-	-	834,029	-
2038	2040	-	-	773,690	-	-	-	850,710	-	-	-	938,230	-	-	-	850,710	-
2039	2041	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2040	2042	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2041	2043	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2042	2044	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2043	2045	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2044	2046	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2045	2047	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2046	2048	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		150	-		87,256,252	180	-		116,714,647	103	-		71,175,303	100	-		63,078,648

This financial information should be read only in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Accountant's Report.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
**UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 13**  
**DEBT SERVICE FUND ONLY**  
**SCHEDULE OF ESTIMATED ASSESSED VALUATION**  
**FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048**

		<b>Residential Development</b>											
		<b>70' SFD Luxury (Weekley and TBD)</b>				<b>80' SFD Luxury (Toll &amp; Spec)</b>				<b>100' SFD Luxury (Custom &amp; Spec)</b>			
Construction Year	Collection Year	Number of Residential Units Completed	Vacant Land 10%	Est. Market Value per Unit \$640,400	Annual Market Value of New Units	Number of Residential Units Completed	Vacant Land 10%	Est. Market Value per Unit \$778,900	Annual Market Value of New Units	Number of Residential Units Completed	Vacant Land 10%	Est. Market Value per Unit \$1,384,100	Annual Market Value of New Units
Inflation at 2.0% beginning in 2022				2.0%				2.0%				2.0%	
2016	2018	-	-	-	-	-	-	-	-	-	-	-	-
2017	2019	-	-	640,400	-	-	-	778,900	-	-	-	1,384,100	-
2018	2020	-	-	640,400	-	-	-	778,900	-	-	-	1,384,100	-
2019	2021	-	576,360	671,739	-	-	623,120	817,024	-	-	415,230	1,451,885	-
2020	2022	9	256,160	694,000	6,246,000	8	155,780	844,100	6,752,800	3	-	1,500,000	4,500,000
2021	2023	13	-	704,410	9,157,330	10	-	856,762	8,567,620	3	-	1,522,500	4,567,500
2022	2024	13	256,160	707,932	9,203,116	10	-	861,045	8,610,450	3	-	1,530,113	4,590,339
2023	2025	17	192,120	722,091	12,275,541	10	-	878,266	8,782,659	3	-	1,560,715	4,682,146
2024	2026	20	-	736,532	14,730,649	10	-	895,831	8,958,312	3	-	1,591,930	4,775,789
2025	2027	20	-	751,263	15,025,262	10	-	913,748	9,137,478	3	-	1,623,768	4,871,304
2026	2028	20	-	766,288	15,325,767	10	-	932,023	9,320,228	3	-	1,656,244	4,968,731
2027	2029	20	-	781,614	15,632,283	10	-	950,663	9,506,633	3	-	1,689,368	5,068,105
2028	2030	20	-	797,246	15,944,928	10	-	969,677	9,696,765	3	-	1,723,156	5,169,467
2029	2031	20	-	813,191	16,263,827	10	-	989,070	9,890,701	3	-	1,757,619	5,272,857
2030	2032	20	-	829,455	16,589,103	10	(311,560)	1,008,851	10,088,515	3	-	1,792,771	5,378,314
2031	2033	20	-	846,044	16,920,885	6	(467,340)	1,029,028	6,174,171	3	-	1,828,627	5,485,880
2032	2034	20	-	862,965	17,259,303	-	-	1,049,609	-	3	-	1,865,199	5,595,598
2033	2035	20	(512,320)	880,224	17,604,489	-	-	1,070,601	-	3	-	1,902,503	5,707,510
2034	2036	12	(768,480)	897,829	10,773,947	-	-	1,092,013	-	3	-	1,940,553	5,821,660
2035	2037	-	-	915,786	-	-	-	1,113,854	-	3	-	1,979,364	5,938,093
2036	2038	-	-	934,101	-	-	-	1,136,131	-	3	-	2,018,952	6,056,855
2037	2039	-	-	952,783	-	-	-	1,158,853	-	3	-	2,059,331	6,177,992
2038	2040	-	-	971,839	-	-	-	1,182,030	-	3	(415,230)	2,100,517	6,301,552
2039	2041	-	-	-	-	-	-	-	-	-	-	-	-
2040	2042	-	-	-	-	-	-	-	-	-	-	-	-
2041	2043	-	-	-	-	-	-	-	-	-	-	-	-
2042	2044	-	-	-	-	-	-	-	-	-	-	-	-
2043	2045	-	-	-	-	-	-	-	-	-	-	-	-
2044	2046	-	-	-	-	-	-	-	-	-	-	-	-
2045	2047	-	-	-	-	-	-	-	-	-	-	-	-
2046	2048	-	-	-	-	-	-	-	-	-	-	-	-
		264	-		208,952,432	114	-		105,486,331	57	-		100,929,690

This financial information should be read only in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Accountant's Report.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
**UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 13**  
**DEBT SERVICE FUND ONLY**  
**SCHEDULE OF ESTIMATED ASSESSED VALUATION**  
**FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048**

		Residential Development								FACILITIES
Construction Year	Collection Year	TOTAL RESIDENTIAL UNITS		Existing Actual Valuation	Est. Biennial Revaluation per State Statute @ 2.0%	Cumulative Market Value of New Residences	Estimated Residential Assessment Ratio	RESIDENTIAL ASSESSED VALUATION (To Page A6)	FEES AT \$3,000 PER UNIT (To Page A1)	
		Total Number of Units Completed	Annual Value of New Residential Units							
2016	2018	-	-	563,529		563,529	7.20%	40,570	-	
2017	2019	-	-	-		563,529	7.20%	40,570	-	
2018	2020	-	-	-	11,271	574,800	7.20%	41,386	243,000	
2019	2021	-	-	-		574,800	7.20%	41,386	315,000	
2020	2022	81	54,793,800	-	11,496	55,380,096	7.20%	3,987,367	315,000	
2021	2023	105	71,101,292	-		126,481,388	7.20%	9,106,660	327,000	
2022	2024	105	71,456,764	-	2,529,628	200,467,779	7.20%	14,433,680	336,000	
2023	2025	109	75,774,262	-		276,242,041	7.20%	19,889,427	294,000	
2024	2026	112	79,499,344	-	5,524,841	361,266,226	7.20%	26,011,168	228,000	
2025	2027	98	70,935,375	-		432,201,601	7.20%	31,118,515	189,000	
2026	2028	76	57,182,891	-	8,644,032	498,028,524	7.20%	35,858,054	153,000	
2027	2029	63	50,175,354	-		548,203,878	7.20%	39,470,679	99,000	
2028	2030	51	43,372,971	-	10,964,078	602,540,926	7.20%	43,382,947	99,000	
2029	2031	33	31,427,384	-		633,968,310	7.20%	45,645,718	87,000	
2030	2032	33	32,055,932	-	12,679,366	678,703,608	7.20%	48,866,660	69,000	
2031	2033	29	28,580,936	-		707,284,545	7.20%	50,924,487	69,000	
2032	2034	23	22,854,901	-	14,145,691	744,285,136	7.20%	53,588,530	45,000	
2033	2035	23	23,311,999	-		767,597,135	7.20%	55,266,994	9,000	
2034	2036	15	16,595,607	-	15,351,943	799,544,685	7.20%	57,567,217	9,000	
2035	2037	3	5,938,093	-		805,482,778	7.20%	57,994,760	9,000	
2036	2038	3	6,056,855	-	16,109,656	827,649,288	7.20%	59,590,749	9,000	
2037	2039	3	6,177,992	-		833,827,280	7.20%	60,035,564	-	
2038	2040	3	6,301,552	-	16,676,546	856,805,378	7.20%	61,689,987	-	
2039	2041	-	-	-		856,805,378	7.20%	61,689,987	-	
2040	2042	-	-	-	17,136,108	873,941,485	7.20%	62,923,787	-	
2041	2043	-	-	-		873,941,485	7.20%	62,923,787	-	
2042	2044	-	-	-	17,478,830	891,420,315	7.20%	64,182,263	-	
2043	2045	-	-	-		891,420,315	7.20%	64,182,263	-	
2044	2046	-	-	-	17,828,406	909,248,721	7.20%	65,465,908	-	
2045	2047	-	-	-		909,248,721	7.20%	65,465,908	-	
2046	2048	-	-	-	18,184,974	927,433,696	7.20%	66,775,226	-	
		968	753,593,303	563,529	173,276,864				2,904,000	

This financial information should be read only in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Accountant's Report.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
**UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 13**  
**DEBT SERVICE FUND ONLY**  
**SCHEDULE OF ESTIMATED ASSESSED VALUATION**  
**FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048**

Construction Year	Collection Year	Platted and Improved Land			Estimated Land Assessment Ratio	LAND ASSESSED VALUATION	STATE ASSESSED VALUATION 2.0%	RESIDENTIAL ASSESSED VALUATION (See Page A5)	TOTAL ASSESSED VALUATION (To Page A1)	Collection Year
		Annual Actual Adjustment to Vacant Land	Existing Actual Valuation	Cumulative Market Value of Vacant Land						
2016	2018	-	132,891	132,891	29.00%	38,540	539,800	40,570	618,910	2018
2017	2019	-	-	132,891	29.00%	38,540	539,800	40,570	618,910	2019
2018	2020	-	-	132,891	29.00%	38,540	550,596	41,386	630,522	2020
2019	2021	5,055,800	-	5,188,691	29.00%	1,504,720	550,596	41,386	2,096,702	2021
2020	2022	1,407,730	(9,663)	6,586,758	29.00%	1,910,160	561,608	3,987,367	6,459,135	2022
2021	2023	-	(12,538)	6,574,220	29.00%	1,906,524	561,608	9,106,660	11,574,792	2023
2022	2024	256,160	(12,601)	6,817,779	29.00%	1,977,156	572,840	14,433,680	16,983,676	2024
2023	2025	192,120	(13,362)	6,996,537	29.00%	2,028,996	572,840	19,889,427	22,491,263	2025
2024	2026	(865,480)	(14,019)	6,117,038	29.00%	1,773,941	584,297	26,011,168	28,369,406	2026
2025	2027	(1,267,720)	(12,509)	4,836,809	29.00%	1,402,675	584,297	31,118,515	33,105,487	2027
2026	2028	(667,810)	(10,084)	4,158,915	29.00%	1,206,085	595,983	35,858,054	37,660,122	2028
2027	2029	(626,970)	(8,848)	3,523,097	29.00%	1,021,698	595,983	39,470,679	41,088,360	2029
2028	2030	(1,008,900)	(7,649)	2,506,548	29.00%	726,899	607,902	43,382,947	44,717,748	2030
2029	2031	-	(5,542)	2,501,006	29.00%	725,292	607,902	45,645,718	46,978,913	2031
2030	2032	(311,560)	(5,653)	2,183,793	29.00%	633,300	620,061	48,866,660	50,120,020	2032
2031	2033	(467,340)	(5,040)	1,711,413	29.00%	496,310	620,061	50,924,487	52,040,858	2033
2032	2034	-	(4,030)	1,707,383	29.00%	495,141	632,462	53,588,530	54,716,133	2034
2033	2035	(512,320)	(4,111)	1,190,952	29.00%	345,376	632,462	55,266,994	56,244,832	2035
2034	2036	(768,480)	(2,927)	419,545	29.00%	121,668	645,111	57,567,217	58,333,996	2036
2035	2037	-	(1,047)	418,498	29.00%	121,364	645,111	57,994,760	58,761,235	2037
2036	2038	-	(1,068)	417,430	29.00%	121,055	658,013	59,590,749	60,369,817	2038
2037	2039	-	(1,089)	416,341	29.00%	120,739	658,013	60,035,564	60,814,316	2039
2038	2040	(415,230)	(1,111)	-	29.00%	-	671,173	61,689,987	62,361,161	2040
2039	2041	-	-	-	29.00%	-	671,173	61,689,987	62,361,161	2041
2040	2042	-	-	-	29.00%	-	684,597	62,923,787	63,608,384	2042
2041	2043	-	-	-	29.00%	-	684,597	62,923,787	63,608,384	2043
2042	2044	-	-	-	29.00%	-	698,289	64,182,263	64,880,552	2044
2043	2045	-	-	-	29.00%	-	698,289	64,182,263	64,880,552	2045
2044	2046	-	-	-	29.00%	-	712,255	65,465,908	66,178,163	2046
2045	2047	-	-	-	29.00%	-	712,255	65,465,908	66,178,163	2047
2046	2048	-	-	-	29.00%	-	726,500	66,775,226	67,501,726	2048
		-	-	-		-	-	-	-	

This financial information should be read only in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Accountant's Report.



**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
**UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 13**  
**DEBT SERVICE FUND ONLY**

**SCHEDULE OF ESTIMATED 2018A SENIOR BONDS DEBT SERVICE REQUIREMENTS**  
**FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048**

<b>2018A Senior Bond Issue</b>								
<b>Dated:</b> June 19, 2018		<b>\$31,945,000</b>						
<b>Issued:</b> June 19, 2018								
<b>Interest Rate:</b> 5.625%-5.75%								
Principal payments due on December 1								
Year	Principal	Coupon	Interest	Total 2018A Senior Bonds Debt Service	Reduce By Capitalized Interest Fund	Net 2018A Senior Bonds Debt Service	Bond Principal Outstanding	Year
						(To Page A2)		
2018	-	5.625%	821,168	821,168	(821,168)	-	31,945,000	2018
2019	-	5.625%	1,824,819	1,824,819	(1,824,819)	-	31,945,000	2019
2020	-	5.625%	1,824,819	1,824,819	(1,824,819)	-	31,945,000	2020
2021	-	5.625%	1,824,819	1,824,819	(978,306)	846,513	31,945,000	2021
2022	-	5.625%	1,824,819	1,824,819	-	1,824,819	31,945,000	2022
2023	-	5.625%	1,824,819	1,824,819	-	1,824,819	31,945,000	2023
2024	-	5.625%	1,824,819	1,824,819	-	1,824,819	31,945,000	2024
2025	-	5.625%	1,824,819	1,824,819	-	1,824,819	31,945,000	2025
2026	25,000	5.625%	1,824,819	1,849,819	-	1,849,819	31,920,000	2026
2027	190,000	5.625%	1,823,413	2,013,413	-	2,013,413	31,730,000	2027
2028	380,000	5.625%	1,812,725	2,192,725	-	2,192,725	31,350,000	2028
2029	515,000	5.625%	1,791,350	2,306,350	-	2,306,350	30,835,000	2029
2030	660,000	5.625%	1,762,381	2,422,381	-	2,422,381	30,175,000	2030
2031	710,000	5.625%	1,725,256	2,435,256	-	2,435,256	29,465,000	2031
2032	800,000	5.625%	1,685,319	2,485,319	-	2,485,319	28,665,000	2032
2033	845,000	5.625%	1,640,319	2,485,319	-	2,485,319	27,820,000	2033
2034	945,000	5.625%	1,592,788	2,537,788	-	2,537,788	26,875,000	2034
2035	995,000	5.625%	1,539,631	2,534,631	-	2,534,631	25,880,000	2035
2036	1,105,000	5.625%	1,483,663	2,588,663	-	2,588,663	24,775,000	2036
2037	1,165,000	5.625%	1,421,506	2,586,506	-	2,586,506	23,610,000	2037
2038	1,280,000	5.625%	1,355,975	2,635,975	-	2,635,975	22,330,000	2038
2039	1,355,000	5.750%	1,283,975	2,638,975	-	2,638,975	20,975,000	2039
2040	1,485,000	5.750%	1,206,063	2,691,063	-	2,691,063	19,490,000	2040
2041	1,570,000	5.750%	1,120,675	2,690,675	-	2,690,675	17,920,000	2041
2042	1,715,000	5.750%	1,030,400	2,745,400	-	2,745,400	16,205,000	2042
2043	1,815,000	5.750%	931,788	2,746,788	-	2,746,788	14,390,000	2043
2044	1,970,000	5.750%	827,425	2,797,425	-	2,797,425	12,420,000	2044
2045	2,085,000	5.750%	714,150	2,799,150	-	2,799,150	10,335,000	2045
2046	2,260,000	5.750%	594,263	2,854,263	-	2,854,263	8,075,000	2046
2047	2,390,000	5.750%	464,313	2,854,313	-	2,854,313	5,685,000	2047
2048	5,685,000	5.750%	326,888	6,011,888	-	6,011,888	-	2048
	31,945,000		43,553,981	75,498,981	(5,449,112)	70,049,869		

<u>USE OF PROCEEDS:</u>	
Project Fund	22,765,988
Capitalized Interest	5,449,112
Deposit to 2018A Surplus Fund	2,854,000
Underwriter's discount	638,900
Issuance Costs	223,162
Contingency	13,838
	31,945,000

This financial information should be read only in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Accountant's Report.

**CROWFOOT VALLEY RANCH METROPOLITAN DISTRICT NO. 2**  
**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
**UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 13**  
**DEBT SERVICE FUND ONLY**  
**SCHEDULE OF ESTIMATED 2018B SUBORDINATE BONDS DEBT SERVICE REQUIREMENTS**  
**FOR THE CALENDAR YEARS ENDING 2018 THROUGH 2048**

<b>2018B Subordinate Bond Issue</b>							
<b>Dated:</b> June 19, 2018		<b>\$3,260,000</b>					
<b>Issued:</b> June 19, 2018							
<b>Interest Rate:</b> 8.000% compounded annually							
Principal payments due on December 15							
	Bond Principal		Bond Interest			Total 2018B Subordinate Bonds Debt Service Payments	
	Principal Payments	Outstanding Balance	Interest Accrued on Outstanding Principal and Unpaid Interest	Interest Payments	Cumulative Unpaid Interest		
Year						(To Page A2)	Year
2018	-	3,260,000	127,502	-	127,502	-	2018
2019	-	3,260,000	271,000	-	398,502	-	2019
2020	-	3,260,000	292,680	-	691,183	-	2020
2021	-	3,260,000	316,095	-	1,007,277	-	2021
2022	-	3,260,000	341,382	-	1,348,659	-	2022
2023	-	3,260,000	368,693	-	1,717,352	-	2023
2024	-	3,260,000	398,188	-	2,115,540	-	2024
2025	-	3,260,000	430,043	-	2,545,584	-	2025
2026	-	3,260,000	464,447	-	3,010,030	-	2026
2027	-	3,260,000	501,602	-	3,511,633	-	2027
2028	-	3,260,000	541,731	-	4,053,363	-	2028
2029	-	3,260,000	585,069	-	4,638,432	-	2029
2030	-	3,260,000	631,875	-	5,270,307	-	2030
2031	-	3,260,000	682,425	-	5,952,731	-	2031
2032	-	3,260,000	737,019	-	6,689,750	-	2032
2033	-	3,260,000	795,980	-	7,485,730	-	2033
2034	-	3,260,000	859,658	-	8,345,388	-	2034
2035	-	3,260,000	928,431	-	9,273,819	-	2035
2036	-	3,260,000	1,002,706	-	10,276,525	-	2036
2037	-	3,260,000	1,082,922	-	11,359,447	-	2037
2038	-	3,260,000	1,169,556	-	12,529,003	-	2038
2039	-	3,260,000	1,263,120	241,994	13,550,129	241,994	2039
2040	-	3,260,000	1,344,810	889,824	14,005,115	889,824	2040
2041	-	3,260,000	1,381,209	890,212	14,496,112	890,212	2041
2042	-	3,260,000	1,420,489	907,105	15,009,497	907,105	2042
2043	-	3,260,000	1,461,560	905,717	15,565,340	905,717	2043
2044	-	3,260,000	1,506,027	928,130	16,143,237	928,130	2044
2045	-	3,260,000	1,552,259	926,405	16,769,091	926,405	2045
2046	-	3,260,000	1,602,327	945,803	17,425,615	945,803	2046
2047	-	3,260,000	1,654,849	945,753	18,134,711	945,753	2047
2048	-	3,260,000	1,711,577	4,253,180	15,593,109	4,253,180	2048
	-		27,427,231	11,834,122		11,834,122	

<b>USES OF FUNDS</b>	
Project Fund	3,162,200
Underwriter Discount	97,800
	3,260,000

This financial information should be read only in connection with the accompanying Summary of Significant Forecast Assumptions and Accounting Policies and Accountant's Report.

## APPENDIX C

### 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://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 LIMITED OFFERING MEMORANDUM 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 Indentures, 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 D**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

## CONTINUING DISCLOSURE AGREEMENT

**\$31,945,000**  
**CROWFOOT VALLEY RANCH**  
**METROPOLITAN DISTRICT NO. 2**  
**(IN DOUGLAS COUNTY, COLORADO)**  
**LIMITED TAX**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2018A**

**\$3,260,000**  
**CROWFOOT VALLEY RANCH**  
**METROPOLITAN DISTRICT NO. 2**  
**(IN DOUGLAS COUNTY, COLORADO)**  
**SUBORDINATE LIMITED TAX**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2018B**

This Continuing Disclosure Agreement (this “Agreement”) is entered into as of June 19, 2018, by and between Crowfoot Valley Ranch Metropolitan District No. 2, Douglas County, Colorado (the “District”), HT Canyons South, LP, a Delaware limited partnership, HT Canyons South Development LP, a Delaware limited partnership, and HT Canyons South Land LP, a Delaware limited partnership (collectively, the “Developer”), and UMB Bank, n.a. Denver, Colorado, as trustee (the “Trustee”) under the Indentures (defined below) and as dissemination agent hereunder relating to the Crowfoot Valley Ranch Metropolitan District No. 2 Limited Tax General Obligation Bonds, Series 2018A, issued in the original aggregate principal amount of \$31,945,000 (the “2018A Senior Bonds”), and the Crowfoot Valley Ranch Metropolitan District No. 2 Subordinate Limited Tax General Obligation Bonds, Series 2018B, issued in the original aggregate principal amount of \$3,260,000 (the “2018B Subordinate Bonds” and together with the 2018A Senior Bonds, the “Bonds”).

**Section 1. Purpose.** This Agreement is being executed and delivered by the parties hereto for the benefit of the holders of the Bonds and in consideration for the purchase by D.A. Davidson & Co. (the “Underwriter”) of the Bonds pursuant to the terms of a Bond Purchase Agreement between the Underwriter and the District dated as of June 11, 2018.

**Section 2. Definitions.** Capitalized terms used and not otherwise defined in this Agreement shall have the respective meanings set forth in the applicable Indenture (defined below) and the Limited Offering Memorandum (defined below). The capitalized terms set forth below shall have the following respective meanings for purposes of this Agreement:

“*Audited Financial Statements*” means the District’s most recent annual financial statements, prepared in accordance with generally accepted accounting principles (“GAAP”) for governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”), which financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State of Colorado.

“*Beneficial Owner*” means any person for which a Participant acquires an interest in the Bonds.

“*Bond Resolution*” means the resolution authorizing the issuance of the Bonds adopted by the Board of Directors of the District on May 29, 2018.

“*Indentures*” means, together, the Indenture of Trust (Senior) dated as of June 1, 2018, between the Trustee and the District, pursuant to which the 2018A Senior Bonds were issued (the

“Senior Indenture”), and the Indenture of Trust (Subordinate) dated as of June 1, 2018, between the Trustee and the District, pursuant to which the 2018B Subordinate Bonds were issued (the “Subordinate Indenture”).

“*Limited Offering Memorandum*” means the Limited Offering Memorandum prepared in connection with the offer and sale of the Bonds dated June 13, 2018.

“*MSRB*” means the Municipal Securities Rulemaking Board. As of the date hereof, the MSRB’s required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system available on the Internet at <http://emma.msrb.org>.

“*Participant*” means any broker-dealer, bank, or other financial institution from time to time for which DTC (as defined in the Indentures) or another Depository (as defined in the Indentures) holds the Bonds.

“*Report*” means any report provided by the District pursuant to, and as described in, Section 3 of this Agreement. The form of the Report is provided in Appendix A hereto.

“*Quarterly Report Termination Date*” means the earliest of the following: (a) the date upon which the certificate of occupancy for the 920th residential unit within the District has been issued by Douglas County (such number constituting approximately 95% of the total planned 968 residential units within the District); or (b) the date upon which the Senior Debt to Assessed Ratio (as defined in the Senior Indenture) is equal to or less than fifty percent (50%).

### **Section 3. Requirement for Quarterly and Annual Reports.**

The Developer and the District hereby undertake and agree to provide certain information specified below to the Trustee on the dates specified below.

a. Timing of Reports.

(1) *Quarterly Reports.* Prior to the Quarterly Report Termination Date, the Developer and the District shall provide their respective portions of the Reports (referred to as “Quarterly Reports” prior to the Quarterly Report Termination Date) to the Trustee as follows:



<b>Last Day of Quarterly Reporting Period</b>	<b>Date Trustee Sends Notice to District and Fund Balance Information for Sections 2 &amp; 3 (“Trustee Notice Date”)</b>	<b>Date Quarterly Report is Due to Trustee (“Quarterly Report District Due Date”)</b>	<b>Date Quarterly Report is Due to Be Filed with the MSRB (“Quarterly Report Filing Date”)</b>
March 31	March 31	May 5	May 15
June 30 <sup>(1)</sup>	June 30	August 5	August 15
September 30	September 30	November 5	November 15
December 31	December 31	February 5	February 15

(1) Includes certain quarterly information for the quarterly reporting period ending June 30 and certain annual information for the annual reporting period ending December 31, as described in Section 3(a)(2).

The first Quarterly Report will be due for the quarter ending September 30, 2018; the first Trustee Notice Date will be September 30, 2018; the first Quarterly Report District Due Date will be November 5, 2018; and the first Quarterly Report Filing Date will be November 15, 2018.

(2) *Annual Reports.* After the Quarterly Report Termination Date, the Developer shall no longer be required to file Reports, and the District shall be obligated to file Reports only on an annual basis (referred to as “Annual Reports” after the Quarterly Report Termination Date) to the Trustee as follows:

<b>Last Day of Annual Reporting Period</b>	<b>Date Trustee Sends Notice to District and Fund Balance Information for Section 2 &amp; 3 (“Trustee Notice Date”)</b>	<b>Date Annual Report is Due to Trustee (“Annual Report District Due Date”)</b>	<b>Date Annual Report is Due to Be Filed with the MSRB (“Annual Report Filing Date”)</b>
December 31	June 30	August 5	August 15

b. Contents of Reports.

(1) *Quarterly Reports.* For each Quarterly Report, the Developer shall complete Section 1 of each Report, and the District shall complete Sections 2-3 of each Quarterly Report; provided, however, that for the Quarterly Report due on each June 30, the District is also obligated to complete Section 4 pertaining to updating annual information.

(2) *Annual Reports.* For each Annual Report, the District shall complete Sections 2-4 of each Annual Report. The Developer is not required to complete any sections in the Annual Report, as provided in Section 5(a).

The Annual Report (including the Quarterly Report due each year prior to the Quarterly Report Termination Date for the quarter ending June 30) shall contain or incorporate by reference a copy of the Audited Financial Statements, prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If Audited Financial Statements are not available by the August 15 Report filing date, unaudited financial statements will be provided as part of the Report due on August 15, and Audited Financial Statements will be provided when available.

Any or all of the items required to be updated may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet Web Site or filed with the SEC. The District and the Developer, as applicable, shall clearly identify each such document incorporated by reference.

c. The Trustee shall:

(1) determine prior to each Quarterly Report Filing Date and Annual Report Filing Date the appropriate electronic format prescribed by the MSRB;

(2) on or before each Trustee Notice Date, send written notice to the District which: (x) states that the Quarterly Report or Annual Report will be due by the applicable Quarterly Report District Due Date or Annual Report District Due Date; and (y) provides the information required by Section 2 of the Report.

(3) on or before each Quarterly Report Filing Date and Annual Report Filing Date, provide to the MSRB (in an electronic format as prescribed by the MSRB) the Report. Each Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3(a) above; and

(4) file a report with the District at the address in the following paragraph certifying that the Quarterly Report or Annual Report, as applicable, has been provided to the MSRB pursuant to this Agreement, stating the date it was provided and listing all the entities to which it was provided.

d. Failure to File Reports. If the District or the Developer fails to provide to the Trustee their respective portions of each Report by the Quarterly Report District Due Date or the Annual Report District Due Date, as applicable, which results in the Trustee's inability to provide a Report to the MSRB by the Quarterly Report Filing Date or Annual Report Filing Date, as applicable, the Trustee shall file or cause to be filed a notice in substantially the form attached hereto as Appendix B with the MSRB. If the Trustee files

or causes to be filed a notice in substantially the form attached hereto as Appendix B with the MSRB, the Trustee shall submit a copy of such filing to the District and the Developer, as follows:

To the District: Crowfoot Valley Ranch Metropolitan District No. 2  
c/o Collins Cockrel & Cole P.C.  
390 Union Blvd. Suite 400  
Denver, Colorado 80228  
Telephone: (303) 986-1551

To the Developer: HT Canyons South, LP  
HT Canyons South Land, LP  
HT Canyons South Development, LP  
c/o Hines  
1125 17<sup>th</sup> Street, Suite 700  
Denver, Colorado 80202  
Telephone: (720) 932-0522

e. Means of Transmitting Information. Subject to technical and economic feasibility, the District and the Developer shall employ such methods of information transmission as the Trustee shall reasonably request. All documents provided to the MSRB pursuant to this Agreement shall be in the format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

As of the date of this Agreement, all documents submitted to the MSRB must be in portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images and other non-textual elements are not required to be word-searchable.

**Section 4. Notice of Material Events.** Whenever the District obtains actual knowledge of the occurrence of any of the following events, the District shall cause the Trustee to provide, in a timely manner, a notice of such event to the MSRB:

a. The District fails or refuses to impose or collect the Senior Required Mill Levy or to collect and apply the Senior Pledged Revenue as required by the Senior Indenture;

b. The District fails or refuses to impose or collect the Subordinate Required Mill Levy or to collect and apply the Subordinate Pledged Revenue as required by the Subordinate Indenture;

c. Non-payment related defaults under either Indenture, *if the District deems such default to be material to the bondholders*, including a description of such default;

d. Draws on the 2018A Surplus Fund under the Senior Indenture;

e. Transfers from the Senior Project Fund to the Senior Bond Fund under the Senior Indenture;

f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

g. Modifications to rights of bondholders, *if the District deems such modification to be material to the bondholders*;

h. Bond calls and tender offers;

j. Defeasances;

k. Bankruptcy, insolvency, receivership or similar event of the District;<sup>1</sup>

l. The consummation of a consolidation or dissolution of the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, *if the District deems such action to be material to the bondholders*; and

m. Appointment of a successor or additional trustee or the change of name of a trustee, *if the District deems such appointment to be material to the bondholders*.

Whenever the Trustee obtains actual knowledge of the occurrence of any of the aforementioned events, the Trustee shall promptly notify the District of such event. For purposes of this paragraph, “actual knowledge” of the Trustee means actual knowledge by an officer of the Trustee having responsibility for matters regarding the Indentures or the Bonds.

## **Section 5. Termination.**

a. The obligations of the Developer as to the information in Section 1 of the Reports shall terminate on the Quarterly Report Termination Date. Upon the occurrence of the Quarterly Report Termination Date, the Developer shall complete the Notice of Quarterly Report Termination Date attached hereto as Appendix C and provide such notice to the District and the Trustee. The Trustee shall then file the Notice of Quarterly Report Termination Date with the MSRB within 10 days of receipt.

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<sup>1</sup> For the purposes of this event, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

b. The obligations of the District and the Trustee as to information in Sections 2-4 of the Reports shall terminate at such time as none of the Bonds are Outstanding under each of the Indentures, respectively.

**Section 6. Liability for Content of Information Provided.** So long as the parties to this Agreement act in good faith, such entities shall not be liable for any errors, omissions or misstatements in the information provided pursuant to this Agreement. Without limiting the foregoing, the District makes no representation as to the accuracy of any information provided by the Developer.

**Section 7. Amendment.** Notwithstanding any other provision of this Agreement, this Agreement may only be amended with the consent of the majority of the Owners of the Bonds then Outstanding.

**Section 8. Default.**

a. Any failure by the District to perform in accordance with this Agreement shall not constitute an Event of Default under either Indenture, and the rights and remedies provided by the Indentures upon the occurrence of an Event of Default shall not apply to any such failure. If the District fails to comply with this Agreement, any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations hereunder.

b. If the Developer fails to comply with this Agreement, the District, within 10 business days of receipt of notice in substantially the form attached as Appendix B from the Trustee, shall be obligated to use its best efforts to update Section 1 of Appendix A. Furthermore, if the Developer fails to comply with this Agreement, any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Developer to comply with its obligations hereunder.

**Section 9. Severability.** If any section, paragraph, clause, or provision of this Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Agreement, the intent being that the same are severable.

**Section 10. Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado.

**Section 11. Compensation.** As compensation for its services under this Agreement, the Trustee shall be compensated or reimbursed by the District for its reasonable fees and expenses in performing the services specified under this Agreement.

**Section 12. Beneficiaries.** This Agreement shall inure solely to the benefit of the District, the Developer, the Trustee, the Underwriter, and the Beneficial Owners from time to time of the Bonds, shall create no rights in any other person or entity.

**Section 13. Trustee's Duties; Removal or Resignation as Dissemination Agent.** The Trustee shall have only such duties as are specifically set forth in this Agreement, and the District agrees, to the extent permitted by law, to indemnify and save the Trustee, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performances of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim or liability, but excluding liabilities due to the Trustee's gross negligence or willful misconduct. The Trustee may resign as dissemination agent hereunder at any time upon 30 days prior written notice to the District. The Trustee shall not be responsible in any manner for the content of any notice or Report prepared by the District or the Developer pursuant to this Agreement. The obligations of the District under this Section shall survive resignation or removal of the Trustee and payment of the Bonds.

**Section 14. Electronic Transactions.** The parties hereto agree that the transactions described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

**Section 15. Assignment.** The covenants and conditions herein contained apply to and bind the heirs, successors, executors, administrators and assigns of the parties hereto.

**Section 16. Counterpart Execution.** This Agreement may be executed on counterpart signature pages.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in their respective names, all as of the date first above written.

*[Signature Page Follows]*

This CONTINUING DISCLOSURE AGREEMENT is executed as of the date first set forth above.

**CROWFOOT VALLEY RANCH  
METROPOLITAN DISTRICT NO. 2  
Douglas County, Colorado**

By \_\_\_\_\_  
Authorized Officer

(Signature page to Continuing Disclosure Agreement)

**UMB BANK, n.a., as Trustee**

By \_\_\_\_\_  
Authorized Officer



(Signature page to Continuing Disclosure Agreement)

**HT CANYONS SOUTH LP**

By: Hines Canyons South LLC, its general partner

By: Hines Canyons South Associates LP, its sole member

By: Hines Investment Management Holdings Limited Partnership, its general partner

By: HIMH GP LLC, its general partner

By: Hines Real Estate Holdings Limited Partnership, its sole member

By: JCH Investments, Inc., its general partner

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

(Signature page to Continuing Disclosure Agreement)

**HT CANYONS SOUTH DEVELOPMENT LP**

By: HT Canyons South Development LLC, its general partner

By: HT Canyons South LP, its sole member

By: Hines Canyons South LLC, its general partner

By: Hines Canyons South Associates LP, its sole member

By: Hines Investment Management Holdings Limited Partnership, its  
general partner

By: HIMH GP LLC, its general partner

By: Hines Real Estate Holdings Limited Partnership,  
its sole member

By: JCH Investments, Inc.,  
its general partner

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

(Signature page to Continuing Disclosure Agreement)

**HT CANYONS SOUTH LAND LP**

By: HT Canyons South Land LLC, its general partner

By: HT Canyons South LP, its sole member

By: Hines Canyons South LLC, its general partner

By: Hines Canyons South Associates LP, its sole member

By: Hines Investment Management Holdings Limited Partnership, its  
general partner

By: HIMH GP LLC, its general partner

By: Hines Real Estate Holdings Limited Partnership,  
its sole member

By: JCH Investments, Inc.,  
its general partner

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**APPENDIX A  
(TO CONTINUING DISCLOSURE AGREEMENT)**

**FORM OF REPORT**

**\$31,945,000**  
**CROWFOOT VALLEY RANCH**  
**METROPOLITAN DISTRICT NO. 2**  
**(IN DOUGLAS COUNTY, COLORADO)**  
**LIMITED TAX**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2018A**

**\$3,260,000**  
**CROWFOOT VALLEY RANCH**  
**METROPOLITAN DISTRICT NO. 2**  
**(IN DOUGLAS COUNTY, COLORADO)**  
**SUBORDINATE LIMITED TAX**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2018B**

Date of Report: \_\_\_\_\_

All capitalized terms used and not otherwise defined in this report shall have the respective meanings assigned in the Continuing Disclosure Agreement (“Agreement”) entered into as of June 19, 2018, by and among Crowfoot Valley Ranch Metropolitan District No. 2, Douglas County, Colorado (the “District”), HT Canyons South, LP, a Delaware limited partnership, HT Canyons South Development LP, a Delaware limited partnership, and HT Canyons South Land LP, a Delaware limited partnership (collectively, the “Developer”), and UMB Bank, n.a., Denver, Colorado, as trustee (“Trustee”) for the above captioned bonds (the “Bonds”). Unless otherwise stated, all information contained herein is the most current information available as of the Date of Report specified above.

**Section 1. Development Activity [Developer to complete; to be updated each quarter prior to the Quarterly Report Termination Date].**

(a) *Building Permits.* The number of building permits which have been issued by Douglas County for property within the District is as follows:

\_\_\_\_ building permits since the date of issuance of the Bonds  
\_\_\_\_ building permits since the date of the last Quarterly Report

(b) *Certificates of Occupancy.* The number of certificates of occupancy which have been issued by Douglas County for property within the District is as follows:

\_\_\_\_ certificates of occupancy since the date of issuance of the Bonds  
\_\_\_\_ certificates of occupancy since the date of the last Quarterly Report

(c) *Land Entitlements.* Since the date of the last Quarterly Report, have any land entitlements pertaining to property in the District (e.g., zoning, platting, etc.) been changed or put into place by Douglas County? If so, describe.

(d) *Land Sales.* Since the date of the last Quarterly Report, has the Developer (as defined in the Limited Offering Memorandum, consisting of HT Canyons South, LP, HT Canyons South Development LP and HT Canyons South Land LP) or any related entities conveyed any of its or their property to any other entity, other than lots or homes sold to homeowners in the ordinary course of its business? If so, state the amount of property, its location in the District, the name of the purchaser and the sales price.

**Section 2. Fund Balances [District to complete, based upon information received from the Trustee; to be updated each quarter prior to the Quarterly Report Termination Date, and to be updated annually after the Quarterly Report Termination Date].**

The amount on deposit in each of the following funds for the 2018A Senior Bonds is as set forth below:

- (a) amount on deposit in the Senior Project Fund is \$\_\_\_\_\_;
- (b) amount on deposit in the Senior Bond Fund is \$\_\_\_\_\_;
- (c) amount on deposit in the 2018A Surplus Fund is \$\_\_\_\_\_.

The amount on deposit in each of the following funds for the 2018B Subordinate Bonds is as set forth below:

- (a) amount on deposit in the Subordinate Project Fund is \$\_\_\_\_\_; and
- (b) amount on deposit in the Subordinate Bond Fund is \$\_\_\_\_\_.

**Section 3. Authorized Denominations [District to complete, based upon information received from the Trustee; to be updated each quarter prior to the Quarterly Report Termination Date, and to be updated annually after the Quarterly Report Termination Date].**

The 2018A Senior Bonds are presently outstanding in Authorized Denominations of:

\_\_\_ \$500,000 and any integral multiple of \$1,000 in excess thereof; or

\_\_\_ Pursuant to paragraph (c) of the definition of Authorized Denomination in the Senior Indenture, the Authorized Denominations were reduced to \$1,000 or any integral multiple thereof on \_\_\_\_\_ [insert date].

The 2018B Subordinate Bonds are presently outstanding in Authorized Denominations of:

\_\_\_ \$500,000 and any integral multiple of \$1,000 in excess thereof; or

\_\_\_ Pursuant to paragraph (c) of the definition of Authorized Denomination in the Subordinate Indenture, the Authorized Denominations were reduced to \$1,000 or any integral multiple thereof on \_\_\_\_\_ [insert date].

**Section 4. Additional District Information to be Updated [District to complete; to be provided annually with the Report due on or before August 15].**

(a) The District shall update the following tables included in the Limited Offering Memorandum (or not included in the Limited Offering Memorandum due to the lack of historical data as of the date of the Limited Offering Memorandum) and attach the tables to the Report:

1. History of Assessed Valuations and Mill Levies for the District
2. Property Tax Collections in the District
3. \*All Owners of Taxable Property within the District
4. 2017 Assessed Valuation of Classes of Property in the District
5. Selected Debt Ratios of the District as of the Date of this Limited Offering Memorandum (only those portions of the table involving the direct debt of the District)
6. Statement of Revenue, Expenditures and Changes in Fund Balance – General Fund
7. \*\*Statement of Revenue, Expenditures and Changes in Fund Balance – Debt Service Fund
8. \*\*Statement of Revenue, Expenditures and Changes in Fund Balance – Capital Projects Fund
9. Budget Summary and Comparison – General Fund
10. \*\*\*Budget Summary and Comparison – Debt Service Fund
11. \*\*\*Budget Summary and Comparison – Capital Projects Fund

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\* Once the number of taxable property owners in the District equals or exceeds ten, the District can update the table with the Ten Largest Taxpayers within the District.

\*\* These tables are not contained in the Limited Offering Memorandum because no historical financial information for the District’s Debt Service Fund or Capital Projects Fund existed as of the date of the Limited Offering Memorandum. For each Report due on August 15, however, these tables should be prepared and should include a five-year history (or such shorter periods as may be applicable) of annual revenues and expenditures of these funds, to the extent these funds have any revenues and expenditures.

\*\*\* These tables are not contained in the Limited Offering Memorandum because no budgeted information for the District’s Debt Service Fund or Capital Projects Fund existed as of the date of the Limited Offering Memorandum. For each Report due on August 15, however, these tables should be prepared and should include budgeted and unaudited financial information for the current year and following year, to the extent these funds have any budgeted or unaudited revenues and expenditures.

(b) The following information shall be attached to the Report:

\_\_\_ Audited Financial Statements of the District for the previous year (20\_\_\_).

\_\_\_ Annual budget of the District for the current year (20\_\_\_).

The information contained in this Report has been obtained from sources that are deemed to be reliable, but is not guaranteed as to accuracy or completeness. The information contained in this Report is neither intended nor shall be construed as a document updating the Limited Offering Memorandum for the Bonds, and is neither intended to, nor shall it be, used by the

owners or beneficial owners of the Bonds for the purpose of making a subsequent investment decision with respect to the Bonds.

Receipt of this Report by any person or entity shall create no obligation or liability of the District, the Developer or the Trustee.

The undersigned hereby certify, respectively, that they are authorized representatives of the District and the Developer, and further certify on behalf of the following entities that the information contained in the foregoing Report (for the Developer, with respect to Section 1 only, and for the District, with respect to Sections 2-4 only) is, to their actual knowledge, true, accurate and complete. This Report may be executed below on counterpart signature pages.

**CROWFOOT VALLEY RANCH**  
**METROPOLITAN DISTRICT NO. 2,**  
Douglas County, Colorado

By: \_\_\_\_\_  
Authorized Officer

[Signature/Certification Page to Report]

**HT CANYONS SOUTH LP**

By: Hines Canyons South LLC, its general partner

By: Hines Canyons South Associates LP, its sole member

By: Hines Investment Management Holdings Limited Partnership, its general partner

By: HIMH GP LLC, its general partner

By: Hines Real Estate Holdings Limited Partnership, its sole member

By: JCH Investments, Inc., its general partner

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_



[Signature/Certification Page to Report]

**HT CANYONS SOUTH DEVELOPMENT LP**

By: HT Canyons South Development LLC, its general partner

By: HT Canyons South LP, its sole member

By: Hines Canyons South LLC, its general partner

By: Hines Canyons South Associates LP, its sole member

By: Hines Investment Management Holdings Limited Partnership, its  
general partner

By: HIMH GP LLC, its general partner

By: Hines Real Estate Holdings Limited Partnership,  
its sole member

By: JCH Investments, Inc.,  
its general partner

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

[Signature/Certification Page to Report]

**HT CANYONS SOUTH LAND LP**

By: HT Canyons South Land LLC, its general partner

By: HT Canyons South LP, its sole member

By: Hines Canyons South LLC, its general partner

By: Hines Canyons South Associates LP, its sole member

By: Hines Investment Management Holdings Limited Partnership, its  
general partner

By: HIMH GP LLC, its general partner

By: Hines Real Estate Holdings Limited Partnership,  
its sole member

By: JCH Investments, Inc.,  
its general partner

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**APPENDIX B  
(TO CONTINUING DISCLOSURE AGREEMENT)**

**NOTICE OF FAILURE TO FILE REPORT**

Name of Issuer: Crowfoot Valley Ranch Metropolitan District No. 2, Douglas County, Colorado (the "District")

Bond Issue: Crowfoot Valley Ranch Metropolitan District No. 2 Limited Tax General Obligation Bonds, Series 2018A, issued in the original aggregate principal amount of 31,945,000 (the 2018A Senior Bonds"), and Crowfoot Valley Ranch Metropolitan District No. 2 Subordinate Limited Tax General Obligation Bonds, Series 2018B, issued in the original aggregate principal amount of 3,260,000 (the "2018B Subordinate Bonds" and together with the 2018A Senior Bonds, the "Bonds")

CUSIP: \_\_\_\_\_

Date of Issuance: June 19, 2018

NOTICE IS HEREBY GIVEN that (check as appropriate)  the District  the Developer has not provided a Report with respect to the above-named [2018A Senior Bonds] [2018B Subordinate Bonds] [or Bonds] as required by the Continuing Disclosure Agreement dated June 19, 2018, between the District, the Developer and the Trustee.

The (check as appropriate)  District  Developer anticipates that the Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_, 20\_\_\_\_.

UMB BANK, n.a., as Trustee

By: \_\_\_\_\_  
Authorized Officer

**APPENDIX C  
(TO CONTINUING DISCLOSURE AGREEMENT)**

**NOTICE OF QUARTERLY REPORT TERMINATION DATE**

Name of Issuer: Crowfoot Valley Ranch Metropolitan District No. 2, Douglas County, Colorado (the "District")

Bond Issue: Crowfoot Valley Ranch Metropolitan District No. 2 Limited Tax General Obligation Bonds, Series 2018A, issued in the original aggregate principal amount of \$31,945,000 and Crowfoot Valley Ranch Metropolitan District No. 2 Subordinate Limited Tax General Obligation Bonds, Series 2018B, issued in the original aggregate principal amount of \$3,260,000 (together, the "Bonds")

CUSIP: \_\_\_\_\_

Date of Issuance: June 19, 2018

NOTICE IS HEREBY GIVEN that the Quarterly Report Termination Date (as defined in the Continuing Disclosure Agreement dated June 19, 2018) occurred on \_\_\_\_\_, 20\_\_\_\_. Pursuant to Sections 3(a)(1) and 5(a) of the Continuing Disclosure Agreement, the Developer and the District are no longer obligated to provide Quarterly Reports to the Trustee. The District remains obligated to provide Annual Reports pursuant to Section 3(a)(2).

Dated: \_\_\_\_\_, 20\_\_\_\_.

[Signature/Certification Page to Notice]

**HT CANYONS SOUTH LP**

By: Hines Canyons South LLC, its general partner

By: Hines Canyons South Associates LP, its sole member

By: Hines Investment Management Holdings Limited Partnership, its general partner

By: HIMH GP LLC, its general partner

By: Hines Real Estate Holdings Limited Partnership, its sole member

By: JCH Investments, Inc., its general partner

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

[Signature/Certification Page to Notice]

**HT CANYONS SOUTH DEVELOPMENT LP**

By: HT Canyons South Development LLC, its general partner

By: HT Canyons South LP, its sole member

By: Hines Canyons South LLC, its general partner

By: Hines Canyons South Associates LP, its sole member

By: Hines Investment Management Holdings Limited Partnership, its  
general partner

By: HIMH GP LLC, its general partner

By: Hines Real Estate Holdings Limited Partnership,  
its sole member

By: JCH Investments, Inc.,  
its general partner

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

[Signature/Certification Page to Notice]

**HT CANYONS SOUTH LAND LP**

By: HT Canyons South Land LLC, its general partner

By: HT Canyons South LP, its sole member

By: Hines Canyons South LLC, its general partner

By: Hines Canyons South Associates LP, its sole member

By: Hines Investment Management Holdings Limited Partnership, its  
general partner

By: HIMH GP LLC, its general partner

By: Hines Real Estate Holdings Limited Partnership,  
its sole member

By: JCH Investments, Inc.,  
its general partner

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## APPENDIX E

### SUMMARY OF CERTAIN PROVISIONS OF THE 2018A SENIOR INDENTURE

The following definitions and the description of the 2018A Senior Indenture in this Appendix and in the body of this Limited Offering Memorandum under the captions “INTRODUCTION,” “THE 2018A SENIOR BONDS” and “SECURITY FOR THE 2018A SENIOR BONDS” are in substantially final form and are qualified in all respects by reference to the 2018A Senior Indenture. Copies of the 2018A Senior Indenture may be obtained from the District and the Underwriter as provided under the caption “INTRODUCTION – Additional Information” in the body of this Limited Offering Memorandum.

*Although a single Limited Offering Memorandum is being used in connection with the offer and sale of the 2018A Senior Bonds and 2018B Subordinate Bonds, the 2018A Senior Bonds are secured solely by the 2018A Senior Indenture and the 2018B Subordinate Bonds are secured solely by the 2018B Subordinate Indenture. Further, each series of Bonds is secured by its own set of revenue available to the District; the 2018A Senior Bonds are secured solely by the Senior Pledged Revenue, and the 2018B Subordinate Bonds are secured solely by the Subordinate Pledged Revenue. Accordingly, the use of a single Limited Offering Memorandum does not imply that 2018A Owners and 2018B Owners are secured by the same revenue sources, funds or covenants. 2018A Owners and 2018B Owners are afforded different rights under the 2018A Senior Indenture and the 2018B Subordinate Indenture, respectively.*

### DEFINITIONS

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

“Additional Obligations” means (a) all obligations of the District for borrowed money and reimbursement obligations; (b) all obligations of the District payable from or constituting a lien or encumbrance upon ad valorem tax revenues of the District or any part of the Senior Pledged Revenue; (c) all obligations of the District evidenced by bonds, debentures, notes, or other similar instruments, including without limitation any Senior Parity Bonds and Subordinate Bonds; (d) all obligations of the District to pay the deferred purchase price of property or services; (e) all obligations of the District as lessee under capital leases (as determined in accordance with GAAP); and (f) all obligations of others guaranteed by the District; provided that notwithstanding the foregoing, the term “Additional Obligations” does not include:

(a) obligations issued solely for the purpose of paying operations and maintenance costs of the District, the repayment of which is contingent upon the District’s annual determination to appropriate moneys therefor, other than capital leases as described in (e) above, so long as (A) no amounts due or to become due on such obligations are payable from the District’s debt service mill levy, and (B) no amounts due or to become due on such obligations are payable from a District operations and maintenance mill levy in excess of that permitted by the Service Plan (after taking into account the Senior Required Mill Levy required under the 2018A Senior Indenture, in the event that the Service Plan then establishes a combined limit for debt service and operation and maintenance mill levies);

(b) obligations issued for any purpose, the repayment of which is contingent upon the District’s annual determination to appropriate moneys therefor, other than capital leases as set forth in (e) above, so long as (A) such obligations are payable only to the extent the District has excess moneys on hand, (B) such obligations are payable in any Fiscal Year only after the last scheduled payment of principal or interest on the 2018A Senior Bonds in such Fiscal Year, and (C) the District makes no promise to impose any tax, fee, or other governmental charge for the payment of such obligations;



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

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

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

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

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

(a) no individual 2018A Senior Bond may be in an amount which exceeds the principal amount coming due on any maturity date;

(b) in the event a 2018A Senior Bond is partially redeemed and the unredeemed portion is less than \$500,000, such unredeemed portion of such 2018A Senior Bond may be issued in the largest possible denomination of less than \$500,000, in integral multiples of not less than \$1,000 each or any integral multiple thereof; and

(c) the Authorized Denominations shall be reduced to \$1,000 or any integral multiple thereof in the event that the 2018A Trustee receives an opinion of Counsel that the District has filed a notice of a claim of exemption, along with all other required documents necessary to exempt the 2018A Senior Bonds under any of the exemptions from registration contemplated by Section 11-59-110, C.R.S. and any rule or order promulgated thereunder, or any successor statute (and any rule or order promulgated under such successor statute), or has taken other actions which permit the 2018A Senior Bonds to be issued in denominations of \$1,000 or integral multiples thereof under the Colorado Municipal Bond Supervision Act, or any successor statute.

“*Beneficial Owner*” means any person for which a Participant acquires an interest in the 2018A Senior Bonds.

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

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

“*Bond Resolution*” means the resolution authorizing the issuance of the 2018A Senior Bonds and the execution of the 2018A Senior Indenture, certified by the Secretary of the District to have been duly adopted by the District and to be in full force and effect on the date of such certification, including any amendments or supplements made thereto.

“*Bond Year*” or “*2018A Bond Year*” means the period from December 2 of any calendar year to December 1 of the following calendar year.

“*Bonds*” or “*2018A Senior Bonds*” means the Limited Tax General Obligation Bonds, Series 2018A, in the aggregate principal amount of \$31,945,000 dated as of the date of issuance, and issued by the District pursuant to the 2018A Senior Indenture and the Bond Resolution.

“*Business Day*” means a day on which the 2018A Trustee, or banks or trust companies in Denver, Colorado, or in New York, New York, are not authorized or required to remain closed and on which the New York Stock Exchange is not closed.

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

“*Cede*” means Cede & Co., the nominee of DTC as record owner of the 2018A Senior Bonds, or any successor nominee of DTC with respect to the 2018A Senior Bonds.

“*Certified Public Accountant*” means a certified public accountant within the meaning of Section 12-2-115, C.R.S., and any amendment thereto, licensed to practice in the State.

“*Code*” means the Internal Revenue Code of 1986, as amended and in effect as of the date of issuance of the 2018A Senior Bonds.

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

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

“*Consent Party*” means the 2018A Owner of a 2018A Senior Bond or, if such 2018A Senior Bond is held in the name of Cede, the Participant (as determined by a list provided by DTC) with respect to such 2018A Senior Bond, or if so designated in writing by a Participant, the Beneficial Owner of such 2018A Senior Bonds.

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

“*County*” means Douglas County, Colorado.

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

“*Depository*” means any securities depository that the District may provide and appoint, in accordance with the guidelines of the Securities and Exchange Commission, which shall act as securities depository for the 2018A Senior Bonds.

“*District*” means Crowfoot Valley Ranch Metropolitan District No. 2, Douglas County, Colorado.

“*District No. 1*” means Crowfoot Valley Ranch Metropolitan District No. 1, Douglas County, Colorado.

“*District Representative*” means the District President or the person or persons at the time designated to act on behalf of the District by the Bond Resolution or as designated by written certificate furnished to the 2018A Trustee containing the specimen signatures of such person or persons and signed on behalf of the District by its President and attested by its Secretary, and any alternate or alternates designated as such therein.

“*Districts*” means the District and District No. 1.

“DTC” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns. References in the 2018A Senior Indenture to DTC shall include any nominee of DTC in whose name any 2018A Senior Bonds are then registered.

“Elections” means the elections held within the District on November 5, 2002, November 7, 2006, and November 4, 2014.

“Event of Default” means any one or more of the events set forth in the 2018A Senior Indenture.

“Excluded Fees” means any fee imposed by the District solely for the purpose of funding operation and maintenance expenses.

“Facilities” means public facilities the debt for which was approved at the Elections, including, without limitation, necessary or appropriate equipment.

“Facility Fees” means those fees imposed and collected by the District pursuant to the Facility Fees Resolution.

“Facility Fees Resolution” means the Resolution Concerning the Imposition of District Facility Fees recorded in the real property records of the County on May 30, 2018 at Reception No. 2018032258.

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

“Final Assessed Valuation” means the final certified assessed valuation of all taxable property of the District, as calculated and recorded by the County Assessor on or about December 10 of each year, or on such other date as may be established by law for the annual final certification of assessed valuation.

“Fire IGA” means the Intergovernmental Agreement, dated as of February 2, 2007, by and among the Town and the District and District No. 1.

“Fire IGA Mill Levy” means the mill levy required to be imposed by the District in accordance with the Fire IGA and the Service Plan.

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

“GAAP” means generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”).

“Interest Payment Date” or “2018A Interest Payment Date” means June 1 and December 1 of each year, commencing December 1, 2018 and continuing for so long as the Bonds are Outstanding.

“Letter of Representations” means the Blanket District Letter of Representations from the District to DTC to induce DTC to accept the 2018A Senior Bonds as eligible for deposit at DTC.

“Maximum Surplus Amount” means an amount equal to \$6,389,000.

“Outstanding” or “Outstanding Bonds” means, as of any particular time, all 2018A Senior Bonds which have been duly authenticated and delivered by the Trustee under the 2018A Senior Indenture, except:

- (a) 2018A Senior Bonds theretofore cancelled by the 2018A Trustee or delivered to the 2018A Trustee for cancellation because of payment at maturity or prior redemption;

(b) 2018A Senior Bonds for the payment or redemption of which moneys or Federal Securities in an amount sufficient (as determined pursuant to the 2018A Senior Indenture) shall have been theretofore deposited with the 2018A Trustee, or 2018A Senior Bonds for the payment or redemption of which moneys or Federal Securities in an amount sufficient (as determined pursuant to the 2018A Senior Indenture) shall have been placed in escrow and in trust; and

(c) 2018A Senior Bonds in lieu of which other 2018A Senior Bonds have been authenticated and delivered pursuant to the 2018A Senior Indenture.

“*Owner(s)*” or *Owner(s) of Bonds*” or “*2018A Owner(s)*” means the registered owner(s) of any 2018A Senior Bond(s) as shown on the registration books maintained by the 2018A Trustee, including the Depository for the 2018A Senior Bonds, if any, or its nominee.

“*Parity Bonds*” or “*Senior Parity Bonds*” means any bonds, notes, debentures, or other multiple fiscal year financial obligations having a lien upon the Senior Pledged Revenue or any part thereof on parity with the lien thereon of the 2018A Senior Bonds, and any other obligation secured by a lien on any ad valorem property taxes of the District and designated by the District, in the resolutions, indentures, or other documents pursuant to which such obligations are issued, as constituting a Senior Parity Bond under the 2018A Senior Indenture, provided that such obligations are required to be issued in accordance with the provisions thereof. Any Senior Parity Bonds hereafter issued may be issued pursuant to such resolutions, indentures, or other documents as may be determined by the District, and shall be designated in such resolutions, indentures or other documents as constituting Senior Parity Bonds under the 2018A Senior Indenture. (For the avoidance of doubt, the obligations of the District under the Fire IGA do not constitute Senior Parity Bonds under the 2018A Senior Indenture.)

“*Participants*” means any broker-dealer, bank, or other financial institution from time to time for which DTC or another Depository holds the 2018A Senior Bonds.

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

“*Prior Developer*” means Canyons South LLC.

“*Project*” means the acquisition, construction, and installation of the Facilities.

“*Project Costs*” means the District’s costs properly attributable to the Project or any part thereof, including reimbursement or payment of such costs in accordance with the Reimbursement Agreement, including without limitation:

- (a) the costs of labor and materials, of machinery, furnishings, and equipment, and of the restoration of property damaged or destroyed in connection with construction work;
- (b) the costs of insurance premiums, indemnity and fidelity bonds, financing charges, bank fees, taxes, or other municipal or governmental charges lawfully levied or assessed;
- (c) administrative and general overhead costs;
- (d) the costs of surveys, appraisals, plans, designs, specifications, and estimates;
- (e) the costs, fees, and expenses of printers, engineers, architects, construction management, financial consultants, accountants, legal advisors, or other agents or employees;
- (f) the costs of publishing, reproducing, posting, mailing, or recording documents;
- (g) the costs of contingencies or reserves;

- (h) the costs of issuing the 2018A Senior Bonds;
- (i) the costs of amending the 2018A Senior Indenture, the 2018B Subordinate Indenture, the Bond Resolution, or any other instrument relating to the 2018A Senior Bonds, the 2018B Subordinate Bonds, or the Project;
- (j) the costs of repaying any short-term financing, construction loans, and other temporary loans, and of the incidental expenses incurred in connection with such loans;
- (k) the costs of acquiring any property, rights, easements, licenses, privileges, agreements, and franchises;
- (l) the costs of demolition, removal, and relocation;
- (m) the costs of organizing the District, to the extent deemed capital expenditures under GAAP; and
- (n) all other lawful costs as determined by the Board.

“*Record Date*” means the 15th day of the calendar month next preceding each 2018A Interest Payment Date.

“*Reimbursement Agreement*” means the Facilities Funding and Acquisition Agreement dated February 2, 2007, by and between the Prior Developer and District No. 1, which has been assigned to HT Canyons South Development LP, a Delaware limited partnership, pursuant to an assignment dated as of May 11, 2018.

“*Senior Bond Fund*” means the “Crowfoot Valley Ranch Metropolitan District No. 2 Limited Tax General Obligation Bonds, Series 2018A, Senior Bond Fund,” established by the 2018A Senior Indenture for the purpose of paying the principal of, premium if any, and interest on the 2018A Senior Bonds.

“*Senior Costs of Issuance Fund*” means the “Crowfoot Valley Ranch Metropolitan District No. 2 Limited Tax General Obligation Bonds, Series 2018A, Costs of Issuance Fund,” established by the 2018A Senior Indenture.

“*Senior Debt*” means, for any particular calculation date, the aggregate outstanding principal amount (or, if issued as capital appreciation bonds, the then accreted value), as of such calculation date, of the 2018A Senior Bonds and any Senior Parity Bonds.

“*Senior Debt to Assessed Ratio*” means, as of any date of calculation, the ratio derived by dividing the then-outstanding principal amount of the Senior Debt outstanding by the most recent Final Assessed Valuation of the District, which ratio calculation shall be set forth in a written certificate of the District Representative provided to the 2018A Trustee.

“*Senior Parity Bonds Maximum Surplus Amount*” means, with respect to any particular series of Senior Parity Bonds, an amount equal to 20% of the original par amount of such Senior Parity Bonds.

“*Senior Pledged Revenue*” means the following, net of any costs of collection (to the extent not previously deducted by definition):

- (a) all Senior Property Tax Revenues;
- (b) all Senior Specific Ownership Tax Revenues;
- (c) all Capital Fees; and

(d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

“*Senior Project Fund*” means the “Crowfoot Valley Ranch Metropolitan District No. 2 Limited Tax General Obligation Bonds, Series 2018A, Senior Project Fund,” established by the provisions of the 2018A Senior Indenture for the purpose of paying the Project Costs.

“*Senior Property Tax Revenues*” means all moneys derived from imposition by the District of the Senior Required Mill Levy. Senior Property Tax Revenues are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County. (For the avoidance of doubt, Senior Property Tax Revenues do not include specific ownership tax revenues.)

“*Senior Required Mill Levy*” means:

(a) subject to paragraph (b) below, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount which, if imposed by the District for collection in the succeeding calendar year, would generate Senior Property Tax Revenues sufficient to pay the principal of, premium if any, and interest on the 2018A Senior Bonds as the same become due and payable (less any amount thereof for which amounts are then on deposit in the Senior Bond Fund and, solely to the extent provided in the 2018A Senior Indenture regarding the 2018A Surplus Fund), but not in excess of 50 mills; provided, however, that:

(i) for so long as the amount on deposit in 2018A Surplus Fund is less than the Maximum Surplus Amount, the Senior Required Mill Levy shall be equal to 50 mills (subject to adjustment as described in clause (ii) hereof), or such lesser amount which, if imposed by the District for collection in the succeeding calendar year, would generate Senior Property Tax Revenues (A) sufficient to pay the principal of, premium if any, and interest on the 2018A Senior Bonds as the same become due and payable and to fully fund the 2018A Surplus Fund to the Maximum Surplus Amount, or (B) which, when combined with moneys then on deposit in the Senior Bond Fund and the 2018A Surplus Fund, will pay the 2018A Senior Bonds in full in the year such levy is collected; and

(ii) in the event that the method of calculating assessed valuation is changed after December 16, 2008, the minimum mill levy of 50 mills and the maximum mill levy of 50 mills provided in the 2018A Senior Indenture will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation; and

(b) notwithstanding anything in the 2018A Senior Indenture to the contrary, in no event may the Senior 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 Senior 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 Senior Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

“*Senior Specific Ownership Tax Revenues*” means the specific ownership taxes remitted to the District pursuant to Section 42-3-107, C.R.S., or any successor statute, as a result of imposition by the District of the Senior Required Mill Levy in accordance with the provisions of the 2018A Senior Indenture.

“*Service Plan*” means the Amended and Restated Consolidated Service Plan for the District and District No. 1 approved by the Board of County Commissioners of the County of Douglas, Colorado on December 16, 2008.

“*Special Record Date*” means the record date for determining Bond ownership for purposes of paying defaulted interest, as such date may be determined pursuant to the 2018A Senior Indenture.

“*State*” means the State of Colorado.

“*Subordinate Bonds*” means the 2018B Subordinate Bonds, and any bonds, notes, debentures, or other multiple fiscal year financial obligations having a lien upon the Senior Pledged Revenue or any part thereof junior and subordinate to the lien thereon of the 2018A Senior Bonds, and any other obligation secured by a lien on any ad valorem property taxes of the District and designated by the District, in the resolutions, indentures, or other documents pursuant to which such obligations are issued, as constituting a Subordinate Bond under the 2018A Senior Indenture, provided that such obligations are required to be issued in accordance with the provisions thereof. Any Subordinate Bonds issued in the future may be issued pursuant to such resolutions, indentures, or other documents as may be determined by the District.

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

“*Tax Certificate*” means the certificate to be signed by the District relating to the requirements of Sections 103 and 141-150 of the Code, and any amendment or modification of any such certificate, instrument or instructions that is accompanied by an opinion of Bond Counsel stating that the amendment or modification will not adversely affect the exclusion of interest on the 2018A Senior Bonds from gross income for federal income tax purposes.

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

“*Trust Estate*” means the moneys, securities, revenues, receipts, and funds transferred, pledged, and assigned to the 2018A Trustee pursuant to the Granting Clauses of the 2018A Senior Indenture.

“*Underwriter*” means D.A. Davidson & Company, of Denver, Colorado, the original purchaser of the 2018A Senior Bonds.

“*2018A Senior Indenture*” means the Indenture of Trust (Senior) as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental thereto entered into pursuant to the applicable provisions thereof.

“*2018B Subordinate Bonds*” means the District’s Subordinate Limited Tax General Obligation Bonds, Series 2018B, issued in the aggregate principal amount of \$3,260,000.

“*2018B Subordinate Indenture*” means the Indenture of Trust (Subordinate) dated as of June 1, 2018, by and between the District and UMB Bank, n.a., as trustee, authorizing the issuance of the 2018B Subordinate Bonds.

“*2018A Surplus Fund*” means the “Crowfoot Valley Ranch Metropolitan District No. 2 Limited Tax General Obligation Bonds, Series 2018A, Surplus Fund,” established by the provisions of the 2018A Senior Indenture for the purposes set forth therein.

“*2018A Trustee*” means UMB Bank, n.a., in Denver, Colorado, in its capacity as trustee under the 2018A Senior Indenture, or any successor Trustee, appointed, qualified, and acting as trustee, paying agent, and bond registrar under the provisions thereof.

### **Additional Covenants and Agreements**

The District hereby further irrevocably covenants and agrees with each and every 2018A Owner that so long as any of the 2018A Senior Bonds remain Outstanding:

(a) The District will maintain its existence and shall not merge or otherwise alter its corporate structure in any manner or to any extent as might reduce the security provided for the payment of the 2018A Senior Bonds, and will continue to operate and manage the District and its facilities in an efficient and economical manner in accordance with all applicable laws, rules, and regulations.

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

(c) The District will carry general liability, public officials liability, and such other forms of insurance coverage on insurable District property upon the terms and conditions as in the judgment of the District would ordinarily be carried by entities having similar properties of equal value, such insurance being in such amounts as will protect the District and its operations.

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

(e) In the event any ad valorem taxes are not paid when due, the District 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.

(f) In the event the Senior Pledged Revenue is insufficient or is anticipated to be insufficient to pay the principal of, premium if any, and interest on the 2018A Senior Bonds when due, the District shall use its best efforts to refinance, refund, or otherwise restructure the 2018A Senior Bonds so as to avoid such payment shortfall.

(g) In the event that any amount of the Senior Pledged Revenue is released to the District as described in THIRD of the "Flow of Funds" (See "SECURITY FOR THE 2018A SENIOR BONDS – Flow of Funds" in the Limited Offering Memorandum), the District will, in making its determination as to which obligations will be paid with such amounts, take into account that State law places certain restrictions upon the use of any moneys representing ad valorem property tax revenue.

(h) In the event that an exemption from registration for the 2018A Senior Bonds under the Colorado Municipal Bond Supervision Act (including any rules or orders promulgated thereunder) becomes available that permits the issuance or reissuance of the 2018A Senior Bonds in denominations of \$1,000 or integral multiples thereof, and if requested in writing by the Consent Parties with respect to not less than a majority in aggregate principal amount of the 2018A Senior Bonds, the District shall, at the expense of the Consent Parties so requesting, use its good faith efforts to obtain such an exemption, amend the 2018A Senior Indenture as may be required in connection therewith, and issue or reissue the 2018A Senior Bonds in denominations of \$1,000 or integral multiples thereof.

(i) Subject to the 2018A Owners of a majority in aggregate principal amount of the 2018A Senior Bonds assuming control of the enforcement of remedies upon default, the District will enforce the collection of all Capital Fees in such time and manner as the District reasonably determines will be most efficacious in collecting the same, including without limitation the bringing of an action to foreclose any statutory or contractual lien which may exist in connection therewith. The District will not reduce the amount of the Facility Fees, or amend or supplement the Facility Fees Resolution in any way which would materially adversely affect the amount or timing of Facility Fees to be collected, without the prior written consent of the Consent Parties with respect to not less than a majority in aggregate principal amount of the 2018A Senior Bonds then Outstanding; provided that nothing in the 2018A Senior Indenture shall prevent the District from increasing the amount of the Facility Fees.



## **Tax Matters**

(a) The District shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the 2018A Senior Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

(b) The District shall not use or permit the use of any proceeds of 2018A Senior Bonds or any funds of the District, directly or indirectly, to acquire any securities or obligations, and shall not take or permit to be taken any other action or actions, which would cause any 2018A Senior Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code or “federally guaranteed” within the meaning of Section 149(b) of the Code and any such applicable requirements promulgated from time to time thereunder and under Section 103(b) of the Code, and the District shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The District shall comply with all requirements of Sections 148 and 149(d) of the Code to the extent applicable to the 2018A Senior Bonds. In the event that at any time the District is of the opinion that for purposes of this paragraph it is necessary to restrict or to limit the yield on the investment of any moneys held by the 2018A Trustee or held by the District under the 2018A Senior Indenture, the District shall so restrict or limit the yield on such investment or shall so instruct the 2018A Trustee in a detailed certificate, and the 2018A Trustee shall take such action as may be necessary in accordance with such instructions.

(c) The District specifically covenants in the 2018A Senior Indenture to comply with the provisions and procedures of the Tax Certificate.

(d) The covenants described in this section shall continue in effect until all 2018A Senior Bonds are fully paid, satisfied, and discharged.

## **Discharge of the Lien of the 2018A Senior Indenture**

(a) If the District shall pay or cause to be paid to the 2018A Trustee, for the 2018A Owners, the principal of and interest to become due thereon at the times and in the manner stipulated in the 2018A Senior Indenture, and if the District shall keep, perform, and observe all and singular the covenants and promises in the 2018A Senior Bonds and in the 2018A Senior Indenture expressed to be kept, performed, and observed by it or on its part, and if all fees and expenses of the 2018A Trustee required by the 2018A Senior Indenture to be paid shall have been paid, then these presents and the estate and rights thereby granted shall cease, terminate, and be void, and thereupon the 2018A Trustee shall cancel and discharge the lien of the 2018A Senior Indenture, and execute and deliver to the District such instruments in writing as shall be required to satisfy the lien thereof, and assign and deliver to the District any property at the time subject to the lien of the 2018A Senior Indenture which may then be in its possession, and deliver any amounts required to be paid to the District under the 2018A Senior Indenture, except for moneys and Federal Securities held by the 2018A Trustee for the payment of the principal of, premium if any, and interest on the 2018A Senior Bonds.

(b) Any 2018A Senior 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 2018A Senior Indenture if, for the purpose of paying such 2018A Senior Bond (i) there shall have been deposited with the 2018A Trustee an amount sufficient, without investment, to pay the principal of, premium if any, and interest on such 2018A Senior 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 2018A Senior 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.

(c) Neither the Federal Securities, nor moneys deposited with the 2018A Trustee or placed in escrow and in trust pursuant to the 2018A Senior 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 and interest on the 2018A Senior 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 2018A Senior Indenture in Federal Securities maturing at the times and in amounts sufficient to pay, when due, the principal of and interest on the 2018A Senior Bonds.

(d) Prior to the investment or reinvestment of such moneys or such Federal Securities as provided in the 2018A Senior Indenture, the 2018A Trustee shall receive and may rely upon: (i) an opinion of Bond Counsel experienced in matters arising under Section 103 of the Code and acceptable to the 2018A Trustee, that the investment or reinvestment of such moneys or such Federal Securities complies with the 2018A Senior 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 and interest on the 2018A Senior Bonds when due.

(e) The release of the obligations of the District under the 2018A Senior Indenture shall be without prejudice to the rights of the 2018A Trustee to be paid reasonable compensation by the District for all services rendered by it thereunder and all its reasonable expenses, charges, and other disbursements incurred in the administration of the trust created under the 2018A Senior Indenture, the exercise of its powers, and the performance of its duties thereunder.

#### **Supplemental Indentures Not Requiring Consent**

Subject to the provisions of the 2018A Senior Indenture, the District and the 2018A Trustee may, without the consent of or notice to the Consent Parties, enter into such indentures supplemental thereto, which supplemental indentures shall thereafter form a part of the 2018A Senior 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 2018A Senior 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 2018A Senior Indenture, or to make any provisions for any other purpose if such provisions are necessary or desirable and do not in the opinion of Bond Counsel materially adversely affect the interests of the 2018A Owners of the 2018A Senior Bonds;

(b) To subject to the 2018A Senior Indenture additional revenues, properties, or collateral;

(c) To grant or confer upon the 2018a Trustee for the benefit of the 2018A Owners any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the 2018A Owners or the 2018A Trustee; and

(d) To qualify the 2018A Senior Indenture under the Trust Indenture Act of 1939.

#### **Supplemental Indentures Requiring Consent**

(a) Except for supplemental indentures delivered as described in the foregoing section, and subject to the provisions of the 2018A Senior Indenture, the Consent Parties with respect to not less than a majority (or for modifications of provisions of the 2018A Senior Indenture which require the consent of a percentage of 2018A Owners or Consent Parties higher than a majority, such higher percentage) in aggregate principal amount of the 2018A Senior Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the District and the 2018A Trustee of such indenture or indentures supplemental to the 2018A Senior 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 2018A Senior Indenture; provided however, that without the consent of the Consent Parties with respect to all the Outstanding 2018A Senior Bonds affected thereby, nothing contained in the 2018A Senior Indenture shall permit, or be construed as permitting:

(i) a change in the terms of the maturity of any Outstanding 2018A Senior Bond, in the principal amount of any Outstanding 2018A Senior Bond, in the optional or mandatory redemption provisions applicable thereto, or the rate of interest thereon;

(ii) an impairment of the right of the 2018A Owners to institute suit for the enforcement of any payment of the principal of or interest on the 2018A Senior Bonds when due;

(iii) a privilege or priority of any 2018A Senior Bond or any interest payment over any other 2018A Senior Bond or interest payment; or

(iv) a reduction in the percentage in principal amount of the Outstanding 2018A Senior Bonds, the consent of whose 2018A Owners or Consent Parties is required for any such supplemental indenture.

(b) Upon the execution of any supplemental indenture pursuant to the provisions of the 2018A Senior Indenture, the 2018A Senior Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under the 2018A Senior Indenture of the District, the 2018A Trustee, and all 2018A Owners of 2018A Senior Bonds then Outstanding shall thereafter be determined, exercised, and enforced thereunder, subject in all respects to such modifications and amendments.

(c) If at any time the District shall request the 2018A Trustee to enter into such supplemental indenture for any of the purposes of the 2018A Senior Indenture, the 2018A 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 by mailing such notice by certified or registered first class mail to each 2018A Owner to the address shown on the registration books of the 2018A Trustee or by electronic means to DTC or its successors, at least 30 days prior to the proposed date of execution and delivery of any such supplemental indenture. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal corporate trust office of the 2018A Trustee for inspection by all 2018A Owners. If, within 60 days or such longer period as shall be prescribed by the District following the giving of such notice, the Consent Parties with respect to not less than the required percentage in aggregate principal amount of the 2018A Senior Bonds then Outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as provided in the 2018A Senior Indenture, the District may execute and deliver such supplemental indenture and no 2018A Owner 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 2018A Trustee or the District from executing the same or from taking any action pursuant to the provisions thereof.

## APPENDIX F

### SUMMARY OF CERTAIN PROVISIONS OF THE 2018B SUBORDINATE INDENTURE

The following definitions and the description of the 2018B Subordinate Indenture in this Appendix and in the body of this Limited Offering Memorandum under the captions “INTRODUCTION,” “THE 2018B SUBORDINATE BONDS” and “SECURITY FOR THE 2018B SUBORDINATE BONDS” are in substantially final form and are qualified in all respects by reference to the 2018B Subordinate Indenture. Copies of the 2018B Subordinate Indenture may be obtained from the District and the Underwriter as provided under the caption “INTRODUCTION – Additional Information” in the body of this Limited Offering Memorandum.

*Although a single Limited Offering Memorandum is being used in connection with the offer and sale of the 2018A Senior Bonds and 2018B Subordinate Bonds, the 2018A Senior Bonds are secured solely by the 2018A Senior Indenture and the 2018B Subordinate Bonds are secured solely by the 2018B Subordinate Indenture. Further, each series of Bonds is secured by its own set of revenue available to the District; the 2018A Senior Bonds are secured solely by the Senior Pledged Revenue, and the 2018B Subordinate Bonds are secured solely by the Subordinate Pledged Revenue. Accordingly, the use of a single Limited Offering Memorandum does not imply that 2018A Owners and 2018B Owners are secured by the same revenue sources, funds or covenants. 2018A Owners and 2018B Owners are afforded different rights under the 2018A Senior Indenture and the 2018B Subordinate Indenture, respectively.*

#### DEFINITIONS

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

“Additional Obligations” means (a) all obligations of the District for borrowed money and reimbursement obligations, (b) all obligations of the District payable from or constituting a lien or encumbrance upon ad valorem tax revenues of the District or any part of the Subordinate Pledged Revenue, (c) all obligations of the District evidenced by bonds, debentures, notes, or other similar instruments, including without limitation any Subordinate Parity Bonds and Senior Obligations and Junior Lien Obligations, (d) all obligations of the District to pay the deferred purchase price of property or services, (e) all obligations of the District as lessee under capital leases (as determined in accordance with GAAP), and (f) all obligations of others guaranteed by the District; provided that notwithstanding the foregoing, the term “Additional Obligations” does not include:

- (i) obligations issued solely for the purpose of paying operations and maintenance costs of the District, the repayment of which is contingent upon the District’s annual determination to appropriate moneys therefor, other than capital leases as described in (e) above, so long as (A) no amounts due or to become due on such obligations are payable from the District’s debt service mill levy, and (B) no amounts due or to become due on such obligations are payable from a District operations and maintenance mill levy in excess of that permitted by the Service Plan (after taking into account the Subordinate Required Mill Levy required under the 2018B Subordinate Indenture and the Senior Obligation Mill Levy, in the event that the Service Plan then establishes a combined limit for debt service and operation and maintenance mill levies);

(ii) obligations issued for any purpose, the repayment of which is contingent upon the District's annual determination to appropriate moneys therefor, other than capital leases as set forth in (e) above, so long as (A) such obligations are payable only to the extent the District has excess moneys on hand, (B) such obligations are payable in any Fiscal Year only after the last scheduled payment of principal or interest on the 2018B Subordinate Bonds in such Fiscal Year, and (C) the District makes no promise to impose any tax, fee, or other governmental charge for the payment of such obligations;

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

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

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

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

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

(a) no individual 2018B Subordinate Bond may be in an amount which exceeds the principal amount coming due on any maturity date;

(b) in the event a 2018B Subordinate Bond is partially redeemed and the unredeemed portion is less than \$500,000, such unredeemed portion of such 2018B Subordinate Bond may be issued in the largest possible denomination of less than \$500,000, in integral multiples of not less than \$1,000 each or any integral multiple thereof; and

(c) the Authorized Denominations shall be reduced to \$1,000 or any integral multiple thereof in the event that the 2018B Trustee receives an opinion of Counsel that the District has filed a notice of a claim of exemption, along with all other required documents necessary to exempt the 2018B Subordinate Bonds under any of the exemptions from registration contemplated by Section 11-59-110, C.R.S. and any rule or order promulgated thereunder, or any successor statute (and any rule or order promulgated under such successor statute), or has taken other actions which permit the 2018B Subordinate Bonds to be issued in denominations of \$1,000 or integral multiples thereof under the Colorado Municipal Bond Supervision Act, or any successor statute.

“*Beneficial Owner*” means any person for which a Participant acquires an interest in the 2018B Subordinate Bonds.

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

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

“*Bond Resolution*” means the resolution authorizing the issuance of the 2018B Subordinate Bonds and the execution of the 2018B Subordinate Indenture, certified by the Secretary of the District to have been duly adopted by the District and to be in full force and effect on the date of such certification, including any amendments or supplements made thereto.

“*Bond Year*” or “*2018B Bond Year*” means the period from December 16 of any calendar year to December 15 of the following calendar year.

“*Bonds*” or “*2018B Subordinate Bonds*” means the Subordinate Limited Tax General Obligation Bonds, Series 2018B, in the aggregate principal amount of \$3,260,000 dated as of the date of issuance, and issued by the District pursuant to the 2018B Subordinate Indenture and the Bond Resolution.

“*Business Day*” means a day on which the 2018B Trustee, or banks or trust companies in Denver, Colorado, or in New York, New York, are not authorized or required to remain closed and on which the New York Stock Exchange is not closed.

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

“*Cede*” means Cede & Co., the nominee of DTC as record owner of the 2018B Subordinate Bonds, or any successor nominee of DTC with respect to the 2018B Subordinate Bonds.

“*Certified Public Accountant*” means a certified public accountant within the meaning of Section 12-2-115, C.R.S., and any amendment thereto, licensed to practice in the State.

“*Code*” means the Internal Revenue Code of 1986, as amended and in effect as of the date of issuance of the 2018B Subordinate Bonds.

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

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

“*Consent Party*” means the 2018B Owner of a 2018B Subordinate Bond or, if such 2018B Subordinate Bond is held in the name of Cede, the Participant (as determined by a list provided by DTC) with respect to such 2018B Subordinate Bond, or if so designated in writing by a Participant, the Beneficial Owner of such 2018B Subordinate Bonds.

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

“*County*” means Douglas County, Colorado.

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

“*Depository*” means any securities depository that the District may provide and appoint, in accordance with the guidelines of the Securities and Exchange Commission, which shall act as securities depository for the 2018B Subordinate Bonds.

“*District*” means Crowfoot Valley Ranch Metropolitan District No. 2, Douglas County, Colorado.

“*District No. 1*” means Crowfoot Valley Ranch Metropolitan District No. 1, Douglas County, Colorado.

“*District Representative*” means the District President or the person or persons at the time designated to act on behalf of the District by the Bond Resolution or as designated by written certificate furnished to the 2018B Trustee containing the specimen signatures of such person or persons and signed on behalf of the District by its President and attested by its Secretary, and any alternate or alternates designated as such therein.

“*Districts*” means the District and District No. 1.

“*DTC*” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns. References in the 2018B Subordinate Indenture to DTC shall include any nominee of DTC in whose name any 2018B Subordinate Bonds are then registered.

“*Elections*” means the elections held within the District on November 5, 2002, November 7, 2006, and November 4, 2014.

“*Event of Default*” means any one or more of the events set forth in the 2018B Subordinate Indenture.

“*Excluded Fees*” means any fee imposed by the District solely for the purpose of funding operation and maintenance expenses.

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

“*Facility Fees*” means those fees imposed and collected by the District pursuant to the Facility Fees Resolution.

“*Facility Fees Resolution*” means the Resolution Concerning the Imposition of District Facility Fees recorded in the real property records of the County on May 30, 2018 at Reception No. 2018032258.

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

“*Fire IGA*” means the Intergovernmental Agreement, dated as of February 2, 2007, by and among the Town and the District and District No. 1.

“*Fire IGA Mill Levy*” means the mill levy required to be imposed by the District in accordance with the Fire IGA and the Service Plan.

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

“*GAAP*” means generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”).

“*Interest Payment Date*” or “*2018B Interest Payment Date*” means December 15 of each year, commencing December 15, 2018 and continuing for so long as the 2018B Subordinate Bonds are Outstanding.

“*Junior Lien Obligations*” means bonds, notes, debentures, or other multiple fiscal year financial obligations having a lien upon the Subordinate Pledged Revenue or any part thereof junior and subordinate to the lien thereon of the 2018B Subordinate Bonds, and any other obligation secured by a lien on any ad valorem property taxes of the District and designated by the District, in the resolutions, indentures, or other documents pursuant to which such obligations are issued, as constituting a Junior Lien Obligation hereunder, provided that such obligations are required to be issued in accordance with the provisions of the 2018B Subordinate Indenture. Any Junior Lien Obligation hereafter issued may be issued pursuant to such resolutions, indentures, or other documents as may be determined by the District.

“*Letter of Representations*” means the Blanket District Letter of Representations from the District to DTC to induce DTC to accept the 2018B Subordinate Bonds as eligible for deposit at DTC.

“*Mandatory Redemption Date*” shall have the meaning assigned it in the 2018B Subordinate Indenture.

“*Mandatory Redemption Price*” shall have the meaning assigned it in the 2018B Subordinate Indenture.

“*Outstanding*” or “*Outstanding Bonds*” means, as of any particular time, all 2018B Subordinate Bonds which have been duly authenticated and delivered by the 2018B Trustee under the 2018B Subordinate Indenture, except:

(a) 2018B Subordinate Bonds theretofore cancelled by the 2018B Trustee or delivered to the 2018B Trustee for cancellation because of payment at maturity or prior redemption;

(b) 2018B Subordinate Bonds for the payment or redemption of which moneys or Federal Securities in an amount sufficient (as determined pursuant to the 2018B Subordinate Indenture) shall have been theretofore deposited with the 2018B Trustee, or 2018B Subordinate Bonds for the payment or redemption of which moneys or Federal Securities in an amount sufficient (as determined pursuant to the 2018B Subordinate Indenture) shall have been placed in escrow and in trust; and

(c) 2018B Subordinate Bonds in lieu of which other 2018B Subordinate Bonds have been authenticated and delivered pursuant to the 2018B Subordinate Indenture.

“*Owner(s)*” or “*Owner(s) of Bonds*” or “*2018B Owner(s)*” means the registered owner(s) of any 2018B Subordinate Bond(s) as shown on the registration books maintained by the 2018B Trustee, including the Depository for the 2018B Subordinate Bonds, if any, or its nominee.

“*Parity Bonds*” or “*Subordinate Parity Bonds*” means any bonds, notes, debentures, or other multiple fiscal year financial obligations having a lien upon the Subordinate Pledged Revenue or any part thereof on parity with the lien thereon of the 2018B Subordinate Bonds, and any other obligation secured by a lien on any ad valorem property taxes of the District and designated by the District, in the resolutions, indentures, or other documents pursuant to which such obligations are issued, as constituting a Subordinate Parity Bond under the 2018B Subordinate Indenture, provided that such obligations are required to be issued in accordance with the provisions thereof. Any Subordinate Parity Bonds issued in the future may be issued pursuant to such resolutions, indentures, or other documents as may be determined by the District, and shall be designated in such resolutions, indentures or other documents as constituting Subordinate Parity Bonds under the 2018B Subordinate Indenture. (For the avoidance of doubt, the obligations of the District under the Fire IGA do not constitute Subordinate Parity Bonds under the 2018B Subordinate Indenture.)

“*Participants*” means any broker-dealer, bank, or other financial institution from time to time for which DTC or another Depository holds the 2018B Subordinate Bonds.



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

“*Prior Developer*” means Canyons South LLC.

“*Project*” means the acquisition, construction, and installation of the Facilities.

“*Project Costs*” means the District’s costs properly attributable to the Project or any part thereof, including reimbursement or payment of such costs in accordance with the Reimbursement Agreement, including without limitation:

- (a) the costs of labor and materials, of machinery, furnishings, and equipment, and of the restoration of property damaged or destroyed in connection with construction work;
- (b) the costs of insurance premiums, indemnity and fidelity bonds, financing charges, bank fees, taxes, or other municipal or governmental charges lawfully levied or assessed;
- (c) administrative and general overhead costs;
- (d) the costs of surveys, appraisals, plans, designs, specifications, and estimates;
- (e) the costs, fees, and expenses of printers, engineers, architects, construction management, financial consultants, accountants, legal advisors, or other agents or employees;
- (f) the costs of publishing, reproducing, posting, mailing, or recording documents;
- (g) the costs of contingencies or reserves;
- (h) the costs of issuing the 2018B Subordinate Bonds;
- (i) the costs of amending the 2018B Subordinate Indenture, the 2018A Senior Indenture, the Bond Resolution, or any other instrument relating to the 2018B Subordinate Bonds, the 2018A Senior Bonds, or the Project;
- (j) the costs of repaying any short-term financing, construction loans, and other temporary loans, and of the incidental expenses incurred in connection with such loans;
- (k) the costs of acquiring any property, rights, easements, licenses, privileges, agreements, and franchises;
- (l) the costs of demolition, removal, and relocation;
- (m) the costs of organizing the District, to the extent deemed capital expenditures under GAAP; and
- (n) all other lawful costs as determined by the Board.

“*Record Date*” means the last day of the calendar month next preceding the 2018B Interest Payment Date.

“*Reimbursement Agreement*” means the Facilities Funding and Acquisition Agreement dated February 2, 2007, by and between the Prior Developer and District No. 1, which has been assigned to HT Canyons South Development LP, a Delaware limited partnership, pursuant to an assignment dated as of May 11, 2018.

“*Senior Obligations*” means, collectively, the 2018A Senior Bonds, any obligations constituting “Parity Bonds” under the 2018A Senior Indenture, and any other obligation of the District so designated by the District as a

Senior Obligation (such that any ad valorem property taxes imposed for the payment thereof will constitute a Senior Obligation Mill Levy thereunder), provided that such obligations are required to be issued in accordance with the provisions of the 2018B Subordinate Indenture. Senior Obligations includes any obligation of the District issued as unlimited mill levy debt. Any Senior Obligations hereafter issued may be issued pursuant to such resolutions, indentures, or other documents as may be determined by the District, and shall be designated in such resolutions, indentures or other documents as constituting Senior Obligations under the 2018B Subordinate Indenture.

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

“*Senior Obligation Mill Levy*” means the sum of the Senior Required Mill Levy required to be imposed by the District in accordance with the 2018A Senior Indenture, and any other ad valorem property tax levy required to be imposed by the District for the payment of Senior Obligations.

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

“*Senior Obligation Surplus Fund*” means any fund or account created for the purpose of securing the payment of Senior Obligations, provided that such fund or account is not initially fully funded on the date of issuance of the Senior Obligations but, rather, is to be funded from revenues accumulated after the date of issuance of such Senior Obligations. Notwithstanding the foregoing, there is excluded from the definition of Senior Obligation Surplus Fund any Senior Obligation Bond Fund.

“*Service Plan*” means the Amended and Restated Consolidated Service Plan for the District and District No. 1 approved by the Board of County Commissioners of the County of Douglas, Colorado on December 16, 2008.

“*Special Record Date*” means the record date for determining 2018B Subordinate Bond ownership for purposes of paying defaulted interest, as such date may be determined pursuant to the 2018B Subordinate Indenture.

“*State*” means the State of Colorado.

“*Subordinate Bond Fund*” means the “Crowfoot Valley Ranch Metropolitan District No. 2 Subordinate Limited Tax General Obligation Bonds, Series 2018B, Subordinate Bond Fund,” established by the 2018B Subordinate Indenture for the purpose of paying the principal of, premium if any, and interest on the 2018B Subordinate Bonds.

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

“*Subordinate Pledged Revenue*” means the following, net of any costs of collection (to the extent not previously deducted by definition):

- (a) all Subordinate Property Tax Revenues;
- (b) all Subordinate Specific Ownership Tax Revenues;
- (c) all Subordinate Capital Fee Revenue; and

(d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

“*Subordinate Project Fund*” means the “Crowfoot Valley Ranch Metropolitan District No. 2 Subordinate Limited Tax General Obligation Bonds, Series 2018B, Subordinate Project Fund,” established by the 2018B Subordinate Indenture for the purpose of paying the Project Costs.

“*Subordinate Property Tax Revenues*” means all moneys derived from imposition by the District of the Subordinate Required Mill Levy. Subordinate Property Tax Revenues are net of the costs of collection and any tax refunds or abatements authorized by or on behalf of the County. (For the avoidance of doubt, Subordinate Property Tax Revenues do not include specific ownership tax revenues.)

“*Subordinate Required Mill Levy*” means an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount equal to (i) 50 mills **less the Senior Obligation Mill Levy**, or (ii) such lesser amount which, if imposed by the District for collection in the succeeding calendar year, would generate Subordinate Property Tax Revenues which, when combined with moneys then on deposit in the Subordinate Bond Fund, will pay the 2018B Subordinate Bonds in full in the year such levy is collected; provided however, that:

(a) in the event that the method of calculating assessed valuation is changed after December 16, 2008, the mill levy of 50 mills (less the Senior Obligation Mill Levy) provided in the 2018B Subordinate Indenture will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation; and

(b) notwithstanding anything in the 2018B Subordinate Indenture to the contrary, in no event may the Subordinate Required Mill Levy be established at a mill levy which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Subordinate Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Subordinate Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

“*Subordinate Specific Ownership Tax Revenues*” means the specific ownership taxes remitted to the District pursuant to Section 42-3-107, C.R.S., or any successor statute, as a result of its imposition of the Subordinate Required Mill Levy in accordance with the 2018B Subordinate Indenture.

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

“*Tax Certificate*” means the certificate to be signed by the District relating to the requirements of Sections 103 and 141-150 of the Code, and any amendment or modification of any such certificate, instrument or instructions that is accompanied by an opinion of Bond Counsel stating that the amendment or modification will not adversely affect the exclusion of interest on the 2018B Subordinate Bonds from gross income for federal income tax purposes.

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

“*Trust Estate*” means the moneys, securities, revenues, receipts, and funds transferred, pledged, and assigned to the 2018B Trustee pursuant to the Granting Clauses of the 2018B Subordinate Indenture.

“*Underwriter*” means D.A. Davidson & Company, of Denver, Colorado, the original purchaser of the 2018B Subordinate Bonds.

“*2018A Senior Bonds*” means the Limited Tax General Obligation Bonds, Series 2018A, in the aggregate principal amount of \$31,945,000 dated as of the date of issuance, and issued by the District pursuant to the 2018A Senior Indenture.

“*2018A Senior Indenture*” means the Indenture of Trust (Senior) dated as of June 1, 2018, by and between the District and UMB Bank, n.a., as trustee, pursuant to which the 2018A Senior Bonds are issued.

“*2018B Subordinate Indenture*” means the Indenture of Trust (Subordinate) as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental thereto entered into pursuant to the applicable provisions thereof.

“*2018B Trustee*” means UMB Bank, n.a., in Denver, Colorado, in its capacity as trustee under the 2018B Subordinate Indenture, or any successor Trustee, appointed, qualified, and acting as trustee, paying agent, and bond registrar under the provisions of the 2018B Subordinate Indenture.

#### **Additional Covenants and Agreements**

The District further irrevocably covenants under the 2018B Subordinate Indenture and agrees with each and every 2018B Owner that so long as any of the 2018B Subordinate Bonds remain Outstanding:

(a) The District will maintain its existence and shall not merge or otherwise alter its corporate structure in any manner or to any extent as might reduce the security provided for the payment of the 2018B Subordinate Bonds, and will continue to operate and manage the District and its facilities in an efficient and economical manner in accordance with all applicable laws, rules, and regulations.

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

(c) The District will carry general liability, public officials liability, and such other forms of insurance coverage on insurable District property upon the terms and conditions as in the judgment of the District would ordinarily be carried by entities having similar properties of equal value, such insurance being in such amounts as will protect the District and its operations.

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

(e) In the event any ad valorem taxes are not paid when due, the District 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.

(f) In the event the Subordinate Pledged Revenue is insufficient or is anticipated to be insufficient to pay the principal of, premium if any, and interest on the 2018B Subordinate Bonds when due, the District shall use

its best efforts to refinance, refund, or otherwise restructure the 2018B Subordinate Bonds so as to avoid such payment shortfall.

(g) In the event that any amount of the Subordinate Pledged Revenue is released to the District as described in SECOND of the “Flow of Funds” (See “SECURITY FOR THE 2018B SUBORDINATE BONDS – Flow of Funds” in the Limited Offering Memorandum), the District will, in making its determination as to which obligations will be paid with such amounts, take into account that State law places certain restrictions upon the use of any moneys representing ad valorem property tax revenue.

(h) In the event that an exemption from registration for the 2018B Subordinate Bonds under the Colorado Municipal Bond Supervision Act (including any rules or orders promulgated thereunder) becomes available that permits the issuance or reissuance of the 2018B Subordinate Bonds in denominations of \$1,000 or integral multiples thereof, and if requested in writing by the Consent Parties with respect to not less than a majority in aggregate principal amount of the 2018B Subordinate Bonds, the District shall, at the expense of the Consent Parties so requesting, use its good faith efforts to obtain such an exemption, amend the 2018B Subordinate Indenture as may be required in connection therewith, and issue or reissue the 2018B Subordinate Bonds in denominations of \$1,000 or integral multiples thereof.

(i) Subject to the 2018B Owners of a majority in aggregate principal amount of the 2018B Subordinate Bonds assuming control of the enforcement of remedies upon default, the District will enforce the collection of all Capital Fees in such time and manner as the District reasonably determines will be most efficacious in collecting the same, including without limitation the bringing of an action to foreclose any statutory or contractual lien which may exist in connection therewith. The District will not reduce the amount of the Facility Fees, or amend or supplement the Facility Fees Resolution in any way which would materially adversely affect the amount or timing of Facility Fees to be collected, without the prior written consent of the Consent Parties with respect to not less than a majority in aggregate principal amount of the 2018B Subordinate Bonds then Outstanding; provided that nothing in the 2018B Subordinate Indenture shall prevent the District from increasing the amount of the Facility Fees.

(j) The District will not amend or supplement any of the documents pertaining to the Senior Obligations in any way which (i) alters the amortization of the principal of such Senior Obligations or (ii) increases the rate or rates of interest borne by the Senior Obligations, except upon the prior written consent of the Consent Parties with respect to 100% in aggregate principal amount of the 2018B Subordinate Bonds.

### **Tax Matters**

(a) The District shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation.

(b) The District shall not use or permit the use of any proceeds of 2018B Subordinate Bonds or any funds of the District, directly or indirectly, to acquire any securities or obligations, and shall not take or permit to be taken any other action or actions, which would cause any 2018B Subordinate Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code or “federally guaranteed” within the meaning of Section 149(b) of the Code and any such applicable requirements promulgated from time to time thereunder and under Section 103(b) of the Code, and the District shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The District shall comply with all requirements of Sections 148 and 149(d) of the Code to the extent applicable to the 2018B Subordinate Bonds. In the event that at any time the District is of the opinion that for purposes of this paragraph it is necessary to restrict or to limit the yield on the investment of any moneys held by the 2018B Trustee or held by the District under the 2018B Subordinate Indenture, the District shall so restrict or

limit the yield on such investment or shall so instruct the 2018B Trustee in a detailed certificate, and the 2018B Trustee shall take such action as may be necessary in accordance with such instructions.

(c) The District specifically covenants under the 2018B Subordinate Indenture to comply with the provisions and procedures of the Tax Certificate.

(d) The covenants contained in the 2018B Subordinate Indenture shall continue in effect until all 2018B Subordinate Bonds are fully paid, satisfied, and discharged.

#### **Discharge of the Lien of the 2018B Subordinate Indenture**

(a) If the District shall pay or cause to be paid to the 2018B Trustee, for the 2018B Owners, the principal of and interest to become due thereon at the times and in the manner stipulated in the 2018B Subordinate Indenture, and if the District shall keep, perform, and observe all and singular the covenants and promises in the 2018B Subordinate Bonds and in the 2018B Subordinate Indenture expressed to be kept, performed, and observed by it or on its part, and if all fees and expenses of the 2018B Trustee required by the 2018B Subordinate Indenture to be paid shall have been paid, then these presents and the estate and rights thereby granted shall cease, terminate, and be void, and thereupon the 2018B Trustee shall cancel and discharge the lien of the 2018B Subordinate Indenture, and execute and deliver to the District such instruments in writing as shall be required to satisfy the lien hereof, and assign and deliver to the District any property at the time subject to the lien of the 2018B Subordinate Indenture which may then be in its possession, and deliver any amounts required to be paid to the District under the 2018B Subordinate Indenture, except for moneys and Federal Securities held by the 2018B Trustee for the payment of the principal of, premium if any, and interest on the 2018B Subordinate Bonds.

(b) Any 2018B Subordinate 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 2018B Subordinate Indenture if, for the purpose of paying such 2018B Subordinate Bond (i) there shall have been deposited with the 2018B Trustee an amount sufficient, without investment, to pay the principal of, premium if any, and interest on such 2018B Subordinate 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 2018B Subordinate Bond, as the same becomes due at maturity or upon one or more designated prior redemption dates. The Federal Securities in any such escrow 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. With respect to any accrued and unpaid interest on the 2018B Subordinate Bonds, including any compound interest remaining unpaid, it is acknowledged that such amounts are due and payable immediately at the time of funding any escrow intended to accomplish a defeasance of the 2018B Subordinate Bonds. Upon the funding of an escrow defeasing 2018B Subordinate Bonds in accordance with the provisions of the 2018B Subordinate Indenture, the Bonds shall cease to be subject to mandatory redemption in accordance with the provisions of the 2018B Subordinate Indenture, and the principal of the 2018B Subordinate Bonds shall be due and payable only on the designated redemption date(s).

(c) Neither the Federal Securities, nor moneys deposited with the 2018B Trustee or placed in escrow and in trust pursuant to the 2018B Subordinate 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 and interest on the 2018B Subordinate Bonds; provided however, that any cash received from such

principal or interest payments on such Federal Securities, if not then needed for such purpose, shall, to the extent practicable, be reinvested subject to the provisions of the 2018B Subordinate Indenture in Federal Securities maturing at the times and in amounts sufficient to pay, when due, the principal of and interest on the 2018B Subordinate Bonds.

(d) Prior to the investment or reinvestment of such moneys or such Federal Securities as provided in the 2018B Subordinate Indenture, the 2018B Trustee shall receive and may rely upon: (i) an opinion of Bond Counsel experienced in matters arising under Section 103 of the Code and acceptable to the 2018B Trustee, that the investment or reinvestment of such moneys or such Federal Securities complies with the 2018B Subordinate 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 and interest on the 2018B Subordinate Bonds when due.

(e) The release of the obligations of the District described under this section shall be without prejudice to the rights of the 2018B Trustee to be paid reasonable compensation by the District for all services rendered by it under the 2018B Subordinate Indenture and all its reasonable expenses, charges, and other disbursements incurred in the administration of the trust thereby created, the exercise of its powers, and the performance of its duties thereunder.

#### **Discharge on December 15, 2058**

Notwithstanding any other provision in the 2018B Subordinate Indenture, in the event that any amount of principal of or interest on the 2018B Subordinate Bonds remains unpaid after the application of all Subordinate Pledged Revenue available therefor on December 15, 2058, the 2018B Subordinate Bonds and the lien of the 2018B Subordinate Indenture securing payment thereof shall be deemed discharged, the estate and rights granted under the 2018B Subordinate Indenture shall cease, terminate, and be void, and thereupon the 2018B Trustee shall cancel and discharge the lien of the 2018B Subordinate Indenture, and execute and deliver to the District such instruments in writing as shall be required to evidence the same. Upon such discharge, the 2018B Owners will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the 2018B Subordinate Bonds remaining unpaid.

#### **Supplemental Indentures Not Requiring Consent**

Subject to the provisions of the 2018B Subordinate Indenture, the District and the 2018B Trustee may, without the consent of or notice to the Consent Parties, enter into such indentures supplemental to the 2018B Subordinate Indenture, which supplemental indentures shall thereafter form a part thereof, for any one or more of the following purposes:

(a) To cure any ambiguity, to cure, correct, or supplement any formal defect or omission or inconsistent provision contained in the 2018B Subordinate Indenture, to make any provision necessary or desirable due to a change in law, to make any provisions with respect to matters arising under the 2018B Subordinate Indenture, or to make any provisions for any other purpose if such provisions are necessary or desirable and do not in the opinion of Bond Counsel materially adversely affect the interests of the 2018B Owners;

(b) To subject to the 2018B Subordinate Indenture additional revenues, properties, or collateral;

(c) To grant or confer upon the 2018B Trustee for the benefit of the 2018B Owners any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the 2018B Owners or the 2018B Trustee; and

(d) To qualify the 2018B Subordinate Indenture under the Trust Indenture Act of 1939.

## **Supplemental Indentures Requiring Consent**

(a) Except for supplemental indentures delivered as described in the foregoing section, and subject to the provisions of the 2018B Subordinate Indenture, the Consent Parties with respect to not less than a majority (or for modifications of provisions thereof which require the consent of a percentage of 2018B Owners or Consent Parties higher than a majority, such higher percentage) in aggregate principal amount of the 2018B Subordinate Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the District and the 2018B Trustee of such indenture or indentures supplemental to the 2018B Subordinate 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 2018B Subordinate Indenture; provided however, that without the consent of the Consent Parties with respect to all the Outstanding 2018B Subordinate Bonds affected thereby, nothing contained in the 2018B Subordinate Indenture shall permit, or be construed as permitting:

(i) a change in the terms of the maturity of any Outstanding 2018B Subordinate Bond, in the principal amount of any Outstanding 2018B Subordinate Bond, in the optional or mandatory redemption provisions applicable thereto, or the rate of interest thereon;

(ii) an impairment of the right of the 2018B Owners to institute suit for the enforcement of any payment of the principal of or interest on the 2018B Subordinate Bonds when due;

(iii) a privilege or priority of any 2018B Subordinate Bond or any interest payment over any other 2018B Subordinate Bond or interest payment; or

(iv) a reduction in the percentage in principal amount of the Outstanding 2018B Subordinate Bonds, the consent of whose 2018B Owners or Consent Parties is required for any such supplemental indenture.

(b) Upon the execution of any supplemental indenture pursuant to the provisions of the 2018B Subordinate Indenture, the 2018B Subordinate Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under the 2018B Subordinate Indenture of the District, the 2018B Trustee, and all 2018B Owners of 2018B Subordinate Bonds then Outstanding shall thereafter be determined, exercised, and enforced under the 2018B Subordinate Indenture, subject in all respects to such modifications and amendments.

(c) If at any time the District shall request the 2018B Trustee to enter into such supplemental indenture for any of the purposes of the 2018B Subordinate Indenture, the 2018B 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 by mailing such notice by certified or registered first class mail to each 2018B Owner to the address shown on the registration books of the 2018B Trustee or by electronic means to DTC or its successors, at least 30 days prior to the proposed date of execution and delivery of any such supplemental indenture. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal corporate trust office of the 2018B Trustee for inspection by all 2018B Owners. If, within 60 days or such longer period as shall be prescribed by the District following the giving of such notice, the Consent Parties with respect to not less than the required percentage in aggregate principal amount of the 2018B Subordinate Bonds then Outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as provided in the 2018B Subordinate Indenture, the District may execute and deliver such supplemental indenture and no 2018B Owner 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 2018B Trustee or the District from executing the same or from taking any action pursuant to the provisions thereof.

**APPENDIX G**  
**FORMS OF BOND COUNSEL OPINIONS**

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1225 17th Street, Suite 2300  
Denver, CO 80202-5596  
TEL 303.292.2400  
FAX 303.296.3956  
www.ballardspahr.com

June 19, 2018

Crowfoot Valley Ranch Metropolitan District No. 2  
c/o Collins Cockrel & Cole, P.C.  
390 Union Boulevard, Suite 400  
Denver, Colorado 80228

**\$31,945,000**  
**Crowfoot Valley Ranch Metropolitan District No. 2**  
**(In Douglas County, Colorado)**  
**Limited Tax General Obligation Bonds**  
**Series 2018A**

Ladies and Gentlemen:

We have acted as bond counsel to Crowfoot Valley Ranch Metropolitan District No. 2, in Douglas County, Colorado (the “**Issuer**”) in connection with the issuance of the above-referenced bonds (the “**Bonds**”), pursuant to a resolution adopted by the Board of Directors (the “**Board**”) of the Issuer on May 29, 2018 (the “**Resolution**”) and an Indenture of Trust (Senior) dated as of June 1, 2018 (the “**Indenture**”) between the Issuer and UMB Bank, n.a., as trustee (the “**Trustee**”). *Capitalized terms used and not defined herein shall have the meanings set forth in the Indenture.*

The Bonds are issuable as fully registered bonds, dated as of the date of their delivery, in minimum denominations of \$500,000 and integral multiples of \$1,000 in excess thereof. The Bonds mature, bear interest, are payable and are subject to redemption prior to maturity, in the manner and upon the terms set forth therein and in the Indenture. The Underwriter has certified that the Bonds are being offered solely to “financial institutions or institutional investors” within the meaning of the Special District Act, constituting Section 32-1-101 *et seq.*, Colorado Revised Statutes, as amended (the “**Special District Act**”).

The Indenture provides that the Bonds are limited tax general obligations of the Issuer and shall be secured solely by a pledge of the Pledged Revenue (with the exceptions and subject to the limitations provided in the Indenture) and other sources provided therefor in the Indenture.

We have examined the law and such certified proceedings and other instruments as we deem necessary to form an appropriate basis for us to render this opinion letter, including, without limitation, portions of the Internal Revenue Code of 1986, as amended (the “Code”) relevant to the opinions set forth in paragraphs 5 through 6; the Special District Act, Section 11-57-201 et seq., Colorado Revised Statutes, as amended; an order and decree of the District Court of Douglas County, Colorado issued on December 3, 2002 and recorded in the real property records of Douglas County, Colorado on December 18, 2002; a certified record of the results of the elections of the eligible electors of the Issuer held on November 5, 2002, November 7, 2006, and November 4, 2014; a certified transcript of the record of proceedings of the Board taken preliminary to and in connection with the authorization of the Bonds; a form of the Bonds; and certificates of the Issuer, specifically including a tax certificate, and of others delivered in connection with the issuance of the Bonds.

In our examination of such proceedings, certificates, consents and other instruments, we have assumed the genuineness of all signatures, the legal capacity of all natural persons, the accuracy and completeness of all documents submitted to us, the authenticity of all original documents and the conformity to authentic original documents of all documents submitted to us as copies (including telecopies). We also have assumed the authenticity and completeness of the foregoing certifications and accuracy of the statements of fact contained therein, on which we are relying, and have made no independent investigations thereof.

We have not been engaged and have not undertaken to consider the adequacy of the Pledged Revenue or other financial resources of the Issuer or its ability to provide for payment of the Bonds and we express no opinion herein as to such matters. We also express no opinion herein with respect to the accuracy, completeness or sufficiency of the Limited Offering Memorandum dated June 13, 2018 or other offering materials relating to the Bonds. As to factual matters, we have relied, without independent investigation, upon the representations of the Issuer; HT Canyons South LP, HT Canyons South Development LP and HT Canyons South Land LP (collectively, the “Developer”); the Underwriter; the Trustee; and other parties contained in certified proceedings, including the Resolution and the Indenture, and in the aforesaid certificates and other instruments. We have also reviewed the opinion of Collins Cockrel & Cole, P.C., Denver, Colorado, counsel to the Issuer, a copy of which opinion has been delivered to the Trustee.

Based on the foregoing, it is our opinion that, as of the date hereof and under existing law:

1. The Indenture has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms; provided, however, that no opinion is expressed herein as to the enforceability of the obligations of the Issuer set forth in Section 9.01(m) of the Indenture.

2. The Bonds have been duly authorized, executed and delivered by the Issuer and constitute valid and binding limited tax general obligations of the Issuer, payable solely from and to the extent of the Pledged Revenue and the other sources provided therefor in the Indenture, and are legally enforceable in accordance with their terms.

3. All taxable property of the Issuer is subject to an ad valorem tax levy at the rate and in the amount of the Senior Required Mill Levy, for the purpose of paying the principal of and interest on the Bonds.

4. The Indenture creates a valid lien on the Pledged Revenue and all right, title and interest of the Issuer in and to the Pledged Revenue have been validly assigned and pledged to the Trustee under the Indenture in accordance with Section 11-57-208, Colorado Revised Statutes, as amended.

5. Interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of the certifications of the Issuer and continuing compliance by the Issuer with the requirements of the Code. Interest on the Bonds is not an item of tax preference for purposes of the individual federal alternative minimum tax (“**AMT**”). The corporate AMT was repealed by legislation enacted on December 22, 2017 (known as the “**Tax Cuts and Jobs Act**”), effective for tax years beginning after December 31, 2017. For tax years beginning on or before December 31, 2017, interest on the Bonds is not an item of tax preference for purposes of the corporate AMT in effect prior to enactment of the Tax Cuts and Jobs Act; however, interest on the Bonds while held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder. We express no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

6. To the extent that interest on the Bonds is excludable from gross income for federal income tax purposes, such interest is also excludable from gross income for State income tax purposes and from the calculation of State alternative minimum taxable income. We express no opinion regarding other State or local tax consequences arising with respect to the Bonds, including whether interest on the Bonds is exempt from taxation under the laws of any jurisdiction other than the State.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and may also be subject to and limited by the exercise of judicial discretion, procedural and other defenses based on particular factual circumstances and equitable principles in appropriate cases, to the reasonable exercise 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 powers delegated to it by the United States Constitution; and while certain remedies and other provisions of the Indenture are subject to the aforesaid exceptions and limitations and, therefore, may not be enforceable in accordance with their respective terms, such unenforceability would not preclude the enforcement of the obligations of the Issuer to pay the principal of, and interest on, the Bonds from available Pledged Revenue and other sources provided therefor in the Indenture.

This opinion is issued as of the date hereof, and we assume no obligation to (i) monitor or advise you or any other person of any changes in the foregoing subsequent to the delivery hereof;

(ii) update, revise, supplement or withdraw this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, regulation, or governmental agency guidance, or the interpretation of any of the foregoing, that may hereafter occur, or for any other reason whatsoever; or (iii) review any legal matters incident to the authorization, issuance, validity, and exemption from federal or state income tax of the Bonds, or the purposes to which the proceeds thereof are to be applied, after the date hereof.

Certain requirements and procedures contained or referred to in the Indenture and certain other documents executed in connection with the issuance of the Bonds may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted in the future if a legal opinion is rendered at the time to the effect that such action will not cause the interest on the Bonds to be included in the gross income of the owners for federal income tax purposes. This opinion does not address any such actions.

This letter is furnished by us as bond counsel to the Issuer in connection with the issuance of the Bonds. No attorney-client relationship has existed or exists between us and anyone other than the Issuer in connection with the issuance of the Bonds by virtue of this letter.

Very truly yours,

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1225 17th Street, Suite 2300  
Denver, CO 80202-5596  
TEL 303.292.2400  
FAX 303.296.3956  
www.ballardspahr.com

June 19, 2018

Crowfoot Valley Ranch Metropolitan District No. 2  
c/o Collins Cockrel & Cole, P.C.  
390 Union Boulevard, Suite 400  
Denver, Colorado 80228

**\$3,260,000**  
**Crowfoot Valley Ranch Metropolitan District No. 2**  
**(In Douglas County, Colorado)**  
**Subordinate Limited Tax General Obligation Bonds**  
**Series 2018B**

Ladies and Gentlemen:

We have acted as bond counsel to Crowfoot Valley Ranch Metropolitan District No. 2, in Douglas County, Colorado (the “**Issuer**”) in connection with the issuance of the above-referenced bonds (the “**Bonds**”), pursuant to a resolution adopted by the Board of Directors (the “**Board**”) of the Issuer on May 29, 2018 (the “**Resolution**”) and an Indenture of Trust (Subordinate) dated as of June 1, 2018 (the “**Indenture**”) between the Issuer and UMB Bank, n.a., as trustee (the “**Trustee**”). *Capitalized terms used and not defined herein shall have the meanings set forth in the Indenture.*

The Bonds are issuable as fully registered bonds, dated as of the date of their delivery, in minimum denominations of \$500,000 and integral multiples of \$1,000 in excess thereof. The Bonds mature, bear interest, are payable and are subject to redemption prior to maturity, in the manner and upon the terms set forth therein and in the Indenture. The Underwriter has certified that the Bonds are being offered solely to “financial institutions or institutional investors” within the meaning of the Special District Act, constituting Section 32-1-101 *et seq.*, Colorado Revised Statutes, as amended (the “**Special District Act**”).

The Indenture provides that the Bonds are limited tax general obligations of the Issuer and shall be secured solely by a pledge of the Subordinate Pledged Revenue (with the exceptions and subject to the limitations provided in the Indenture) and other sources provided therefor in the Indenture.

We have examined the law and such certified proceedings and other instruments as we deem necessary to form an appropriate basis for us to render this opinion letter, including, without limitation, portions of the Internal Revenue Code of 1986, as amended (the “**Code**”) relevant to the opinions set forth in paragraphs 5 through 6; the Special District Act, Section 11-57-201 et seq., Colorado Revised Statutes, as amended; an order and decree of the District Court of Douglas County, Colorado issued on December 3, 2002 and recorded in the real property records of Douglas County, Colorado on December 18, 2002; a certified record of the results of the elections of the eligible electors of the Issuer held on November 5, 2002, November 7, 2006, and November 4, 2014; a certified transcript of the record of proceedings of the Board taken preliminary to and in connection with the authorization of the Bonds; a form of the Bonds; and certificates of the Issuer, specifically including a tax certificate, and of others delivered in connection with the issuance of the Bonds.

In our examination of such proceedings, certificates, consents and other instruments, we have assumed the genuineness of all signatures, the legal capacity of all natural persons, the accuracy and completeness of all documents submitted to us, the authenticity of all original documents and the conformity to authentic original documents of all documents submitted to us as copies (including telecopies). We also have assumed the authenticity and completeness of the foregoing certifications and accuracy of the statements of fact contained therein, on which we are relying, and have made no independent investigations thereof.

We have not been engaged and have not undertaken to consider the adequacy of the Subordinate Pledged Revenue or other financial resources of the Issuer or its ability to provide for payment of the Bonds and we express no opinion herein as to such matters. We also express no opinion herein with respect to the accuracy, completeness or sufficiency of the Limited Offering Memorandum dated June 13, 2018 or other offering materials relating to the Bonds. As to factual matters, we have relied, without independent investigation, upon the representations of the Issuer; HT Canyons South LP, HT Canyons South Development LP and HT Canyons South Land LP (collectively, the “**Developer**”); the Underwriter; the Trustee; and other parties contained in certified proceedings, including the Resolution and the Indenture, and in the aforesaid certificates and other instruments. We have also reviewed the opinion of Collins Cockrel & Cole, P.C., Denver, Colorado, counsel to the Issuer, a copy of which opinion has been delivered to the Trustee.

Based on the foregoing, it is our opinion that, as of the date hereof and under existing law:

1. The Indenture has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms; provided, however, that no opinion is expressed herein as to the enforceability of the obligations of the Issuer set forth in Section 9.01(m) of the Indenture.

2. The Bonds have been duly authorized, executed and delivered by the Issuer and constitute valid and binding limited tax general obligations of the Issuer, payable solely from and to the extent of the Subordinate Pledged Revenue and the other sources provided therefor in the Indenture, and are legally enforceable in accordance with their terms.



3. All taxable property of the Issuer is subject to an ad valorem tax levy at the rate and in the amount of the Subordinate Required Mill Levy, for the purpose of paying the principal of and interest on the Bonds.

4. The Indenture creates a valid lien on the Subordinate Pledged Revenue and all right, title and interest of the Issuer in and to the Subordinate Pledged Revenue have been validly assigned and pledged to the Trustee under the Indenture in accordance with Section 11-57-208, Colorado Revised Statutes, as amended.

5. Interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of the certifications of the Issuer and continuing compliance by the Issuer with the requirements of the Code. Interest on the Bonds is not an item of tax preference for purposes of the individual federal alternative minimum tax (“**AMT**”). The corporate AMT was repealed by legislation enacted on December 22, 2017 (known as the “**Tax Cuts and Jobs Act**”), effective for tax years beginning after December 31, 2017. For tax years beginning on or before December 31, 2017, interest on the Bonds is not an item of tax preference for purposes of the corporate AMT in effect prior to enactment of the Tax Cuts and Jobs Act; however, interest on the Bonds while held by a corporation (other than an S corporation, regulated investment company, or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder. We express no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

6. To the extent that interest on the Bonds is excludable from gross income for federal income tax purposes, such interest is also excludable from gross income for State income tax purposes and from the calculation of State alternative minimum taxable income. We express no opinion regarding other State or local tax consequences arising with respect to the Bonds, including whether interest on the Bonds is exempt from taxation under the laws of any jurisdiction other than the State.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted and may also be subject to and limited by the exercise of judicial discretion, procedural and other defenses based on particular factual circumstances and equitable principles in appropriate cases, to the reasonable exercise 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 powers delegated to it by the United States Constitution; and while certain remedies and other provisions of the Indenture are subject to the aforesaid exceptions and limitations and, therefore, may not be enforceable in accordance with their respective terms, such unenforceability would not preclude the enforcement of the obligations of the Issuer to pay the principal of, and interest on, the Bonds from available Subordinate Pledged Revenue and other sources provided therefor in the Indenture.

This opinion is issued as of the date hereof, and we assume no obligation to (i) monitor or advise you or any other person of any changes in the foregoing subsequent to the delivery hereof;

(ii) update, revise, supplement or withdraw this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, regulation, or governmental agency guidance, or the interpretation of any of the foregoing, that may hereafter occur, or for any other reason whatsoever; or (iii) review any legal matters incident to the authorization, issuance, validity, and exemption from federal or state income tax of the Bonds, or the purposes to which the proceeds thereof are to be applied, after the date hereof.

Certain requirements and procedures contained or referred to in the Indenture and certain other documents executed in connection with the issuance of the Bonds may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted in the future if a legal opinion is rendered at the time to the effect that such action will not cause the interest on the Bonds to be included in the gross income of the owners for federal income tax purposes. This opinion does not address any such actions.

This letter is furnished by us as bond counsel to the Issuer in connection with the issuance of the Bonds. No attorney-client relationship has existed or exists between us and anyone other than the Issuer in connection with the issuance of the Bonds by virtue of this letter.

Very truly yours,